
MANCHESTER CITY COUNCIL
REPORT FOR INFORMATION

REPORT TO **Audit Committee – 14 January 2010**

SUBJECT: **Internal Audit Progress Update**

REPORT OF: **City Treasurer / Head of Internal Audit and Risk Management**

PURPOSE OF REPORT

To provide an update on progress in the delivery of the Council's 2009/10 Internal Audit plan for the period 1 April to 31 December 2009.

RECOMMENDATIONS

Members are asked to consider and comment on the Internal Audit Progress update.

FINANCIAL CONSEQUENCES FOR THE CAPITAL AND REVENUE BUDGETS:

None

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BACKGROUND DOCUMENTS

Internal Audit Plan 2009/10

WARDS AFFECTED N/A

IMPLICATIONS FOR KEY COUNCIL POLICIES

<u>Anti-poverty</u>	<u>Equal Opportunities</u>	<u>Environment</u>	<u>Employment</u>
None	None	None	None

Internal Audit progress update 1 April– 31 December 2009

1 Background to report

- 1.1 The Audit Committee considered and approved the 2009/10 annual Internal Audit plan at its meeting on the 25 June 2009. This report describes progress towards delivery of the audit plan as at 31 December 2009.

2 Summary

- 2.1 The 2009/10 audit plan is well underway with good progress made in the in the planning and delivery of all audits. There are no significant concerns around delivery of the audit plan however some unplanned work including a review of closing schools risks and a number of investigations have led to some rescheduling. Some audit work has been rescheduled following requests from Heads of Service to alter start dates and this is being actively managed as part of the delivery of the overall plan.

3 Resourcing

- 3.1 The staffing position in Internal Audit remains stable with 23 permanent staff in post (of an FTE of 26). The ongoing absence of two staff including one manager has impacted on the capacity for development however one manager recently returned from sick leave and this will increase available time in the coming months. Since the previous progress report staffing capacity has been strengthened in a number of ways including:
- the return of one Senior Auditor from maternity leave and one Grade 9 Lead Auditor from a long term appointment in Children's Services;
 - the recent appointment of external specialist resource for five specific IT audits;
 - the appointment of four external auditors to assist in the completion of the FMSiS assessment work on secondment terms to the end of March 2010; and
 - the continued use of CIPFA trainees as part of their programme of learning and development within Corporate Services.

4 Audit Progress Summary

- 4.1 A summary of the status of reports is shown below and a full list of the planned audits for 2009/10 is attached as Appendix One. This shows the status at 31 December 2009 compared to the position reported at September 2009.

Status	Number of audits December 2009	Number of audits September 2009
Complete reports*	79	43
Draft reports	10	1
Fieldwork complete	20	15
Fieldwork in progress	21	28
Planning in progress or complete	26	19

Ongoing support and advice	5	5
Not started (as per plan)	4	27
Total	165	138

* Completed audits include reports on 34 schools, 7 closing schools and 11 investigation reports.

5 Conclusion

5.1 Members are asked to consider and comment on the Internal Audit Annual Progress Report.

Appendix 1 – Internal Audit Progress Update

Block	Area of Work	Scope	Status as at 31 December 2010
Pro-active and reactive fraud work (255 days)	Financial Systems - Fraud Risk Assessment and Detection	To identify and document existing systems to develop further intelligence on the risks of exposure to fraud and inform proactive fraud work	Fieldwork Complete Work on purchase cards and duplicate payments identified as part of this assessment have been completed and reports to be issued January 2010.
	Development of Fraud Response Plan	The Council's effectiveness in countering fraud and corruption in line with the CIPFA Guidance and develop a procedural framework for use by managers and staff in dealing with reports of fraud or corruption.	Fieldwork Assessment against CIPFA best practice completed and used for AGMA benchmarking. Focus on reactive work has delayed production of a documented framework but this will be concluded by March 2010.
	IDEA Software Implementation	To successfully implement and develop IDEA software within Internal Audit to provide the ability to independently analyse data as part of assurance work and proactive fraud work	Complete Software has been implemented in both Internal Audit and the Fraud Investigation Group and basic user training delivered. This has been used to perform a review of purchase card expenditure and a proactive investigation plan is being developed. Work to identify duplicate creditor payments is on going.
	Fraud referrals and whistleblowing cases	Investigation of allegations of fraud and corruption, responses to whistleblowing allegations and collation of intelligence on other cases reported to Internal Audit	Internal audit have been involved in a number of whistleblowing cases and investigations leading reviews and/or supporting management to address allegations. 130 days of auditor time used by end of December. This has resulted in the issue of: <ul style="list-style-type: none"> • 8 final written reports. Complete • 3 draft reports. Draft • 7 cases where investigations have been completed. Fieldwork Complete • 7 investigations are ongoing. Fieldwork This volume of work and support to the Council in other investigations matters has impacted on the ability of the team to drive forward pro-active work.

Block	Area of Work	Scope	Status as at 31 December 2010
Pro-active and reactive fraud work (255 days)	Money Laundering Policy and Procedures	The Council's arrangements in complying with Money Laundering regulations 2007 and the proceeds of crime act	Draft Initial work to develop and launch a Money Laundering Policy in conjunction with the Finance Shared Services Centre and Payroll Manager. Draft policy and procedures manual produced for comment.
	National Fraud Initiative	To identify possible cases of fraud from NFI and detect and correct any consequential under or overpayments from the public purse	Fieldwork. Review meeting with Audit Commission held to discuss outcomes of work on data matches and issues arising.
	Review and refresh of anti-fraud and corruption policies	Review and re-launch of the Councils Anti Fraud and Corruption Policy, Whistle blowing Policy and other key policies	Fieldwork Review complete. Briefing on anti fraud and corruption provided to CIPFA CPD group in September and revised policy and procedure guidance to be published on intranet in January 2010.
Compliance audits (184 days)	Adult Social Care – Cash Handling Procedures	Effective controls over the handling of cash on behalf of Adult Social Care service users	Draft report
	Casework management	Compliance with casework management policies and procedures for vulnerable children and vulnerable adults	Fieldwork
	Code of Compliance Audits	Compliance with the Code requirements on gifts and hospitality	Fieldwork complete
	Compliance with financial regulations	Management compliance with policies and procedures in respect of travel and subsistence expenses	Not started (planned for quarter 4)
	Compliance with laws and regulations	Compliance with the requirements of the Freedom of Information Act and Data Protection Act	Fieldwork complete
	Grant Certification	Support to City Treasurer in the audit of grant claims	Complete

Block	Area of Work	Scope	Status as at 31 December 2010
	Compliance - Procurement and Contracting	Management compliance with policies and procedures in respect of procurement and contracts	Fieldwork Preliminary meetings held.
	Compliance – Recruitment	Management compliance with policies and procedures in respect of recruitment.	Complete
Contingency (263 days)	Contingency	Block of contingency to be released to other areas of audit work during the year based on an in-year risk assessment	Complete Areas of focus to date have been: <ul style="list-style-type: none"> • Blue badges – audit of compliance with procedures for the control of blue badge use. Complete • NI158 – targeted audit of national indicator 158 (decent homes standards) Complete • Homeless housing benefits – audit of reconciliation process. Complete • Support to business continuity team in developing new system for recording continuity plans. • Financial healthcheck completed for Manchester Credit Union and in progress for New East Manchester.

Block	Area of Work	Scope	Status as at 31 December 2010
Corporate Services (229 days)	Core Financial Systems	Adequacy and effectiveness of financial systems controls - full audits for 4 systems and walkthrough confirmation / compliance tests for 8 systems	<p>Complete</p> <ul style="list-style-type: none"> • Payroll • Treasury Management • Creditors • Debtors <p>Draft Report</p> <ul style="list-style-type: none"> • Cash receipting <p>Fieldwork complete</p> <ul style="list-style-type: none"> • Accounting and general ledger <p>Planning complete for:</p> <ul style="list-style-type: none"> • Revenue and Capital budgets • Business Rates • Housing Benefits • Council Tax • Fixed assets
Corporate Services (229 days)	Council tax exemptions and discounts	Council Tax Exemptions and discounts are appropriately calculated, awarded and reviewed.	Complete
	Final Accounts	Targeted audit work on the Council's Statement of Accounts	<p>Complete</p> <p>Review of statement of accounts and programme of testing of debtors / creditors resulting in report to Head of Financial Management</p>
	Framework Contracts (Construction Hub)	Risks to the Council are managed in the development of the NW Construction Hub	Draft report
	IFRS	Adoption of International Financial Reporting Standards in accordance with guidance in CIPFA LAAP bulletin.	<p>Fieldwork complete</p> <p>Meetings held with Head of Financial Management and Head of Financial Accountancy. Project plan reviewed and assurance obtained over progress.</p>

Block	Area of Work	Scope	Status as at 31 December 2010
	Obtaining and Managing External Funding	Risks relating to external funding are managed effectively	Complete
	Revenue Budget Setting	The Councils budget setting process reflects the priorities identified in the councils organisational and departmental plans	Planning
Cross Cutting (240 days)	Business Unit Review - Children and Families District	Effective management of people, finance, risk and performance	Planning
	Business Unit Review - Capital Programme Group	Effective management of people, finance, risk and performance	Planning
	Business Unit Review - Libraries and Information Service	Effective management of people, finance, risk and performance	Cancelled. Following a request from the business this audit has been cancelled. There has been a change in management and the Central Library decant is planned to take two years.
Cross Cutting (240 days)	Business Unit Review - Manchester Engineering Design Consortium	Effective management of people, finance, risk and performance	Planning Initial meeting held with Head of Service and testing strategy for this and the other business unit reviews has been developed.
	Commissioning Strategy	Strategies support the effective delivery of Corporate Plan and Community Strategy objectives	Fieldwork complete
	MIP Strategy	Strategies support the effective delivery of Corporate Plan and Community Strategy objectives	Not started (planned for quarter 4)
	People Strategy	Strategies support the effective delivery of Corporate Plan and Community Strategy objectives	Complete
	Performance Strategy	Strategies support the effective delivery of Corporate Plan and Community Strategy objectives	Not started (planned for quarter 4)

Block	Area of Work	Scope	Status as at 31 December 2010
	Sustainability Strategy	Strategies support the effective delivery of Corporate Plan and Community Strategy objectives	Complete
	Town Hall Complex	Effective governance and financial management arrangements for the Town Hall Complex project.	Fieldwork Advice provided on PQQ process. Internal Audit to attend project board and carry out risk assessment to define audit work in remainder of 2009/10 and beyond.
Childrens' Services (236 days)	Academies	An effective academies model is in place and delivered consistently across the City	Draft report
	Children's Trust Arrangements	Childrens' Trust Arrangements are developed in line with plans and required outcomes	Fieldwork Complete
	Teenage conception strategy	The teenage conception strategy is comprehensive and supported by clear action plans to support the achievement of national and local targets	Fieldwork
	Closing schools audits	Risks associated with closing schools are managed effectively	Final reports issued in respect of the following schools: <ul style="list-style-type: none"> • Bishop's Bilborough. Complete • St Edward's RC Primary. Complete Summary report on Closing Schools presented to Audit Committee. Audit work complete although some work ongoing in resolving issues in respect of assets.

Block	Area of Work	Scope	Status as at 31 December 2010
Childrens' Services (236 days)	Schools moving to academies audits	Risks associated with schools moving to academies are managed effectively	<p>Final reports issued in respect of the following schools:</p> <ul style="list-style-type: none"> • Brookway High. Complete • North Manchester High School for Boys. Complete • North Manchester High School for Girls. Complete • Parklands High. Complete • Plant Hill High. Complete <p>As above re closing schools report. Learning from these audits and subsequent events being fed into joint Corporate / Childrens Services closing schools action plan.</p>
	Commissioning Framework - Cross cutting review in Childrens' Services and Adult Social Care	Commissioning strategy has been translated into an effective model for Childrens' Services and Adult Social Care commissioning	<p>Fieldwork in Children's Service's complete</p> <p>Fieldwork in Adults Services to start in February.</p>
	Contact Point	Effective implementation and roll-out of Contact Point	Complete
	District Model (Governance)	Governance arrangements support the effective delivery of District Management arrangements	Complete
	Education redesign	Performance management arrangements and operational processes are in place to deliver the school improvement service	Planning
	Safeguarding Children	Safeguarding arrangements are robust, in line with national requirements and are consistently applied across the City to ensure the protection of Children	Complete

Block	Area of Work	Scope	Status as at 31 December 2010
	School assurance framework	Development of a schools assurance framework	Ongoing This has been an area of ongoing focus and liaison with Children's Services to support the development of a cross –Council assurance approach.
	School attendance	An effective strategic approach delivers improved attendance at Manchester Schools	Fieldwork complete
	School Governance	Support to the delivery of the School Governance project	Ongoing Support to Head of Schools' Governance in developing Local Authority support and challenge arrangements for schools. Internal Audit now attending Board meetings established in Children's Services on advisory basis (to address School Governance/Finance related issues)
FMSiS (210 days)	FMSiS	Delivery of FMSiS assessment at primary and secondary schools	Planning complete Letters sent to all relevant schools to advise that assessments / reassessments will take place in January / February 2010. All but four FMSiS files now submitted by schools for testing to start 11 January 2010.
Schools (350 days)	Schools Audits	Delivery of core audit programme of risk-based school audits	Complete Reports to date issued for: <ul style="list-style-type: none"> • Abbott Community • Ashbury Meadow Primary • Broadhurst Primary • Cavendish Primary • Chapel Street Primary • Cheetwood Primary • Chorlton C of E Primary • Crowcroft Park Primary • Didsbury CofE Primary • Holy Trinity Primary • Lily Lane Junior

Block	Area of Work	Scope	Status as at 31 December 2010
			<ul style="list-style-type: none"> • Lily Lane Infant • Martenscroft Nursery • Mauldeth Road Primary • Northenden Community Primary • Old Moat Primary • Rack House Primary • Rodney House Primary • Sandilands Primary • Saviour C of E Primary • Sacred Heart Primary, Gorton • Seymour Road Primary • St Aiden's Catholic Primary • St Agnes Primary • St Andrew's Primary • St Anne's, Ancoats • St James Primary, Gorton • St Willibrord's RC Primary • St Wilfrid's Primary, Hulme • Varna Street Primary • Burnage High • Chorlton High • King David High • Loreto High • Chorlton High
Governance and Performance (114 days)	Added Value from Partnerships	To provide assurance over the mechanisms for determining, evaluating and monitoring the added value that derives from partnerships.	<p>Planning complete</p> <p>To be delivered in conjunction with audits of Partnership Governance and Stakeholder Engagement in Partnerships. Fieldwork starts January 2010.</p>

Block	Area of Work	Scope	Status as at 31 December 2010
	Annual Governance Statement	To work with the Head of Financial Management in providing assurance over the full accurate and timely completion of the AGS.	Planning Internal Audit to support the AGS process January 2010
	Business Planning	To provide assurance over the Council's approach to business planning and make a contribution to the review of business plans	Complete Advice and support provided through challenge and support process
	Data Quality	Compliance with the data quality strategy through testing of performance management data.	Fieldwork complete
	Local Area Agreement	Effective cascade of outcomes from the Community Strategy, though targets, objectives and actions delivered though the Manchester Partnership.	Fieldwork complete
	Partnership Governance	Compliance of significant partnerships with Partnership Governance Standards	See Added Value from Partnerships
	Stakeholder engagement in partnerships.	Effective partnership engagement with key stakeholders.	See Added Value from Partnerships
ICT (189 days)	ICT Assets - Lifecycle Management	Effective controls over the acquisition, management and disposal of ICT assets	Draft report
	ICT contract and supplier management	Monitoring arrangements ensure that ICT supply and service contracts are delivered to the agreed specification	Fieldwork
ICT (189 days)	ICT Governance	Appropriate arrangements are in place through which the current and future use of ICT is directed and controlled	Planning Review of scope and coverage to be undertaken based on new proposal from External Audit to audit IT governance
	Internal and External Penetration Tests	The risk of potential vulnerabilities of the Councils internal and external facing ICT infrastructure	Draft report
	Internet Management and Usage	The external risks that threaten ICT network security	Planning (work being delivered through contract partner)

Block	Area of Work	Scope	Status as at 31 December 2010
	IT Access	Adequacy and effectiveness of controls over access to ICT	Fieldwork complete (work being delivered through contract partner)
	IT resilience and disaster recovery	Robustness of plans to ensure ICT resilience and ability to recover from ICT disasters	Planning
	MiCare	Recording, use and reporting of data in the MiCare system	Planning (work being delivered through contract partner)
	Security Assessment (including GC compliance)	Robustness of the security of key technologies and platforms that support the overall delivery of ICT services	Complete
	Use of ICT to support home and mobile working	The security, integrity and confidentiality of information is maintained for home and mobile working	Planning (work being delivered through contract partner)
Other work (53 days)	GMITA	Provision of Internal audit to the Integrated Transport Authority	Fieldwork
	Mersey Valley Joint Committee	Provision of Internal audit to the Mersey Valley Joint Committee	Complete
	PATROL	Provision of Internal audit to the PATROL	Fieldwork complete
Neighbourhood Services (166 days)	Adult Social Care Commissioning	The strategic approach to commissioning is translated to ensure the effective delivery of Mental Health services	Planning Fieldwork January 2010
	Business Continuity	Appropriate actions have been taken to response to the 2008/09 audit report and lessons learned from the ICT virus incident	Complete Management letter issued on Swine Flu
Neighbourhood Services (166 days)	Environmental Health – Licensing and Enforcement	Robust systems are in place to address the legislative framework within which the Council carries out its licensing duties	Planning Fieldwork January 2010
	Events Management	Performance measures support effective decision making in respect of special events	Fieldwork
	Green Strategy - Delivery	strategy is comprehensive and supported by a framework of actions plans for the delivery of environmental projects/policies	Planning Start date deferred to quarter 4 at management request following appointment of new senior manager.

Block	Area of Work	Scope	Status as at 31 December 2010
	Personalisation – Individual Budgets	Effective controls are in operation with regard to the processing, monitoring and reporting of individual budgets.	Planning Fieldwork due January 2010
	Safeguarding of Adults – Recruitment	Recruitment arrangements within Adult Social Care are comprehensive, comply with legislation/directives and are consistently applied across the Manchester Safeguarding Adults partnership	Complete
	Waste Management – Recycling	Arrangements support the Council's commitment to recycling and the achievement of both local and national targets	Planning Start date deferred at management request to March 2010
Regeneration (115 days)	Accountable Body Role	Governance arrangements ensure the effective discharge of the Council's accountable body role in respect of Growth Point (social housing)	Fieldwork
Regeneration (115 days)	Congestion and transport (Local Transport Plan)	Information and data supports the development and delivery of an effective local transport plan for 2011	Complete
	Decent Homes Standards	Arrangements between the City Council and RSL's/ALMO's ensure the Council can demonstrate decent homes standards are met.	Complete
	Metrolink	Effective governance and financial management arrangements mitigate risks arising from joint funded projects (phase 3a)	Planning
	Trust Arrangements	Effective monitoring and control of the exposure to risk arising from trust arrangements	Not started (planned for quarter 4)
	Worklessness	Effective governance arrangements exist between partner organisations to ensure the successful delivery of the Worklessness agenda.	Fieldwork complete
	Block	Completion of audits 2008/09	

Block	Area of Work	Scope	Status as at 31 December 2010
allocations (1,018 days)	Advice and guidance		Ongoing advice and guidance to officers across the Council in all matters of internal control, contracting, risk management and governance.
	Client and delivery management		Ongoing time spent by management in the delivery of audits, contribution to corporate initiatives and liaison with clients.
	Follow-up of Internal Audit recommendations		Ongoing follow-up of recommendations issued in previous reports.