

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 1 February 2023
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Report for the Period October to December 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 October to December 2022

Date: **January 2023**

1. Purpose of Report

This report summarises the work of the Audit and Assurance Service between October 2022 and December 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 – October to December 2022

Work in the quarter included finalising audit reports covering council tax, payroll as well as a number of schools audit reports. There was also work completed to sign off the Disabled Facilities grant claim. A number of other audit reviews were progressed with draft reports issued which will be finalised in the final quarter of 2022/23. All audit opinion reports and grant sign offs completed in the period are listed in Section 5 and other key areas of audit work undertaken (including in relation to the National Fraud Initiative) are referred to in Section 6.

4. Summary of Assurances October to December 2022

There were 10 internal audit opinion reports produced in the period (7 final reports and 3 draft reports). Audit also completed checks in relation to 1 grant claim providing assurance from the Council that the grant conditions had been complied with. In addition, 1 advisory report was issued (See Section 5 for a listing of reports issued and grant checks completed, together with a summary of findings).

In respect of the 7 final reports issued where opinions levels were given, "Substantial Assurance" was provided for 5 of these with the remaining 2 opinions being "Reasonable" and "Limited". Where any recommendations have been made, agreed action plans are in place to implement these. In respect of the audit reviews where less than Substantial opinions were provided, these areas are to be included in the 2023/24 Internal Audit Plan for further assurance, including assessment of progress in implementing the recommendations made.

5. Summary of Audit & Assurance Opinions Issued – October to December 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:		
Council Tax (Finance and Systems) / (Finance and Governance)	Substantial Assurance (GREEN) (31/10/22)	The review concluded that were adequate and effective procedures and controls were in place for the management and administration of the council tax system and processes. To enhance existing processes it was agreed that both the Council Tax Debt Recovery Policy and also the Exchequer Services' Scheme of Delegation will be reviewed to ensure these remain up to date.
Payroll (Strategy and Resources) / (Finance and Governance)	Substantial Assurance (GREEN) (11/11/22)	Overall, it was found that adequate and effective payroll procedures and controls were in place. It was noted that 2 recommendations made in the previous audit report issued in January 2021 had been implemented, reflected in the updating of procedural guidance notes. The report also reflects ongoing actions and plans by Greater Manchester Shared Services (GMSS) to ensure the continued development of existing processes.
Level 2 Reports:		
Home to School Transport (Children's Services) / (Children's Services)	Reasonable Assurance (GREEN) (14/10/22)	The audit review covered processes for managing and administering the provision of home to school transport. Whilst based on audit work completed within the scope of the review, most processes reviewed were satisfactory, it is noted that there are a number of pressures the service continues to face including rising demand, increased costs and reductions in available drivers since the pandemic. Audit findings noted that since the pandemic, pro-active spot-checks and observations of providers, individual drivers and vehicles had ceased, and it was agreed these would be re-established to improve controls. Since the audit was completed, it is also noted that work is underway across relevant Council services to review arrangements regards checks of contractors providing home to school transport. A further audit review will therefore be included in the 2023/24 Internal Audit Plan to assess the above developments.
Level 1 Reports:		
Cloverlea Primary School (Children's Services) / (Children's Services – Education)	Substantial Assurance (GREEN) (13/10/22)	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. A small number of recommendations were made. This included further detail to be provided in the School Development Plan linking financial resources to relevant plans.
Sale High School (Children's Services) / (Children's Services – Education)	Substantial Assurance (GREEN) (28/11/22)	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. A small number of recommendations were made. This included ensuring all governors complete a declaration of interests on an annual basis and details of interests are published on the school's website in line with DfE guidelines.
Trafford Alternative Education Provision (Children's Services)	Limited Assurance	Whilst some areas reviewed during the audit were found to be satisfactory, there were other areas identified where improvements

- Education)	(AMBER) (30/11/22)	were required to existing controls in place. Priority areas included: - the need to ensure income is collected and banked promptly. - establishment of an inventory to ensure valuable equipment and furniture is fully accounted for. - updating of existing documented financial procedures to ensure these are up to date. It is noted that since the audit the school have taken action to address the recommendations and an action plan was agreed within the final audit report. A follow-up audit review will be undertaken during 2023 to assess progress in implementing the recommendations.
Well Green Primary School (Children's Services – Education)	Substantial Assurance (GREEN) (19/12/22)	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. A small number of recommendations were made. This included in relation to processes for accounting for lettings income.
<u>DRAFT REPORTS</u>		
<u>Level 4 Reports:</u>		
Business Continuity (Place/Authority-Wide) / (Finance and Governance)		A draft report was shared with management for comments and a final report will be issued in January 2023.
<u>Level 2 Reports:</u>		
Registration Services (Legal and Governance) / (Finance and Governance)		A draft report was shared with management for comments and a final report will be issued in January 2023.
Aids and Adaptations (Adults' Services) / (Adult Social Care)		A draft report was shared with management for comments and a final report will be issued in January 2023.
OTHER REPORTS		
	DATE COMPLETED	DESCRIPTION/COMMENTS
GRANT CERTIFICATION: Disabled Facilities Grant (Adults' Services) / (Adult Social Care)	14/10/22	The purpose of the grant is to enable funding for providing adaptations to disabled people who qualify under the scheme. The grant allocation for 2021/22 was over £2.4m. Further to audit checks being undertaken, Audit and Assurance submitted a declaration to the Department for Levelling Up, Housing and Communities to state based on work undertaken that the conditions attached to the 2021/22 Disabled Facilities Grant had been complied with.
ADVISORY REPORT: IT Security and Governance in Schools (Children's Services) / (Children's Services - Education)	14/12/22	A review was completed initially through surveys to Trafford schools to understand existing arrangements in place for IT Security and Governance with a view to providing guidance and support. The work also included visits to a sample of schools to provide advice and guidance. An advisory report was subsequently issued to Trafford schools highlighting areas of risk and signposting schools to best practice guidance including the National Cyber Security Centre, DfE resources and other sources of available support. In addition, Salford IT Audit Services produced guidance notes on a number of identified risk areas covering: - Protecting IT servers in schools - IT Asset Disposals & Recycling - Due diligence of 3 rd Party IT Providers - Engaging with Cloud Service Providers. Internal Audit will continue to work with relevant council services and in partnership with Salford IT Audit Services, to consider

further audit review coverage and to support development of best practice standards in Trafford schools.

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 review and facilitate the update of the strategic risk register. An update report was presented to the Accounts and Audit Committee in November 2022.
- Liaison with Legal and Governance to provide comment on the content and process in relation to the Annual Governance Statement before it was finalised.
- Supporting the 2022/23 National Fraud Initiative as detailed below:

National Fraud Initiative

The Audit and Assurance Service continues to co-ordinate the Council's participation in the statutory National Fraud Initiative (NFI) exercise. The National Fraud Initiative (NFI) matches electronic data within and between public and private sector bodies to prevent and detect fraud. These bodies include police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies. The main exercise is carried out once every two years at minimal cost to the organisations involved.

The following datasets for the NFI exercise were submitted to the Cabinet Office during October to December 2022:

- Payroll Data
- Pension Gratuity Payment Data
- Creditors Data
- Housing Waiting List Data
- Taxi Licensing Data
- Resident Parking Permit Data.
- Council Tax Data

The matches for the above datasets are due to be released by the end of January 2023.

The Audit & Assurance Service will continue to liaise with services across the Council to ensure that high priority matches are reviewed and, where appropriate, followed up through the year. Details of progress will be reported in future updates to the Corporate Leadership Team and the Accounts and Audit Committee through the year with final outcomes included in the 2023/24 Annual Head of Internal Audit Report.

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 56 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

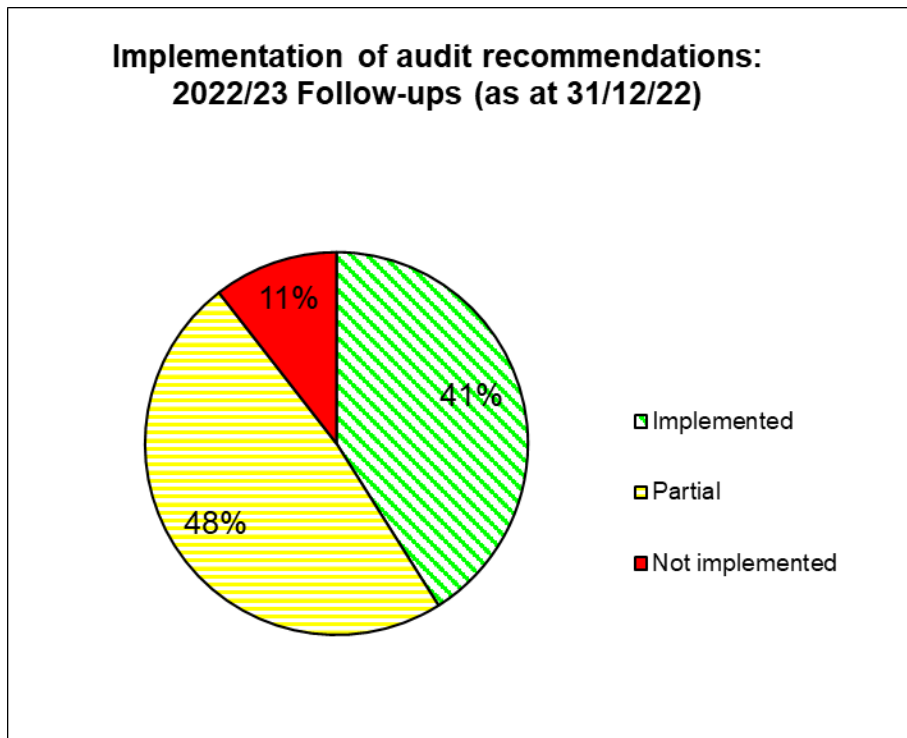
Final audit reports are followed up to assess progress in implementing improvement actions identified through audit recommendations.

As shown under final reports issued in Section 5, an audit of Payroll was completed which included follow up of 2 recommendations previously made which had been implemented.

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

- Gorse Hill Primary School (Children's Services - Education) - Of the 8 recommendations agreed to be implemented, all 8 were either implemented or not currently applicable.
- Holy Family Catholic Primary School (Children's Services - Education) – Both recommendations previously made were implemented.

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 8 previous audit reviews covering a total of 95 recommendations. As reported in the previous July to September 2022 update, where applicable, further follow-up audit work will be included in the 2023/24 Internal Audit Plan to further assess developments where recommendations are in progress.



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 31 December 2022, 575 audit days were spent against 609 allocated days (See Appendix 1). A further 50 contingency days were in the 2022/23 Internal Audit Plan. This 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 3rd quarter of the year, a total of 28 had been produced to final or draft stage (18 final audit opinion reports, 3 draft audit opinion reports, 1 advisory report and 6 grant certifications).

A list of planned audit reports with details of progress to date and future planned work is included in Appendix 2 and grant certification work is listed in Appendix 1 under "Grant Claim Checks/Data Quality".

The next update on progress against the 2022/23 Internal Plan, including reports issued, will be included in an update for Quarter 4 which will also be reflected in the 2022/23 Annual Head of Internal Audit Report to be shared with CLT and the Accounts and Audit Committee in June 2023.

9. Planned Work for January to March 2023

Areas of focus include :

- Issue of a number of final reports including audits of Business Continuity, Registration Services and Aids and Adaptations.
- Progression of other internal audit reviews as listed in Appendix 2.
- 2023/24 Internal Audit Plan to be presented to the Accounts and Audit Committee for approval in March 2023.
- In liaison with the Counter Fraud Team and other services, co-ordinating the review of data matches from the latest National Fraud Initiative exercise, which are due to be released in early 2023.
- Reviewing existing Anti-Fraud and Corruption Policies and guidance in liaison with other relevant services.
- In liaison with CLT, review reporting arrangements for the strategic risk register in addition to facilitating the update of the strategic risk register with an update report due to be shared with the Accounts and Audit Committee in March 2023.
- Receiving an external assessment of Internal Audit in accordance with the Public Sector Internal Audit Standards. The assessment is due to be undertaken by CIPFA in March 2023. Findings will be reported to CLT and the Accounts and Audit Committee when finalised.

2022/23 Operational Plan: Planned against Actual Work (as at 31 December 2022)

<u>Category</u>	<u>Details</u>	<u>Planned Allocated Days 2022/23</u>	<u>Planned Days (up to 31/12/22)</u>	<u>Actual Days (as at 31/12/22)</u>
Financial Systems	<p>Completion of fundamental financial systems audit reviews</p> <p>See Appendix 2 for opinion reports issued and planned.</p>	165	121	115
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 and providing feedback on the content and process prior to the final version issued in November 2023.</p>	25	13	6
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 has included reviewing updates from CLT and collating the Strategic Risk update report, shared with the Accounts and Audit Committee in July 2022 and November 2022.</p> <p>Work is also in progress in reviewing existing strategic risk reporting arrangements and associated guidance.</p> <p>Also See Appendix 2 for opinion reports produced and planned.</p>	50	27	45
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</p>	80	45	41

	<p>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> <p>See Section 6 regards National Fraud Initiative.</p> <p>Work in progress to review existing Anti-Fraud corruption policies and guidance.</p> <p>Summary of work completed during the year to be set out in Annual Head of Internal Audit Report.</p>			
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	30	22
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	50	49
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 in Q3 (Q2 report details other school follow-up work during the year to date).</p>	135	125	116
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</p>	180	118	127

	<p>assurance from service updates.</p> <p>See Appendix 2 for audit opinion reports issued and planned.</p>			
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 Outbreak Management 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 -COVID-19 Contain Outbreak Management Fund -Local Transport Capital Block Funding -Local Authority Test and Trace Support Scheme -Universal Drug Treatment Grant -Disabled Facilities Grant 	35	32	28
Service Advice / Project Support	<p>General advice and guidance, both corporately and across individual service areas.</p> <p>Support and advice to the organisation in contributing to working groups and projects in relation to governance, risk and control issues.</p> <p>Summary of work completed during the year to be set out in Annual Head of Internal Audit Report.</p>	65	48	26
TOTAL		870*	609	575

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

Audit Opinion Reports Issued and Planned 2022/23 (as at 31 December 2022)

<u>Category</u>	<u>Audit Opinion Reports</u>	<u>Status (where progressed by 31/12/22)</u>	<u>2022/23 IA Plan</u>
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"> Final report issued 11/11/22 Final report issued 13/6/22 Final report issued 5/9/22 Final report issued 8/8/22 - Final report issued 31/10/22 - - - 	<ul style="list-style-type: none"> Completed Completed Completed Completed Planned to commence Q4 Completed 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"> Draft report issued Planning commenced 	<ul style="list-style-type: none"> Final report to be issued Q4 Audit to start Q4.
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 reviews to commence to be confirmed in the Q4 update).</p>	<ul style="list-style-type: none"> In progress In progress 	<ul style="list-style-type: none"> Draft report to be issued Q4 Draft report to be issued Q4
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 Advisory report issued to schools 14/12/22 - - 	<ul style="list-style-type: none"> Completed Advisory report completed/further work to be considered for 23/24 Plan. Timing to be agreed 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 commence by the end of Q4 2022/23)</p>	<ul style="list-style-type: none"> Final report issued 3/5/22 Final report issued 29/6/22 Final report issued 30/11/22 Final report issued 20/5/22 Final report issued 29/6/22 Final report issued 20/7/22 Final report issued 13/10/22 Final report issued 14/9/22 Final report issued 28/11/22 Final report issued 19/12/22 	<ul style="list-style-type: none"> Completed Completed Completed (Follow up audit 2023/24) Completed Completed Completed Completed Completed Completed Completed

	include: - Lostock High - Brentwood - Broadheath Primary)		
Assurance – Other Business Risks	<ul style="list-style-type: none"> - Aids and Adaptations (Adults’ Services) - Home to School Transport (Children’s Services) - SEND (Children’ Services) - Supporting Families (Children’s Services) - Licensing follow-up (Place) - Building Control (Place) - Safety at Sports Grounds (Place) - Cleaning Services (Strategy and Resources) - Registration Service (Legal and Governance) Reviews to commence by Q4 2022/23 with final reports due in 2023/24: - Outdoor Advertising (Place) - Let Estates follow-up (Place) - Recruitment Services (Strategy and Resources) - Bereavement Services (Strategy and Resources) - Schools’ Catering (Strategy and Resources) - Sale Waterside Arts Centre (Strategy and Resources) 	<ul style="list-style-type: none"> Draft report issued Final report issued 14/10/22 - - Final report issued 4/5/22 - In progress - Draft report issued - Planning commenced - - - In progress 	<ul style="list-style-type: none"> Final report to be issued Q4 Completed Planned work to be confirmed as part of Audit planning Planned to commence Q4 Completed Planned work / timing to be confirmed Draft report to be issued Q4 Planned to commence Q4 Final report issued 17/1/23 Planned work/timing to be confirmed Draft report to be issued Q4 Planned work/timing to be confirmed Planned to commence Q4 Planned to commence Q4 Draft report to be issued Q4

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.
-