

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 24 March 2015
Report for: Approval
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Service – Internal Audit Operational Plan 2015/16

Summary

The purpose of the report is to provide, at a high level, the proposed Internal Audit Operational Plan for 2015/16.

Recommendation

The Accounts and Audit Committee is asked to approve the 2015/16 Internal Audit Plan.

Contact person for access to background papers and further information:

Name: Mark Foster – Audit and Assurance Manager
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Background Papers:

None

Internal Audit Operational Plan 2015/16 – Audit and Assurance Service

1. Introduction

- 1.1 The 2015/16 Internal Audit Operational Plan identifies the work to be undertaken by the Audit and Assurance Service during the year. This report describes its method of compilation and presents, at a high level, the 2015/16 Plan for approval.

2. Background

- 2.1 Each year the Audit and Assurance Service produces a report setting out its annual plan for approval by CMT and the Accounts and Audit Committee. Subsequent updates are then provided to CMT and the Accounts and Audit Committee through the year highlighting work undertaken and progress against key areas of the Plan.
- 2.2 In accordance with the Accounts and Audit (England) Regulations 2011, it is a requirement that the Council “must undertake an adequate and effective internal audit of its accounting records and its system of internal control in accordance with the proper practices in relation to internal control.” (Note: Accounts and Audit Regulations 2015 to come into effect from April 2015). In order to support this, the Audit and Assurance Service must undertake its work in accordance with the Public Sector Internal Audit Standards which have been in place since April 2013.
- 2.3 The Service’s approach to undertaking internal audit work is set out in the Internal Audit Charter and Strategy documents which were approved by CMT and the Accounts and Audit Committee in March 2014.

3. Compilation of the Plan

- 3.1 The Operational Plan is produced to take into account coverage of risks and associated controls in place. An important consideration is that the Operational Plan should include good coverage across Council services and systems. The ongoing financial challenges facing the Council highlight the need to ensure there are effective governance and internal control arrangements in place to ensure risks are managed and value for money is achieved.
- 3.2 A number of factors are taken into account in compiling the Operational Plan based on both statutory obligations, the objectives of the Council and an assessment of risks. Factors such as materiality, business risks, inherent risks and time since the area was last reviewed are taken into account.
- 3.3 New developments such as changes in legislation and council responsibilities are considered in planning work. Current developments

- across the Council are taken into account in planning and scheduling work. In 2015/16 for instance, time is set aside for the audit of new systems within Adult Social Care. Time is also allocated in relation to the proposed Joint Venture.
- 3.4 Corporate Directorates provide input to the plan through liaison with the Audit and Assurance Service throughout the year and through information provided such as through risk registers, action plans, self assessments and control / governance issues raised.
 - 3.5 The Service has a number of obligations to take into account in producing the Plan. This includes the need to set aside time to meet the requirements of the Accounts and Audit Regulations by facilitating the production of the Authority's Annual Governance Statement. The Service also co-ordinates the update of the Council's strategic risk register.
 - 3.6. Plans take into account other audit, assurance or development work being undertaken in particular areas. This includes for instance work by the External Auditor and other developments across the Council. Time is also allocated to follow up on control issues previously raised in 2014/15, including previous audit review work, to assess progress in implementing action plans, particularly where significant areas for improvement in controls have been identified. In 2015/16, Audit review work will include following up on progress in relation to areas set out in the Corporate Budget Monitoring Action Plan.
 - 3.7 A specific category of audit time is also included to reflect the requirement for internal audit checks of information supporting particular grant claims.
 - 3.8 The amount of time available to undertake the annual plan is identified, and individual areas of work selected on the basis of risk until available time has been utilised. A contingency is also held to allow for unforeseen circumstances.
 - 3.9 For reporting and monitoring purposes the plan is divided into a number of categories. Whilst the plan is divided into these categories it should be noted that there are significant areas of overlap between them and assurance gathered from one source could apply to another. For instance, whilst there is a block of time allocated to procurement and value for money, such issues will also be covered to some degree within other areas of the plan such as reviews of fundamental systems; anti-fraud and corruption work and reviews of schools and other establishments.
 - 3.10 It should be noted that there is a reduction in planned operational days in the Audit Plan compared to the previous year. At the time of producing the Plan (March 2015), there were three less audit staff in position compared to March 2014. One post has been deleted, one vacancy is currently being advertised and the other one is subject to approval to replace the post. The Plan has been produced on the assumption that two

new audit staff will be in place later in 2015. A total of 960 planned days are assumed compared to 1325 days in 2014/15). Available days will be further reviewed at the end of June 2015 taking into account resources actually available.

- 3.11 There is a variety of activities undertaken to fulfil the Audit Plan and in addition to conducting internal audit reviews, work also includes providing input to project / working groups, providing guidance and advice, and developing or providing input to council policies and procedures.
- 3.12 The report does not include reference to all work to be undertaken during the year. As issues are raised or areas of risks are identified on an ongoing basis, other areas are included through the year and existing plans reviewed. For some areas, elements of planning may take place during the year and therefore detailed plans are not available at the commencement of the year. Quarterly updates to CMT and the Accounts and Audit Committee will include reference to new work included in the work plan through the year. The Operational Plan is flexible and during the year adjustments may be made to accommodate any changes in the control environment and to consider emergent risks. Supporting the plan set out in this report are programmes of work for the individual categories listed in section 4, plus further plans detailing work allocated to individual staff.
- 3.13 It should be noted that there are a number of other activities undertaken that are not reflected in the analysis of planned days as they are not attributable to one particular category of work but support the audit process. These include support to the Accounts and Audit Committee, liaison with the External Auditor (Grant Thornton), development of audit systems, procedures and guidance, networking with other North West Internal Audit groups to share good practice, information gathering in support of the production of the audit plan etc. Separate additional time allocations are given to individual staff to undertake these activities.
- 3.14 Where key areas identified in the Plan are not undertaken as scheduled, this will be reported in subsequent updates and / or the Annual Internal Audit Report as necessary.

4. Operational Plan Coverage 2015/16

- 4.1 The Operational Plan is compiled to ensure coverage across a wide and diverse range of services, systems and thematic areas of coverage. Each of the main categories of work is described in the paragraphs below. In the appendix is a summary of the planned work and an estimated time is allocated to each category. This includes an estimate of time profiled by quarter.

4.2 Fundamental Systems

These are the core financial systems that provide key inputs for the production of the material balances in the Council's accounts. Previous assurance obtained in earlier audits will be taken into account in planning the level of audit coverage within individual reviews.

Coverage will include review of the following systems and issue of audit opinion reports during the year:

HR/Payroll system, Treasury Management, Accounts Payable, Accounts Receivable and Debt Recovery, Council Tax, Business Rates, Housing Benefit and Council Tax Reduction, Insurance and Income Control.

Coverage will also include budgetary control arrangements with time allocated to follow up and assess progress made in relation to the improvements highlighted through the Corporate Budget Monitoring Action Plan.

There will also be review work relating to cash handling, including petty cash accounts and also cash collection which will be covered alongside the Income Control review.

An audit review will also be undertaken of the new Adult Social Care system, Liquid Logic and supporting Controcc system. (Note a further review in relation to ICT controls will also be undertaken, see 4.7). In addition in respect of Adult Social Care, an audit review will also cover procedures in respect of personal budgets.

A block of time will also be allocated for any work in this category carried forward from 2014/15 which will be highlighted in the 2014/15 Annual Internal Audit Report.

4.3 Governance

Audit and Assurance will lead on reviewing and collating supporting evidence and assurances for the completion of the Council's 2014/15 Annual Governance Statement. As part of this process, a Corporate Governance review will be completed using CIPFA/SOLACE guidance as a framework. This identifies particular aspects of governance arrangements to review across the Council such as clarity of responsibilities and reporting arrangements, procedural issues, standards of conduct, management of risks, community engagement, workforce planning, partnership governance etc.

Work in support of producing the 2015/16 Annual Governance Statement will commence in the final quarter of the year.

In respect of partnerships, audit review work previously planned in relation to partnership governance has been reviewed and rescheduled in agreement with the Corporate Director, CFW. A review in relation to governance arrangements in respect of the Section 75 Strategic Partnership Agreement for the integrated delivery of health and social care between Trafford Council and Pennine Care Foundation Trust will be completed later in 2015. Further to that, reviews will also commence in relation to partnership arrangements in relation to Mental Health and Learning Disabilities.

4.4 Risk Management

Time is allocated to review existing risk management arrangements across the Council and ensuring processes are evidenced. This will include continuing to facilitate the ongoing update of the strategic risk register. This provides assurance in respect of the highest strategic risks faced by the Authority in terms of the management and ongoing monitoring of those risks. As part of this, there will also be ongoing liaison with individual Corporate Directorates to share good practice and gather assurance regarding risks at a Directorate level. The Service maintains corporate risk management guidance, available on the Council's intranet, which where applicable will continue to be updated.

4.5 Anti Fraud & Corruption

Cases of suspected internal fraud or theft referred to the Audit and Assurance Service will be subject to investigation during the year. The Service will continue to support the National Fraud Initiative and will report progress on this and other anti-fraud and corruption activity to the Accounts and Audit Committee.

The Council's existing benefit fraud investigation team will be transferring to the DWP as part of the Single Fraud Investigation Service in March 2016. A Counter-fraud team within Exchequer Services is being established with an aim that the Council maintains an adequate fraud investigation capacity following the transfer. In 2015/16, Audit will liaise with the new team, and where appropriate other functions such as Legal Services and Human Resources, to consider existing anti-fraud policies and protocols, taking into account the recently published CIPFA Code of Practice on Managing the Risks of Fraud and Corruption.

4.6 Procurement / Value for Money

Audit and Assurance undertakes reviews of procurement arrangements and processes to ensure the Council strives to achieve value for money and undertakes procurement in accordance with relevant legislation and the Contract Procedure Rules.

As part of internal audit planning, the Service has liaised with the STaR Shared Procurement Service and Internal Audit sections of the partner

authorities (Stockport and Rochdale Councils). It has been agreed that audit plans will be co-ordinated and relevant findings shared to ensure an efficient audit process. In 2015/16, it has been agreed that the three authorities will co-ordinate review work to firstly include a review of the contracts register and later in 2015/16 to cover adherence to the harmonised Contract Procedure Rules, due to be introduced from May 2015.

It has been agreed that audit time will be allocated in relation to the Council's proposed Joint Venture contract which will be agreed with the EGEI Directorate during the course of the year.

A number of reviews will be undertaken that relate in part to contract monitoring issues, which Audit has agreed with relevant Directorates. The Service will review contract monitoring arrangements in relation to Aids and Adaptations within CFW as part of a general audit review of this service area. In addition, a review of contract monitoring arrangements in relation to Home to School Transport Contracts is planned. There will also be a review of arrangements relating to contracts in respect of Advertising signs.

At the request of the relevant service area, a planned review of contract monitoring arrangements for the corporate Car Parking enforcement contract has been rescheduled from the final quarter of 2014/15 to be included in the 2015/16 Plan.

There will also be a follow up audit of the review undertaken in 2014/15 of match day parking contracts at schools.

4.7 Information, Communications and Technology (ICT)

The audit of ICT covers the review of procedures, processes and controls across a range of computer systems and technical solutions. Salford Audit Services undertake some of this work and also contribute to audit planning in respect of this area.

An ICT application review will be undertaken of the Adult Social Care system, Liquid Logic and supporting Controcc system.

A review of the Council's Information Governance arrangements will be undertaken later in 2015/16, following the establishment of the new Information Governance team.

There will also be a review covering cyber security issues, particularly in relation to national requirements in line with accreditation to the Public Service Network.

Where applicable, time will be allocated to follow up reviews conducted in 2014/15. This will include follow up of the schools ICT Governance and

Security review and also the ICT controls review in relation to the Council's general ledger.

This block of work may also cover investigating cases of misuse of the Council's ICT facilities, ensuring members and staff are aware of responsibilities, such as in adhering to the council's Acceptable Use Policy.

There may be further review work planned during the course of the year in liaison with ICT and other relevant services. Any additional planned work will be reported in the regular Audit and Assurance update reports through the year.

4.8 Schools

The Schools Financial Value Standard was introduced in 2011/12 and since then, schools are required to submit a declaration to show adherence to the Standard by 31 March each year. Information submitted is utilised by Audit and Assurance to assist in planning and undertaking school audits.

Based on a risk assessment, taking into account the information above and from previous work undertaken at each school and liaison with the CFW Directorate and Finance Services, a number of school audits will be undertaken.

This will include follow up reviews of six schools where a less than adequate audit opinion was previously issued.

It is planned that visits will be undertaken to at least a further nine schools, and audit opinion reports will be issued following each of these audits.

4.9 Assurance – Other Key Business Risks

Time is allocated to reviewing risk areas derived from a number of sources not covered within other categories of the Plan, including Directors / senior managers' recommendations, risk registers and areas identified by Internal Audit. Reviews may cover individual services, establishments, functions and authority wide issues and risks to ensure a broad coverage of audit work across the Council. For service/establishment related reviews, risks reviewed may encompass a number of areas of control such as procedures and responsibilities, adherence to legislation, budgetary control, Payroll/HR related processes, risk management, security (of cash, assets and data), purchasing; income collection and recording and other areas specific to the service under review.

Follow up work in respect of audit reviews previously undertaken will be undertaken. This will include follow up reviews of:

- Business Continuity (T&R / Authority- wide)
- Taxi licensing (EGEI)
- Section 17 Payments (Children’s Act 1989) (CFW – Children)
- Schools catering (EGEI)
- TTH Catering (EGEI)
- Client Finances (CFW – Adult Services)
- Altrincham Crematorium (EGEI)

Follow up work will also be undertaken of the previous review of Section 106 Planning Agreements. Alongside this, a review will also be undertaken of the Council’s processes in relation to the Community Infrastructure levy.

A report will be issued in relation to the audit review of Planning Control (EGEI) which was due to commence at the end of 2014/15.

As referred to in 4.6, an audit review of Aids and Adaptations (CFW) will be undertaken.

Due to resource capacity, in agreement with respective Directorates, some reviews have been rescheduled from 2014/15 to be included in the 2015/16 Plan. These are as follows:

- Building Control (EGEI)
- Trafford Youth Service barge project (CFW - Children)
- Registrar’s Income (Transformation and Resources)

For the above reviews, Audit and Assurance will contact individual services to discuss and agree the detailed scope of the reviews prior to any work being undertaken.

There will also be time allocated for the completion of any other review work in progress as at the end of March 2015 / carried forward from 2014/15 (which will be highlighted in the 2014/15 Annual Internal Audit Report).

There will also be time set aside to review other potential risk areas as raised through 2015/16.

4.10 Data Quality/Grant Claims

In recent years, Internal Audit has been required to review an increasing number of grant claims and a separate block of time is now allocated in the Plan to accommodate this. Since 2014/15, the Service provides a role in providing verification checks on claims made as part of the Council’s Stronger Families programme and that will continue in 2015/16.

4.11 Service Advice / Projects

The Audit and Assurance Service provides advice across the Council on governance and control issues. In addition to areas listed elsewhere in this report, time is set aside for the provision of ongoing service advice. This may take the form of responses to ad hoc queries, issuing guidance, and liaison with other services.

The Audit and Assurance intranet site includes information on the role of Audit and associated guidance for services in respect of risk management, governance and anti-fraud and corruption.

Audit also contributes to a number of project/working groups involved in the development of new systems or review of processes, providing advice and assurance where appropriate. (In 2014/15, this included input to working groups/boards/relating to the Adult Social Care system, Information Security Governance Board and the Stronger Families programme).

Audit will continue, subject to available resources, to set some planned time aside to contribute to projects to provide input in terms of consideration of internal control issues.

4.12 Financial Appraisals

The Service will continue to liaise with the STaR Strategic Procurement Unit to support the process of evaluating the financial position of contractors and potential providers.

2015/16 Operational Audit Plan – Allocation in Days

Appendix

Category	Details	<u>Impact of Audit and Assurance's work</u>	<u>Planned Days</u> (Profiled by each quarter of year – Q1/Q2/Q3/Q4)
Fundamental Systems	Completion of fundamental financial systems reviews.	Assurance on the operation of material business critical systems. Improvements in control environment supporting the achievement of corporate priorities, effective financial management, good governance and supporting the Council's position in respect of its external audit review.	160 (40/45/25/50)
Governance	<p>Corporate Governance Review / Collation of supporting evidence and production of the 2014/15 Annual Governance Statement.</p> <p>Reviews of governance arrangements for the Council's significant partnerships.</p>	<p>Provision of assurance on the effectiveness of governance arrangements in place within the Council to support the achievement of Council and Community objectives and priorities.</p> <p>The Annual Governance Statement provides assurance to the public on the effectiveness of governance arrangements and enables the establishment of corporate improvement priorities.</p> <p>Provision of assurance on the effectiveness of partnership governance arrangements. Supporting the achievement of Council and Trafford Partnership priority outcomes.</p>	60 (20/15/10/15)
Corporate Risk Management	<p>Facilitating the updating of the Council's strategic risk register.</p> <p>Progression of actions to support the Council's Risk Management Strategy including review of risk management</p>	Assisting the Council to effectively manage risks leading to improvements in service delivery, achievement of objectives and improvements in the allocation of resources. The work also supports the Council in evidencing good practice undertaken when subject to external audit review.	25 (5/7/5/8)

	processes, awareness raising and provision of guidance to services and partnerships.		
Anti Fraud & Corruption	<p>Investigation of referred cases, including if applicable those highlighted through the National Fraud Initiative (NFI).</p> <p>Work in co-ordinating the reporting of the Council's NFI data matching exercise.</p> <p>Work supporting the Anti- Fraud and Corruption Strategy, including raising awareness of supporting guidance to promote measures to prevent, deter or detect instances of fraud and corruption.</p>	<p>Contributes to the maintenance of high standards of conduct and governance. Provides assurance on the management of the risks of fraud and corruption. Advice to services on the improvement of controls in place to reduce potential risks, e.g. financial loss and reputational damage.</p>	<p>140 (35/35/35/35)</p>
Procurement / Value for money	<p>Review of procurement / contract management arrangements across the Council including systems in place and associated arrangements to secure value for money. (This will include liaison with the STaR Procurement Service and partner authority auditors).</p>	<p>Assurance and challenge on the adequacy of procurement arrangements. Contributes to improvements in service delivery and the achievement of value for money for the Council.</p>	<p>50 (5/5/20/20)</p>
ICT Audit	<p>Audit reviews to be completed in line with the ICT audit plan.</p> <p>Investigation of misuse of ICT.</p>	<p>Specialised technical advice and assurance on the adequacy of controls surrounding ICT systems. Assurance to managers who place significant reliance on ICT systems for the delivery of services.</p>	<p>60 (12/15/18/15)</p>
Schools	<p>Audit reviews of individual schools and</p>	<p>Supports improvements in standards of governance</p>	<p>120</p>

	<p>service wide review work.</p> <p>Supporting schools in ensuring awareness of requirements within the DfE Schools' Financial Value Standard.</p>	<p>and control in schools and supports process to enable achievement of standards set by DfE.</p>	<p>(20/23/40/37)</p>
<p>Assurance – Other Key Business Risks</p>	<p>Selected on the basis of risk from a number of sources including senior managers' recommendations, risk registers and internal audit risk assessments. Reviews will include authority wide issues and areas relating to individual services, establishments and functions</p>	<p>This work enables Internal Audit to provide a breadth of assurance across the Council that there are adequate governance and control arrangements in place, that policies and procedures are being implemented, that risks are being managed, and outcomes delivered.</p>	<p>155 (30/40/40/45)</p>
<p>Grant claims checks / Data Quality</p>	<p>Internal audit checks of grant claims / statutory returns as required. This includes verification checks of data submitted by the Council as part of its Stronger Families programme.</p>	<p>Ensuring the Council adheres to requirements in submitting relevant grant claims where Internal Audit input is required, providing assurance regarding the accuracy of data and supporting information reviewed.</p>	<p>30 (5/7/10/8)</p>
<p>Service Advice / Projects</p>	<p>General advice across all services.</p> <p>Support and advice to the organisation in carrying out key projects ensuring new systems, functions and procedures provide for adequate controls and good governance arrangements.</p>	<p>Support to services around the relevance and application of corporate policies, procedure rules and good governance arrangements.</p> <p>Contributing to the delivery of effective project outcomes including input to the consideration of key risks and appropriate controls considered in the development of new systems, functions and procedures.</p>	<p>80 (20/20/20/20)</p>

Financial Appraisals	Financial Assessments of contractors and potential providers	Assurance to services on the financial viability of contractors and potential providers Reducing risk in procurement and delivery of services across the Council	30 <i>(8/8/7/7)</i>
		Total Allocated Days	910 <i>(200/220/230/260)</i>
		Contingency (To cover additional / unexpected work and any unexpected reductions in available staff days).	50
		Total Planned Days	960
		Available Days	960
		Surplus/Deficit for Year	0