

MANCHESTER CITY COUNCIL

REPORT FOR INFORMATION / RESOLUTION

COMMITTEE Audit Committee
DATE: 30 October 2008
SUBJECT: Updated Internal Audit Plan 2008/09
REPORT OF: The City Treasurer

PURPOSE OF REPORT

As a result of bringing the Internal Audit year-end forward from June 2009 to March 2009, the annual Internal Audit Plan has been reviewed and updated. This report provides a copy of the updated Internal Audit plan for the period July 2008 to March 2009 for Audit Committee comment and approval.

RECOMMENDATIONS

Members are requested to approve the updated Internal Audit plan.

FINANCIAL CONSEQUENCES FOR THE CAPITAL AND REVENUE BUDGETS:

None

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BACKGROUND DOCUMENTS

The Manchester City Council Corporate Plan 2007-2010
Manchester City Council Corporate Risk Register
Manchester City Council Internal Audit Plan 2008/09

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 Plan July 2008 – June 2009

1 Background to report

- 1.1 The Audit Committee considered and approved the annual Internal Audit plan at its meeting on the 27 June 2008. The plan covered the period from 1 July 2008 to 30 June 2009 and explained how the 3,491 audit days would be applied in the year.
- 1.2 As previously reported to Audit Committee, the Interim Head of Internal Audit has brought the Internal Audit plan year end forward to 31 March 2009. This is to ensure it is aligned with the Council's financial reporting business planning and Annual Governance Statement timetables.
- 1.3 A revised plan has been produced to reflect the change in year end and is attached as appendix 1.

2 Scope of Internal Audit work for 2008/09

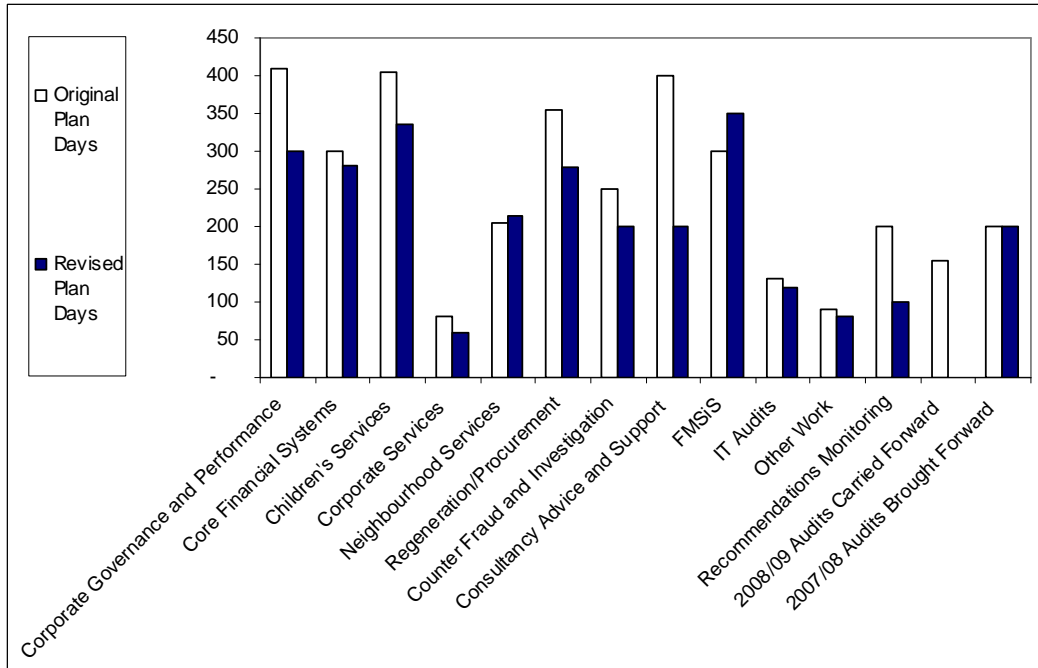
- 2.1 The original audit plan was compiled by the Internal Audit Section based on an assessment of risk and assurance need. It was cross-referenced to corporate risk analyses in Corporate and Business Plan Risk Registers and was discussed with senior Council managers.
- 2.2 Given the investment of time and resources from officers and Members in the production and agreement of the original audit plan the Interim Head of Internal Audit does not propose any significant changes to the approved areas of audit activity in the year. Whilst the optimum level of audit coverage is a subject of ongoing review, an assessment of the plan has not identified any areas that justify the immediate redirection of Internal Audit resources. A number of audits were planned for completion in April-June 2009 and these now fall outside of the revised audit plan years. It is anticipated that these will be included in the Audit Plan for 2009/10. A list of these audits is provided as appendix 2.
- 2.3 Given the Council's ambition for a 'best in class' Internal Audit service, it is not proposed that these audits simply roll-forward but are included within a full and comprehensive assessment of the section's coverage and resource requirements in the development of the 2009/10 plan. Should they remain appropriate they will be included in the plan. Any areas not proposed for inclusion will be reported to the Audit Committee for consideration, comment and approval.
- 2.4 In some areas, through the reassessment and revision of detailed audit scope and the estimated impact of efficiency measures the Interim Head of Internal Audit and Internal Audit team have identified areas where audits can be delivered in less time than originally planned. These changes are reflected in the allocation of days in the attached plan.

3 Resourcing

- 3.1 The original estimate of staff availability was 3,071 audit days with a plan to deliver 3,480 days of audit work. To address the resource gap it was proposed that 120 audit days would be bought in from Salford Computer Audit Services ("SCAS"). There was also an estimate that up to 300 days would be required to support proposed assurance work if recruitment to the vacant auditor posts was not successful.
- 3.2 The revised plan to 31 March 2009 includes 2,719 days of audit work. This represents 77% of the days in the original plan and is in proportion to the shortening of the audit year from 12 to 9 months.
- 3.3 Given the decision of the Interim Head of Internal Audit to suspend recruitment to three posts pending the outcome of his review there remains a need for additional resources. 120 days are proposed to be bought in from SCAS and approximately 200 days of resource are required to assist the Section in the delivery of the Council's Financial Management Standard in Schools ("FMSiS") assessments. Proposals are being developed and it is likely that support will be sought through the Financial Framework Contract.
- 3.4 The resourcing position is being kept under constant review and in the event of higher than anticipated levels of absence or requests for essential, additional work, further options to secure additional resources may be required

4 Internal Audit Scope and Coverage

- 4.1 The coverage of the audit plan is presented in the chart below and in detail in Appendix 1. As in the original plan the work is grouped into the following sections rather than by Department as in previous years. This is to aid the cross reference to Council objectives and priorities and to identify the overall objectives for the audit work in relation to those Council objectives. The key changes from the original to revised plan are as follows:



Corporate governance, performance and cross-cutting audits

- The reduction in days is due to gifts and hospitality moving into 2009/10 (quarter one) and the clarification of audit scope, in particular on the Comprehensive Area Assessment audits.

Core financial systems

- The budget remains comparable with the original plan and is sufficient to ensure that the service provides the breadth and depth of audit coverage requested by the External Auditor.

Directorates – Children's Services

- The plan is designed to deliver the same numbers of primary and secondary school audits within the year, with some efficiency savings on time. 55 days of Children's Services audit on the Youth Service, Special Educational Needs and Special School Funding have been carried forward to the 2009/10 as these were planned for delivery in the period from April to June 2009.

Directorates – Corporate Services

- Specific audits on the Financial Management and IT Service Improvement Projects have been removed from the plan. There is an allocation of time for ongoing advice and guidance but no specific audit activity planned in this area in the period to March 2009.

Directorates – Children's Services

- The review of commissioning across Adult Social Care and Children's Services has been carried forward to the 2009/10 as this was planned for delivery in the period from April to June 2009.

Directorates – Regeneration and Procurement

- The revision of detailed audit scope in a number of audits has enabled a reduction of days.

Counter-fraud and investigation

- There are known commitments for work on the National Fraud Initiative and planned pro-active fraud activity. Internal Audit investigations are also likely to be required in the year there has been a relatively small reduction in the planned time for this work

Demand-led consultancy advice and support

- Reduction in this area to focus on the delivery of audits. It is important that this wider support and advice remains available to the Council at the right time so this is subject to ongoing review.

FMSiS

- There is an increase in the planned time for the Financial Management Standard in Schools to reflect the need to effectively manage the planned use of external contractors.

Audit follow-up

- Internal Audit has an important role but there is planned reduction reduce the time spent chasing the progress of recommendations.

- 4.2 The audit plan includes an estimated time for the completion of audit work from the 2007/08 plan which is largely complete at October 2008.

5 Conclusion

- 5.1 Members are asked to approve the revised audit plan for 2008/09.

Appendix 1
Updated Audit Plan 2008/09

Audit Title	Audit Outline	Staff Days		Risk	Audit Coverage										Corp. Risk Item	
		Original	Revised		Corporate Plan Priorities 2007-10											
					1	2	3	4	5	6	7	8	9	10		
Corporate Governance and Cross-Cutting Audits																
Comprehensive Area Assessment (CAA)	To assess and evaluate the effectiveness of developing processes to implement the CAA, offering advice and support as required.	30	20	H		X	X	X							X	3, 8
Comprehensive Area Assessment (CAA) - National Indicators	To evaluate whether National Indicators data collection systems will accurately report performance. <u>Scope change:</u> From detailed planning work the focus of this review will be an assessment of the management arrangements to support continuous improvement against the National Indicators	30	25	H		X	X	X							X	3, 8
Corporate Performance Management	To assess the effectiveness of the monitoring and reporting of performance against Business Plan objectives across the Council.	30	25	H											X	
LPSA2 certification	To confirm the accuracy of reported results against the targets agreed as part of the LPSA2.	30	35	H											X	
External Funding	To assess the approach to external funding arrangements and follow up on External Audit work. To include a focus on Area Based Grant and alignment with Council priorities.	25	25	H	X	X		X								7
Value for Money policies and procedures	To assess the effectiveness of the Corporate approach to Value for Money in supporting service delivery. Includes the MIP / Procurement Savings scope from the original audit plan	25	35	M								X				6
Manchester Improvement Programme	To assess the impact of, and to provide support for, the Manchester Improvement Programme in delivering sustainable business improvement. To review scope based on External Audit work.	50	35	H						X						
MIP / Procurement Savings	Included within the value for money review above	40	0	H						X	X			X		15

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		Original	Revised		Corporate Plan Priorities 2007-10											
					1	2	3	4	5	6	7	8	9	10		
Corporate Business Planning	To test business planning, assessing effectiveness and compliance with corporate processes across business areas.	50	35	H									X		X	10
Manchester Partnership	To ensure governance in the five thematic partnerships operates effectively to deliver objectives. <u>Scope change:</u> Focus on the governance arrangements within the Partnership and compliance with the Council's Partnership framework	50	35	H	X	X	X	X								13, 14
Annual Governance Statement	To audit and support the process for producing the Annual Governance Statement, including accuracy and completeness of assurance statements.	50	30	H											X	
Crime & Disorder Unit	To assess the effectiveness of the Crime and Disorder Unit, focussing on partnership working and financial, performance and risk management.	30	25	M				X								14
Core Financial Systems																
Benefits (including Housing) System	Assessment, evaluation and mapping of high level system controls supported by compliance testing to give assurance over the operation of the control environment and accuracy of transactions. Work to be informed by outcomes of external audit activities.	40	40	H									X			
Council Tax System	As above	40	30	H									X			
National Non-Domestic Rates System	As above	20	40	H									X			
Income Systems	As above	40	35	H									X			
Treasury Management Systems	As above	20	20	H									X			
Creditor Payments Systems	As above	40	35	H									X			
SAP Payroll Systems	As above	30	35	H									X			
Cash/Income Collection and Receipting Systems	As above	40	25	H									X			
System Reconciliation and Posting to General Ledger including Bank Reconciliations	As above	30	20	H									X			

Appendix 2

Reviews from Original Internal Audit Plan 2008/09 moved to 2009/10

Audit Title	Audit Outline	Staff Days	Risk	Comments on High Risk Areas
Gifts and Hospitality	To ensure that the Council's rules on the receipt of hospitality and gifts by officers are complied with.	25	M	
Financial Management SIP Review	Contribute to the SIP by providing advice on internal controls where significant changes are made to the overall control environment.	10	H	Progress on the FM SIP is ongoing and whilst no specific audit is planned in this area Internal Audit continue to maintain a watching brief and will provide advice and guidance as required.
Job Evaluation	To assess the effectiveness of the job evaluation process and to offer support and advice as required.	10	M	
Special Educational Needs (SEN) - Procurement and Delegations	To test the effectiveness of systems for SEN contracting, procurement and delegation of monies.	15	M	
Youth Service (including performance management)	To evaluate how the new Youth Service structure's decision-making, budget and performance management contributes to Children and Young People Plan objectives.	20	M	
Special Schools Funding	To assess special schools funding provision including criteria, moderation and the credibility and accuracy of funding requests.	20	H	Planned for April-June 2009. Other pressing needs in this area include primary schools audits, FMSiS and Building Schools for the Future, all of which were considered to be of high priority for delivery in 2008/09/
CTU SIP	To contribute to the implementation and delivery of the CTU SIP.	25	H	Progress on the CTU SIP is ongoing and whilst no specific audit is planned in this area Internal Audit continue to maintain a watching brief and will provide advice and guidance as required.
Commissioning	To ensure commissioning is effective and efficient, focussing on the developing LAA approach, Adult Social Care and Children's Services.	30	H	Internal Audit consider that given this focus is on efficiency it is of less immediate risk to the Council and was planned for April-June 2009.
		185		