

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 25 November 2015
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Report for the Period July to September 2015.

Summary

The purpose of the report is:

- **To provide a summary of the work of Audit and Assurance during the period July to September 2015.**
- **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:

Name: Mark Foster – Audit and Assurance Manager
Extension: 1323

Background Papers: None



TRAFFORD
COUNCIL

Audit and Assurance Service Report July to September 2015

Date: 25 November 2015

1. Purpose of Report

This report summarises the work of the Audit and Assurance Service between July and September 2015. At the end of the year, these quarterly reports will be brought together in the Annual Internal Audit Report which will give the Audit and Assurance Service's opinion on the overall effectiveness of the Council's control environment during 2015/16.

2. Planned Assurance Work

Key elements of the 2015/16 Work Plan include:

- Fundamental Financial Systems reviews.
- Annual corporate governance review work and completion of the Annual Governance Statement for 2014/15.
- Audits of Council partnership arrangements.
- Continued review of risk management arrangements and provision of guidance.
- Review of corporate procurement and value for money arrangements.
- ICT audit reviews.
- Anti fraud and corruption work.
- Ongoing advice to services and input / advice in respect of key projects across the Council.
- School audits and other establishment audit reviews.
- Audit reviews of other areas of business risk.

3. Main areas of focus – Q2 2015/16

Work in this quarter included the following :

- Issue of a number of final audit reports as planned, including reports on Authority-wide issues such as Business Continuity and also audits covering each of the Council's Corporate Directorates.
- Following previous risks identified, work commenced in reviewing cash handling arrangements across the Council with a focus in quarter two on visits to a number of services to review petty cash and associated records (with further visits to follow in quarter three in respect of income collection).
- Work in compiling the finalised version of the Annual Governance Statement and reporting on the Council's Strategic Risk register to the Accounts and Audit Committee.
- Audit checks of a number of grant claims as required.
- Continued progression of a number of audits including financial systems to be reported further in Quarter three.

Points of information to support the report:

Audit Opinion Levels (RAG reporting) :

Opinion – General Audits

High – Very Good

Medium / High – Good

Medium – Adequate

Low / Medium - Marginal

Low – Unsatisfactory

Green

Green

Green

Amber

Red

Report Status:

Draft reports:

These are issued to managers prior to the final report to provide comments and a response to audit recommendations.

Final reports:

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

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

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:

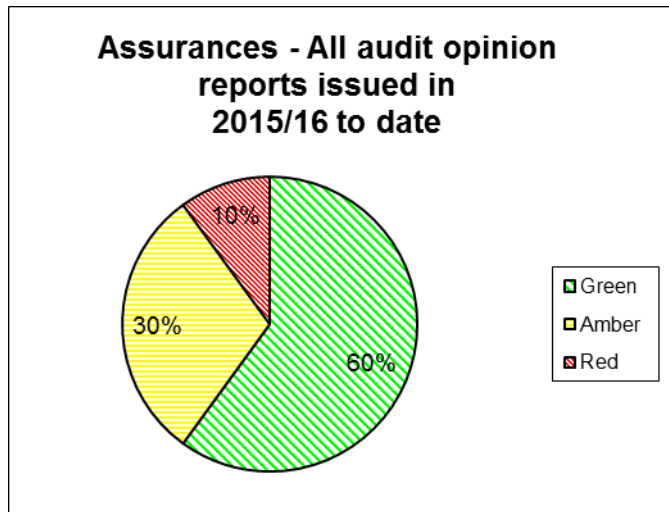
- **Level 4 : Key strategic risk or significant corporate / authority wide issue** - Area under review directly relates to a strategic risk or a significant corporate / authority wide issue or area of activity.
- **Level 3 : Directorate wide** - Area under review has a significant impact within a given 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.

4. Summary of Assurances

Year to Date:

All audit opinion reports issued in 2015/16 to date
(10 final reports issued April to September 2015)



Quarter 2 2015/16:

Six final internal audit opinion reports were issued in quarter two.

At least "Adequate" Opinions (Medium or above) were given in relation to three of the reviews - Income Control, Planning Control and Sale Waterside Arts Centre (although as noted in Section 5, additional work is ongoing to follow up queries from the latter review).

Less than adequate opinions were given in relation to three reviews - Business Continuity (Low/Medium Opinion), Let Estates (Low Opinion as previously reported at draft stage) and Springfield Primary School (Low/Medium). Follow up work will be undertaken in 2016 for each review and will be reported in future updates.

A listing of audit report opinions issued including key findings is shown in Section 5.

Work in the period included continued input by Audit and Assurance to a number of other areas which are listed in Section 6. This included facilitating the completion of the 2014/15 Annual Governance Statement. In addition, there is ongoing work reviewing cash control arrangements across a number of services/establishments, with findings from initial work relating to petty cash to be reported in Quarter 3.

In terms of staffing, two audit staff were recruited, commencing work in August and September 2015 respectively. One vacancy currently remains.

5. Summary of Audit & Assurance Opinions Issued – Q2: 2015/16

REPORT NAME (DIRECTORATE) / (PORTFOLIO) by Coverage Level (1-4)	-OPINION -R/A/G -Date Issued	COMMENTS
FINAL REPORTS		
Level 4 Reports:		
Business Continuity (T&R & Authority-wide) / (Transformation and Resources)	LOW/ MEDIUM (AMBER) * (30/7/15)	Progress had been made with implementing in part most recommendations previously made (10 out of 11). A key area to be addressed, however, is the need to ensure appropriate IT Disaster Recovery arrangements are in place, aligned to service needs and priorities. This includes ensuring Service Business Impact Analyses, which consider critical functions and activities, provide sufficient detail regarding key requirements in relation to IT systems to enable the recovery of systems to be prioritised. An Action Plan was agreed as part of the finalised audit report and developments made through the rest of the year in implementing recommendations will be followed up further in 2016.
Income Control (T&R & Authority-wide) / (Finance)	MEDIUM/ HIGH (GREEN) (21/9/15)	The review was undertaken to gain assurance that key controls relating to the receipting, allocation and reconciliation of income received by the Council were working effectively. In respect of corporate processes managed by Finance Services, overall, effective procedures were in place. It was acknowledged that the Council is working to achieve compliance with the Payment Card Industry Data Security Standard following recent changes in requirements. In addition, audit work has also been completed across a number of services/establishments in reviewing income control arrangements. As part of this audit, one of the recommendations made was to consider the addition of further details regarding income control within the Council's Financial Procedure Rules on their next review to ensure more detail is provided of standards expected of services across the Council. Further audit work in this area is taking place in 2015/16 in respect of reviews of individual services areas and will be reported separately.
Let Estates (EGEI) / (Economic Growth and Planning)	LOW (RED) (27/7/15)	Let estates income is generated from a number of properties across the Borough, with annual income received of over £2m. Audit testing found that property records were not up to date and a significant number of updates to the property database were required. Since the review work was undertaken, the Let Estates function is now managed by Amey as part of the One Trafford Partnership. In the management response to the audit findings, Audit has been advised that Amey are to compile a Technical Services Plan by January 2016. This will include an agreed approach to ensure records are brought up to date which will be agreed with client officers from the Council. Progress against recommendations made in this review will be followed up in 2016.
Level 2 Reports :		
Planning Control (EGEI) / (Economic Growth and Planning)	MEDIUM/ HIGH (GREEN) (7/9/15)	Overall it was found that controls were adequate and effective at the time of the audit review to address most business risks reviewed. Some recommendations were made to improve existing systems and controls. These included ensuring observations from Planning site visits are consistently documented and also further checks are introduced to monitor income received with reference to both the Planning system and the Council's General Ledger.
Level 1 Reports:		
Sale Waterside Arts Centre (T&R)/(Communities and Partnerships)	MEDIUM (GREEN) (18/8/15)	The purpose of this review was to evaluate the controls in place for the management of business risks in respect of the Box Office ticketing and Bar stocks and income. Whilst adequate procedures were in place across some areas reviewed, a number of recommendations were made which included improving existing systems and controls in respect of the security of cash and stocks. It should be noted that although a Medium opinion is given in relation to work completed to date, Audit and Assurance has continued to work with the Service to

follow up outstanding queries from the review in relation to stock control and will report further to management on this area when work has been completed.

Springfield Primary School (CFW) / (Children's Services)

**LOW/
MEDIUM
(AMBER)***
(24/8/15)

Progress has been made to implement or partially implement 16 of the 26 previous audit recommendations made. In addition to the recommendations which remain outstanding, which included actions relating to ordering and payment procedures and maintenance of the School Fund records, a couple of further recommendations were made in relation to updating certain procedures within the school's Finance Manual. The school will be contacted further in the next 12 months for a further update to review progress made.

6. Other Assurance Work

There is a significant amount of work undertaken by the Service that does not result in an audit opinion report being issued.

There has been ongoing work such as the provision of advice; conducting investigation work; co-ordinating the update of the Council's Strategic Risk Register and undertaking financial appraisals of contractors.

In addition to the above, other significant work undertaken during Q2 included:

- Facilitating the production of the finalised version of the 2014/15 Annual Governance Statement.
- Audit checks required as part of the submission of a number of grant claims including Highways and Disabled Facilities grants.
- Visits to a number of Council establishments to review petty cash processes (with a summary report of the work completed to be issued in Quarter 3).
- Presentation given on cash and banking controls as part of a Finance Services training/awareness raising session to schools' finance staff in September 2015.
- Continued input to ongoing discussions between the STAR Shared Procurement Service and Finance and audit staff in Rochdale and Stockport Councils in respect of reviewing existing procedures for the financial vetting of contractors.
- Continued progression of work supporting the National Fraud Initiative, in liaison with other services, to be reported in March 2016.
- Input by the Audit and Assurance Service to the monitoring of the Budget Monitoring Action Plan following the corporate review in 2014/15.

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

Based on the 6 final audit opinion reports issued during the quarter:

- **All recommendations made in the Quarter (49 recommendations in total) have been accepted.**

In the year to date, based on 10 final reports issued from April to September 2015:

- **96.5% of recommendations have been accepted (83 out of 86 recommendations). The Service Annual Target is 95%.**

Implementation of Audit Recommendations

Final audit reports are followed up to assess progress in implementing improvement actions identified through audit recommendations. Recommendations made by the Audit and Assurance Service are followed up by a number of means including follow up audits, reviews conducted on a cyclical basis and managers self- assessments.

Two follow up audits were completed during the quarter (Business Continuity follow up and Springfield Primary School). Details of these were referred to in Section 5.

A number of other follow ups were in progress during the quarter and will be reported in the Quarter three update. These are the following: Section 17 Payments -Children's Act 1989 (draft report issued October 2015); Altrincham Crematorium; St. Ann's RC Primary School and St. Anne's C of E Primary School.

8. Resources Update / Performance against Audit & Assurance Annual Work Plan

Appendix A shows an analysis of time spent to date against planned time for the 2015/16 Operational Internal Audit Plan

As at the end of quarter two, 372 audit days were spent to date against 420 planned days (89% of planned allocated time). As referred to in the Quarter one update, available Internal Audit resources were less than originally planned for at the start of 2015/16. A Senior Audit and Assurance Officer commenced in post on 5 August 2015 and an Audit and Assurance Officer on 7 September. There is now just one remaining vacancy at Audit and Assurance Officer level.

Meetings will be held with Corporate Directors in the final quarter of 2015/16 to discuss progress against planned work and agree future plans including the timing of any remaining work within the existing Plan. Any amendments to the Plan or rescheduling of work if required will be reported to the Committee in future updates at its meetings in 2016.

9. Planned Work for Quarter 3, 2015/16

Areas of focus will include :

- Issue of a number of follow up reports as listed in Section 7.
- Issue of a number of other audit reports during the quarter including Treasury Management, Payroll, Cash control (petty cash and income) and the Registrars Service.
- Liaison with partner authorities to agree the issue of audit reports in Quarter three in relation to the STAR Shared Procurement Service.
- Progression of a number of other audits including financial systems (Benefits and Accounts Payable), two further school follow up audits, Client finances (Adult Services) and other audits to be drawn from the Annual Audit Plan.

APPENDIX A

2015/16 Operational Plan: Planned against Actual Work (as at 30 September 2015)

<u>Category</u>	<u>Details</u>	<u>Planned Days 2015/16</u>	<u>Planned Days (up to 30/9/15)</u>	<u>Actual Days (as at 30/9/15)</u>
Fundamental Systems	Completion of fundamental financial systems reviews	160	85	103
Governance	Corporate / partnership governance review work and collation of supporting evidence and production of the 2014/15 Annual Governance Statement (AGS). Preparation for production of the 2015/16 AGS.	60	35	18
Corporate Risk Management	Facilitating the updating of the Council's strategic risk register and other actions to support the Council's Risk Management Strategy.	25	12	12
Anti-Fraud and Corruption	Investigation of referred cases. Work in co-ordinating the reporting of the Council's NFI data matching exercise. 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.	140	70	51
Procurement / Value for money	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).	50	10	7
ICT Audit	Audit reviews to be completed in line with the ICT audit plan. Investigation of misuse of ICT.	60	27	22
Schools	School Audit reviews Support the Council in raising awareness with schools of the DfE Schools Financial Value Standard (SFVS).	120	43	32
Assurance – Other Key Business Risks	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.	155	70	81
Grant claims checks / Data Quality	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.	30	12	17
Service Advice / Projects	General advice across all services. Support and advice to the organisation in carrying out key projects ensuring new	80	40	20

	systems, functions and procedures provide for adequate controls and good governance arrangements.			
Financial Appraisals	Financial assessments of contractors and potential providers	30	16	9
TOTAL		910 *	420	372

*Note: There are 960 planned available days in total but 50 days relate to contingency.