

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 24 November 2022
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Report for the Period July to September 2022.

Summary

The purpose of the report is:

- **To provide a summary of the work of Audit and Assurance during the period above.**
- **To provide ongoing assurance to the Council on the adequacy of its control environment.**

Recommendation

The Accounts and Audit Committee is asked to note the report.

Contact person for access to background papers and further information:

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Background Papers: None

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TRAFFORD
COUNCIL

Audit and Assurance Service Report July to September 2022

Date: November 2022

1. Purpose of Report

This report summarises the work of the Audit and Assurance Service between July 2022 and September 2022 and highlights progress against the 2022/23 Internal Audit Plan to date. At the end of the year, these update reports will be brought together in the Annual Head of Internal Audit Report which will give the opinion on the overall effectiveness of the Council's control environment during 2022/23.

2. Planned Assurance Work

Key elements of the 2022/23 Work Plan produced in March 2022 include:

- Fundamental Financial Systems reviews.
- Input to the Annual Governance Statement
- Continued input to and review of risk management arrangements and provision of guidance.
- Review of corporate procurement and value for money arrangements.
- Audit reviews in respect of ICT and information governance.
- Anti-fraud and corruption work, including the National Fraud Initiative.
- School audits and other establishment audit reviews.
- Grant claim certification work
- Audit reviews of other areas of business risk including audits of services and functions.
- Provision of guidance and advice to services across the Council.

3. Main areas of focus – July to September 2022

Work in the quarter included finalising audit reports covering cyber security, adult social care payments and schools. There was also work completed to finalise the sign off of grant claims where Internal Audit input was a requirement. A number of other audit reviews were progressed which will be reported when finalised as part of the Quarter 3 update. All audit opinion reports and grant sign offs completed or in progress are listed in Section 5 and other key areas of audit work undertaken are referred to in Section 6.

4. Summary of Assurances July to September 2022

There were 7 internal audit reports produced in the period (5 final reports and 2 draft reports). In addition, Audit completed checks in relation to 3 grant claims providing assurance from the Council that the grant conditions had been complied with (See Section 5 for a listing of reports issued and grant checks completed, together with a summary of findings).

In respect of the 4 final reports issued where updated opinions levels were given, "Substantial" or "Reasonable" Assurance was provided for all these audits. Where any new recommendations have been made, agreed action plans are in place to implement these.

5. Summary of Audit & Assurance Opinions Issued – July to September 2022

(See Appendix 3 for details of Audit opinion levels, report levels and report status)

REPORT NAME (DIRECTORATE) / (PORTFOLIO) by Coverage Level (1-4)	-OPINION -R/AG -Date Issued	COMMENTS
FINAL REPORTS ISSUED		
Level 4 Reports:		
Cyber Security follow-up audit (Finance and Systems) / (Finance and Governance)	Reasonable * (GREEN) 25/7/22	A report was issued in November 2020, providing assurance that whilst most key risks are being managed, there was further scope for improvement in controls across a number of aspects of cyber security. A follow up review was undertaken concluding that of the 24 recommendations previously made, 11 have been implemented and 13 are in progress. A number of developments are being made as part of wider delivery programmes including the current Microsoft M365 migration programme; the FreshService programme covering developments in IT service management tools and the Business Continuity programme. Funding for a Cyber Security Officer had previously been agreed and this post was filled in September 2022. Developments in managing cyber security risks continue to be monitored as part of the strategic risk register.
Level 3 Reports:		
Adult Social Care Payments System (Adults' Services) / (Adult Social Care)	N/A * (GREEN) 5/9/22	A previous audit was reported in August 2020 ("Medium" Level of Assurance) and a follow up review has been undertaken to provide a position statement on progress made to date. It was reported that progress has been made with each recommendation. Of the 17 previous audit recommendations, 5 have been fully implemented, and 12 of these are met in part or in progress. Further improvements were identified to be made in some areas such as in setting up contract details and payment arrangements promptly on the ContrOCC system. It is acknowledged that progress has been impacted over the last 2 years given the pandemic. Adult Social Care also faces challenges with the implementation of social care charging reforms, currently, due to go live due in Oct 2023. Audit will continue to work with Adults' Services in reviewing the ongoing development of processes for the effective monitoring of payments and consider an updated audit opinion further to developments being made.
Adults Direct Payments (Adults' Services) / (Adult Social Care)	Reasonable * (GREEN) 8/8/22	A previous audit was reported in August 2020 and a follow up review was undertaken. Audit acknowledged the impact of the Covid-19 pandemic on the service delivery, in terms of capacity, disruption and emerging risks. There was evidence of progress being made with each previous recommendation. Of the 19 audit recommendations made in the previous audit, 4 have been fully implemented, 15 are in progress or met in part. Further developments to be made include completion and approval of the Direct Payments Policy and further development of performance management arrangements.
Level 1 Reports:		
St. Monica's RC Primary School (Children's Services) / (Children's Services-	Substantial (GREEN) 14/9/22	A good standard of governance and internal control arrangements were found to be in place. The roles and responsibilities of governors, sub-committees and key staff are clearly defined.

Education)		Relevant school policies are reviewed on a regular basis. Only one recommendation was made in relation to the school fund accounts which was agreed to be implemented shortly.
St. Michael's CE Primary School (Children's Services) / Children's Services-Education)	Substantial (GREEN) 20/7/22	A good standard of governance and internal control arrangements were found to be in place. The roles and responsibilities of governors, sub-committees and key staff are clearly defined. Relevant school policies are reviewed on a regular basis. A small number of audit recommendations were made. Areas for improvement included in relation to obtaining and publishing details of financial and business interests of all governors in line with DfE guidance.
<u>DRAFT REPORTS</u>		
<u>Level 4 Reports:</u>		
Payroll (Strategy and Resources) / (Finance and Governance)		By the end of September, initial draft findings had been produced. A final report is to be issued and outcomes will be reported in the October to December 2022 Audit and Assurance update.
<u>Level 1 Reports:</u>		
Cloverlea Primary School (Children's Services) / (Children's Services)		By the end of September, initial draft findings had been produced. A final report has since been issued and will be reported in the October to December 2022 update.
<i>*Denotes this final report is a follow up audit – i.e. the main focus of the review was a follow up of recommendations made as part of a previous internal audit review.</i>		
GRANT CERTIFICATION	DATE COMPLETED	DESCRIPTION/COMMENTS
Local Transport Capital Block Funding (Pothole Fund) Grant (2021/22) (Place) / (Environmental Services)	15/9/22	Greater Manchester Combined Authority (GMCA) is the accountable body for funding through a government allocation of £15.5m for this grant for 2021/22. There is a requirement for the GMCA to certify to the Department for Transport (DfT) that funds have been spent in compliance with grant conditions and requested each of the GM authorities to provide assurance. For Trafford Council the allocation amounted to £1.29m. Audit confirmed that based on work undertaken, the opinion given was that in all significant respects, the conditions stated in the grant award letter in relation to Local Transport Capital Block Funding (Pothole Fund) have been complied with.
Local Authority Test and Trace Support Scheme Funding (Finance and Systems) / (Finance and Governance)	30/9/22	The purpose of the grant was to provide support to local authorities in England towards expenditure lawfully incurred or to be incurred in relation to the delivery of the Test and Trace Support Payment scheme. The scheme aimed to support people on low incomes who were told to self-isolate who were unable to work from home and would lose income as a result. Audit confirmed having carried out appropriate checks, in all significant respects, the conditions attached to the grant had been complied with.
Universal Drug Treatment Grant 2021/22 (Adults' Services) / (Health and Wellbeing and Equalities)	8/7/22	Trafford Council was allocated a grant of £201k. An agreement was made with Greater Manchester Mental Health NHS Trust to support improvement in interventions to reduce drug related offending and deaths. Audit signed off a "Statement of Grant Usage" to confirm based on checks undertaken that there is reasonable assurance that the eligible expenditure incurred is in accordance with the definition and conditions of the grant.

6. Other Assurance Work

There is a significant amount of work undertaken by the Service that does not result in an audit report being issued. Work in the period has included the following:

- Working with CLT to update the strategic risk register. An update report was presented to the Accounts and Audit Committee in July 2022.
- Commencing work to support the 2022/23 National Fraud Initiative, preparing for the submission of data through liaison with all services that are required to provide information. (Update on work completed to be included in the October to December 2022 Audit and Assurance update).
- Continuing to liaise with Legal and Governance to provide advice and input regards the process of compiling the 2021/22 Draft Annual Governance Statement which was presented by Legal and Governance to the Accounts and Audit Committee in July 2022.

7. Impact of Audit Work – Improvements to the Control Environment

Key indicators of the impact of Audit and Assurance are: (a) Acceptance of Recommendations (b) Implementation of them.

Acceptance of Recommendations

From the final audit opinion reports produced and issued by the Audit and Assurance Service during the year to date, all of the 24 new recommendations made have been accepted. A number of other audits were in progress during the period and levels of acceptance of recommendations made in the subsequent reports will be reflected in the next Audit and Assurance update.

Implementation of Audit Recommendations

Final audit reports are followed up to assess progress in implementing improvement actions identified through audit recommendations.

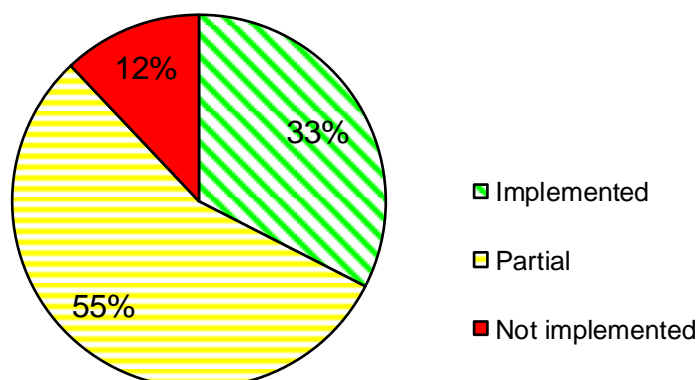
As shown under final reports issued in Section 5, follow up audits were completed in relation to audits of Cyber Security, Adult Social Care Payments and Adults' Direct Payments.

In respect of one other audit previously completed, management were requested to provide an update on progress in implementing recommendations made. This was in relation to the following:

- Davyhulme Primary School (Children's Services – Education) – Of the 5 recommendations agreed to be implemented, 4 had either been implemented or were no longer applicable with the remaining recommendation in progress.

An overall analysis of audit recommendations followed up in 2022/23 to date is shown on the following chart. This is based on follow ups of 5 previous audit reviews covering a total of 83 recommendations. As reported in Section 5 in respect of follow up audits, a number of recommendations have been partially implemented/are in progress. Where applicable, follow-up audit work will be included in the 2023/24 Internal Audit Plan to further assess developments where recommendations are in progress.

**Implementation of audit recommendations:
2022/23 Follow-ups (as at 30/9/22)**



8. Performance against Audit & Assurance Annual Work Plan

Appendix 1 shows an analysis of time spent to date against planned time for the 2022/23 Operational Internal Audit Plan

As at 30 September 2022, 390 audit days were spent against 392 allocated days (See Appendix 1). A further 50 contingency days were in the 2022/23 Internal Audit Plan. It is expected these will be used to cover any loss of days through a vacant post.

As part of the Internal Audit Plan, a target of 30 audit reports was set (comprising opinion reports, consultancy reports and grant sign-offs) to be completed in 2022/23 to final or draft stage. As at the end of the 2nd quarter of the year, 19 assignments had been produced to final or draft stage (14 opinion reports and 5 grant certifications).

A list of reports planned with details of progress to date and future planned work is included in Appendix 2.

The next update on progress against the 2022/23 Internal Plan, including reports issued, will be reflected in an update for Quarter 3, to be shared with CLT and the Accounts and Audit Committee in February 2023.

Client Feedback

Managers are invited to complete a client questionnaire following the completion of each audit report to obtain feedback on the audit process. The questionnaire covers the audit approach; audit report issued and usefulness of the audit as an aid to management. As at 30/9/2022, 8 responses had been received which all provided ratings or “Very Good” or “Good” against the various aspects of the audit process (Based on 4 possible levels - Very Good / Good / Satisfactory/ Inadequate). A more detailed analysis of all responses received for 2022/23 will be included in the 2022/23 Annual Head of Internal Audit Report.

9. Planned Work for October to December 2022

Areas of focus include :

- Issue of a number of final reports including audits of Payroll, Council Tax and Home to School Transport.
- Complete grant certification work in respect of the Disabled Facilities Grant.
- Progression of other internal audit reviews as listed in Appendix 2.

- Provide comment on the current strategic risk register for consideration, including through benchmarking with reference to reviewing risks monitored by other Greater Manchester Authorities. Through liaison with CLT, provide a strategic risk register update report to the Accounts and Audit Committee in November 2022.
- Liaison with Legal and Governance to provide any final feedback from Audit on the Draft Annual Governance Statement to be considered when finalising the AGS in November 2022.
- Submission of data to the Cabinet Office by November 2022 as required as part of deadlines set for the National Fraud Initiative.

2022/23 Operational Plan: Planned against Actual Work (as at 30 September 2022)

<u>Category</u>	<u>Details</u>	<u>Planned Allocated Days 2022/23</u>	<u>Planned Days (up to 30/9/22)</u>	<u>Actual Days (as at 30/9/22)</u>
Financial Systems	<p>Completion of fundamental financial systems audit reviews</p> <p>See Appendix 2 for opinion reports issued and planned.</p>	165	90	106
Governance	<p>Corporate Governance / Annual Governance Statement (AGS) – to liaise with Legal and Governance, including providing comment on processes supporting the AGS, and its content with reference to the CIPFA/SOLACE Governance framework and guidance.</p> <p>Advice / assurance in respect of governance issues and ongoing liaison with services to consider further audit reviews.</p> <p>Work to date has included liaising with Legal and Governance regards the production of the Draft AGS in July 2022.</p>	25	10	5
Corporate Risk Management	<p>Facilitating the updating of the Council’s strategic risk register.</p> <p>Actions to support the Council’s Risk Management Strategy including provision of guidance, independent review of existing risk management arrangements and, where applicable, recommend areas for development.</p> <p>Work to date focussed on reviewing updates from CLT and collating the Strategic Risk update report, shared with the Accounts and Audit Committee in July 2022 plus preparing a further update (to be presented in November 2022).</p> <p>Also See Appendix 2 for opinion reports produced and planned.</p>	50	15	20
Anti-Fraud and Corruption	<p>Co-ordinate the Council’s activity in respect of the National Fraud Initiative in accordance with Cabinet Office requirements.</p> <p>Contributing to investigations of referred cases of suspected theft, fraud or corruption.</p> <p>Other work to support the Anti-Fraud and Corruption Strategy, including working with other relevant services to review existing strategy, policies and guidance.</p>	80	25	18

	See Section 6 regards National Fraud Initiative. Summary of work completed during the year to be set out in Annual Head of Internal Audit Report.			
Procurement / Contracts/ Value for money	<p>Review of procurement / contract management arrangements including systems in place and associated arrangements to secure value for money (Work will include liaison with the STAR Procurement Service and partner authority auditors).</p> <p>See Appendix 2 for reports in progress and planned plus Q1 Audit and Assurance Report for other work undertaken.</p>	50	10	6
Information Governance / Information, Communications and Technology	<p>ICT Audit reviews and advice, including reviews conducted by Salford Internal Audit Services.</p> <p>Information Governance audit reviews</p> <p>See Appendix 2 for reports issued and planned.</p>	85	35	36
Schools	<p>Providing assurance on the control environment within schools, supporting schools in ensuring awareness of requirements within the DfE Schools' Financial Value Standard.</p> <p>Audit reviews of schools: At least 10 school audit final reports to be issued during the year</p> <p>Follow-up of progress for audits completed in 2021/22.</p> <p>See Appendix 2 for audit opinion reports issued and planned plus Section 7 regards follow-ups.</p>	135	90	90
Assurance – Other Business Risks	<p>Audits selected on the basis of risk from a number of sources including senior managers' recommendations, risk registers and internal audit risk assessments. Reviews include authority wide issues and areas relating to individual services, establishments and functions. Includes new audit reviews, follow up audits and gaining assurance from service updates.</p> <p>See Appendix 2 for audit opinion reports issued and planned.</p>	180	60	67
Grant claims checks / Data Quality	<p>Internal audit checks of grant claims/ statutory returns and other checks as required. Grants included in the 2022/23 Plan were as follows:</p> <ul style="list-style-type: none"> - Contain Management Outbreak Fund (Q1) - Disabled Facilities Grant (Q3) <p>Audit and Assurance to be advised through the year of other grant claims, review work and other returns to be checked/signed off.</p> <p>To date, grant certification completed for the following:</p> <ul style="list-style-type: none"> -Public Sector Decarbonisation Scheme 	35	25	26

	-COVID-19 Contain Management Outbreak Fund -Local Transport Capital Block Funding -Local Authority Test and Trace Support Scheme -Universal Drug Treatment Grant			
Service Advice / Project Support	General advice and guidance, both corporately and across individual service areas. Support and advice to the organisation in contributing to working groups and projects in relation to governance, risk and control issues. Summary of work completed during the year to be set out in Annual Head of Internal Audit Report.	65	32	16
TOTAL		870*	392	390

* Note there is a further contingency of 50 days within the 2022/23 Plan.

Audit Opinion Reports Issued and Planned 2022/23 (as at 30 September 2022)

Category	Audit Opinion Reports	Status (where progressed by 30/9/22)	2022/23 IA Plan
Financial Systems	<ul style="list-style-type: none"> - Payroll (Strategy and Resources) - Household Support Fund - Trafford Assist (Finance and Systems) - Adult Social Care Payments (Adults' Services) - Adults' Direct Payments (Adult Services) - Children's Social Care Payments (Children's Services) - Council Tax (Finance and Systems) - Treasury Management (Finance and Systems) - Accounts Payable (Finance and Systems) - Budgetary Control (Finance and Systems/Authority-wide) 	<ul style="list-style-type: none"> Draft findings produced Final report issued 13/6/22 Final report issued 5/9/22 Final report issued 8/8/22 - In progress - - - 	<ul style="list-style-type: none"> Final report to be issued Q3 Completed Completed Completed Planned work / timing to be confirmed Final report to be issued Q3 Planned to commence Q4 Planned work / timing to be confirmed Planned work / timing to be confirmed
Risk Management	<ul style="list-style-type: none"> - Business Continuity (Authority-wide) - Health and Safety (Strategy and Resources) 	<ul style="list-style-type: none"> In progress Planning commenced 	<ul style="list-style-type: none"> Draft report to be issued Q3 Planned to commence Q3
Procurement /Contracts /Value for money	<ul style="list-style-type: none"> - In-Tend system / Contracts Register (Strategy and Resources) (Stockport – lead) - Waste Services (Place) <p>(Other reports to be confirmed through future updates)</p>	<ul style="list-style-type: none"> In progress Planning commenced 	<ul style="list-style-type: none"> Draft report to be issued Q4 Planned to commence Q3
Information Governance / ICT Audit	<ul style="list-style-type: none"> - Cyber Security follow-up audit (Finance and Systems) - IT Governance and Security in Schools (Children's Services /Finance and Systems) - Data breaches follow-up (Legal and Governance) - Subject Access Requests (Legal and Governance) 	<ul style="list-style-type: none"> Final report issued 25/7/22 In progress - - 	<ul style="list-style-type: none"> Completed Final report to be issued Q3 Planned to commence Q4 Timing to be agreed
Schools	<p>At least 10 school audit reviews (Children's Services):</p> <ul style="list-style-type: none"> - Stretford Grammar - St. Anne's CE Primary - Trafford Alternative Education - St. Mary's CE Primary, Sale - Victoria Park Junior - St. Michael's CE Primary - Cloverlea Primary - St. Monica's RC Primary - Sale High - Well Green <p>(Other schools to be arranged to</p>	<ul style="list-style-type: none"> Final report issued 3/5/22 Final report issued 29/6/22 In progress Final report issued 20/5/22 Final report issued 29/6/22 Final report issued 20/7/22 Draft findings produced Final report issued 14/9/22 Planning commenced - 	<ul style="list-style-type: none"> Completed Completed Final report to be issued Q3 Completed Completed Completed Completed Final report issued Q3 Completed Final report to be issued Q3 Planned to commence Q3

	<p>commence by the end of Q4 2022/23 include:</p> <ul style="list-style-type: none"> - Lostock High - Brentwood - Broadheath Primary) 		
Assurance – Other Business Risks	<ul style="list-style-type: none"> - Licensing follow-up (Place) - Home to School Transport (Children’s Services) - Aids and Adaptations (Adults’ Services) - SEND (Children’ Services) - - Supporting Families (Children’s Services) - Building Control (Place) - Safety at Sports Grounds (Place) - Cleaning Services (Strategy and Resources) - Registration Service (Legal and Governance) <p>Reviews to commence by Q4 2022/23 with final reports due in 2023/24:</p> <ul style="list-style-type: none"> - Outdoor Advertising (Place) - Let Estates (Place) - Recruitment Services (Strategy and Resources) - Bereavement Services (Strategy and Resources) - Schools’ Catering (Strategy and Resources) - Sale Waterside Arts Centre (Strategy and Resources) 	<p>Final report issued 4/5/22 Draft report issued</p> <p>In progress</p> <p>-</p> <p>-</p> <p>-</p> <p>Planning commenced</p> <p>-</p> <p>Planning commenced</p> <p>-</p> <p>-</p> <p>-</p> <p>Planning commenced</p>	<p>Completed Final report issued Q3</p> <p>Draft report to be issued Q3</p> <p>Planned work/timing to be confirmed Planned to commence Q4</p> <p>Planned to commence Q4 Planned to commence Q3 Planned to commence Q4</p> <p>Planned to commence Q3</p> <p>Planned work/timing to be confirmed Planned to commence Q4 Planned work/timing to be confirmed Planned to commence Q4</p> <p>Planned to commence Q4 Planned to commence Q3</p>

APPENDIX 3

POINTS OF INFORMATION TO SUPPORT THE REPORT:

Audit Opinion Levels (RAG reporting) :

Opinion – General Audits

Substantial Assurance

Green

Reasonable Assurance

Green

Limited Assurance

Amber

Low or No Assurance

Red

An opinion is stated in each audit report to assess the standard of the control environment.

Report Status:

Draft reports:

These are issued to managers prior to the final report to provide comments and finalise agreed responses to audit recommendations.

Final reports:

These incorporate management comments and responses to audit recommendations, including planned improvement actions.

Breadth of coverage of review (Levels 1 to 4)

Provides an indication as to the nature / breadth of coverage of the review in terms of which aspects of the organisation's governance and control environment it relates to. Levels are as follows:

- **Level 4: Key strategic risk or significant corporate / authority wide issue** - Area under review directly relates to a strategic risk or a significant corporate / authority wide issue or area of activity.
 - **Level 3: Directorate wide** - Area under review has a significant impact within a given Directorate.
 - **Level 2: Service wide** - Area under review relates to a particular service provided or service area which comprises for example a number of functions or establishments.
 - **Level 1: Establishment / function specific** - Area under review relates to a single area such as an establishment.
-