

REPORT FOR INFORMATION

COMMITTEE: **Audit Committee**
DATE: **22 May 2009**
SUBJECT: **Internal Audit Progress Report 2008/09**
REPORT OF: **City Treasurer**

PURPOSE OF REPORT

To provide an update on progress in the delivery of the Council's 2008/09 Internal Audit plan.

RECOMMENDATIONS

Members are requested to note the progress report.

FINANCIAL CONSEQUENCES FOR THE CAPITAL AND REVENUE BUDGETS

None

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BACKGROUND DOCUMENTS

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 progress update – 1 July 2008 to 22 May 2009

1 Background to report

- 1.1 The Audit Committee considered and approved the updated annual Internal Audit plan at its meeting on the 30 October 2008. This report describes progress towards the delivery of the plan as at 22 May 2009.

2 Summary

- 2.1 The delivery of the audit plan is near completion. Other than nine audits where fieldwork has been completed, all reports have been issued as final or draft. Management comments are awaited for a number of reports. Most are within agreed timescales and those where the target deadline for responses has been exceeded have been agreed and are the result of management taking reports to their own departmental management teams for consideration. Internal Audit considers this to be a positive approach and consequently has agreed to extend deadlines for submission.
- 2.2 The external auditor (Grant Thornton) commenced their interim review of Internal Audit reports and files and arrangements are being made in order that they can place reliance on the full year work of the Internal Audit service.
- 2.3 Work has commenced on the mandatory and committed aspects of the 2009/10 audit plan including a number of secondary school audits. The final, agreed Internal Audit plan for 2009/10 will be presented to Audit Committee in June 2009.

3 Audit Progress Summary

- 3.1 A full list of planned audits is attached as Appendix One. This shows the status at 22 May 2009 and the status previously reported to Audit Committee in April.
- 3.2 For the purposes of this progress update school audits, FMSiS assessments and fraud investigations have been classified as single audits. The actual numbers of audits and associated reports are significant and include 57 FMSiS assessment, 33 primary school audits. In summary the changes from April 2009 are as follows:

	2 April 2009	22 May 2009
Complete	15	27
Draft	9	22
Fieldwork complete	10	9
Fieldwork	21	0
Deferred	5	5
Consolidated audits	2	2
Ongoing	3	0
	65	65

4 Assurance Reporting

- 4.1 The overall Internal Audit assurance opinion for the year, based on work performed and other governance and internal control issues known to the Interim Head of Internal Audit has been appended to the draft Annual Governance Statement that will also be presented to Audit Committee on 22 May. In June the Audit Committee will be provided with the Internal Audit annual report that will include all of the assurance opinions and capacity to improve assessments during the year as well as an update on the implementation of audit recommendations.

5 Conclusion

- 5.1 The annual Internal Audit report will be provided in June 2009 and will explain the progress and final assurance opinions issued in respect of the 2008/09 plan.

Appendix One

Audit Plan 2008/09 Progress Update at 22 May 2009

	Title	Scope	Status at 2 April 2009	Status at 22 May 2009	Comments
1	Comprehensive Area Assessment (CAA)	To assess and evaluate the effectiveness of developing processes to implement the CAA, offering advice and support as required.	Fieldwork	Complete	Support provided through SMT Sub Group, review of KLOE submissions and production of Internal Control and Governance submissions.
2	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	Draft	Draft	Draft has been produced for presentation to the auditee and will be issued by the end of May 2009.
3	LPSA2 certification	To confirm the accuracy of reported results against the targets agreed as part of the LPSA2.	Complete	Complete	Final certificate and management letters issued.
4	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.	Deferred	Deferred	This audit is included in the 2009/10 Audit Plan.
5	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	Fieldwork	Fieldwork Complete	Initial report has been produced and will be issued as draft by the end of May 2009.
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.	Consolidated	Consolidated	Consolidated with the review of value for money.
7	Corporate Business Planning	To test business planning, assessing effectiveness and compliance with corporate processes across business areas.	Fieldwork	Complete	Support provided through challenge to business planning process, review of plans and support in the business plan refresh process.

	Title	Scope	Status at 2 April 2009	Status at 22 May 2009	Comments
8	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	Complete	Complete	Final report issued.
9	Corporate Performance Management	To assess the effectiveness of the monitoring and reporting of performance against Business Plan objectives across the Council.	Fieldwork	Fieldwork Complete	Initial report has been produced and will be issued as draft by the end of May 2009.
10	Annual Governance Statement (AGS)	To audit and support the process for producing the Annual Governance Statement, including accuracy and completeness of assurance statements.	Fieldwork	Complete	AGS issued. A piece of work is ongoing to audit the evidence supporting Heads of Service assurance statements and will be concluded in early June in accordance with the planned timetable.
11	Crime & Disorder Unit	To assess the effectiveness of the Crime and Disorder Unit, focussing on partnership working and financial, performance and risk management.	Fieldwork	Draft	Assessment of the Crime and Disorder Partnership was included in Corporate Performance Management audit (audit 9) so this audit focused on delivery of objectives within Drug and Alcohol Strategy Unit. Draft issued May 2009.
12	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.	Complete	Complete	Final report issued.
13	Council Tax System		Complete	Complete	Final report issued.
14	National Non-Domestic Rates System		Complete	Complete	Final report issued.
15	Income Systems		Draft	Draft	Will be issued as final on receipt of management comments.
16	Treasury Management Systems		Complete	Complete	Final report issued.
17	Creditor Payments Systems		Fieldwork complete	Draft	Will be issued as final on receipt of management comments.
18	SAP Payroll Systems		Complete	Complete	Final report issued.

	Title	Scope	Status at 2 April 2009	Status at 22 May 2009	Comments
19	Cash / Income Collection and Receipting Systems		Fieldwork complete	Draft	Will be issued as final on receipt of management comments.
20	System Reconciliation and Posting to General Ledger including Bank Reconciliations		Fieldwork complete	Draft	Will be issued as final on receipt of management comments.
21	Asset Management Plan	To assess the land and building asset management plan with a focus on backlog maintenance	Draft	Complete	Final report issued.
22	Revenue Budget Monitoring	In consultation with External Audit this will focus on corporate arrangements for both revenue and capital budget monitoring as shown below.	Draft	Complete	Final report issued.
23	Individual Budgets (ASC)	To assess the adequacy and effectiveness of Individual Budget procedures, systems and spend.	Complete	Complete	Final report issued.
24	Mersey Valley Joint Committee	Annual assurance opinion (new in year)	Complete	Complete	Final report issued.
25	Adult Protection (ASC)	To ensure arrangements for protecting vulnerable adults are effective and comply with legislation.	Fieldwork complete	Complete	Final report issued.
26	MiCare (ASC)	To support development and implementation of the MiCare system.	Fieldwork	Fieldwork Complete	Watching brief has been maintained in this area and an update will be obtained to inform an Audit letter May 2009.
27	Business Continuity (Business Support)	To assess business continuity and emergency planning effectiveness.	Complete	Complete	Final report issued.
28	Green City Strategy (Environmental Services)	To test Green City programme management and delivery against key objectives.	Fieldwork	Fieldwork Complete	Will be issued as an audit letter by the end of May 2009.
29	Homelessness (Housing)	To test the effectiveness of the Homelessness Service in housing homeless people.	Fieldwork	Fieldwork Complete	Draft report to be issued May 2009.
30	Anti Social Behaviour and Respect Agenda (Housing)	To assess the effectiveness of activity to reduce anti-social behaviour, in line with the Respect Agenda.	Fieldwork	Complete	Final audit letter issued.
31	CIVICA - Universal Housing Management System	To provide assurance that the housing management system delivers as expected to support service delivery.	Fieldwork	Fieldwork Complete	Fieldwork delivered by SCAS. Draft report will be issued in May 2009 on agreement of findings.

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32	Primary School Audits	To establish whether school management and governance is effective and compliant with Council and Government regulation and legislation.	Complete	Complete	Final reports issued for 33 primary school audits.
33	Schools Governance	To support development through active membership of the Schools Governance Project Design Group.	Complete	Complete	Support ongoing in this area will form part of advice and guidance in 2009/10.
34	Procurement in Schools	To ensure contracting and procurement decisions in schools are consistent with Financial Regulations, deliver value for money and are transparent.	Fieldwork complete	Draft	Will be issued as final on receipt of management comments.
35	Building Schools for the Future	To assess whether the BSF programme meets the needs of Children's Services and schools by delivering planned targets and outcomes.	Fieldwork complete	Fieldwork complete	Draft issued to be issued by end of May 2009.
36	Children's Services - District Model Restructuring	To test whether Children's Services District Model supports delivery of the C&YP Plan, focusing on delegations, consistency and governance.	Draft	Draft	Will be issued as final on receipt of management comments.
37	Education Services Redesign Project	To support Education Service redesign, including evaluation of School Effectiveness Officer initiative.	Fieldwork complete	Fieldwork complete	Draft to be issued by end of May 2009.
38	Children Missing from Education	To assess the adequacy of Council arrangements to identify and locate children missing from education.	Fieldwork complete	Draft	Will be issued as final on receipt of management comments.
39	Corporate Contract Monitoring	To assess whether contract monitoring arrangements support Council and contract objectives and prevent waste and fraud.	Fieldwork	Draft	Will be issued as final on receipt of management comments.
40	Manchester Adult Education Service - Intervention, Tendering and Contract Monitoring.	To establish whether finance, outputs and outcomes record-keeping gives assurance that objectives are achieved and clawback / loss of funding minimised.	Fieldwork	Draft	Will be issued as final on receipt of management comments.
41	ERDF	To build on the various reports issued in this area to assess the overall assurance framework for ERDF.	Fieldwork	Complete	Final report issued.

	Title	Scope	Status at 2 April 2009	Status at 22 May 2009	Comments
42	Planning Service Income - Use and Control of Section 106 monies and Planning Fees	To assess whether Section 106 contributions are allocated and used appropriately and whether income from planning fees is collected, secured and banked.	Fieldwork	Draft	Will be issued as final on receipt of management comments.
43	Use of Framework Contracts	To provide assurance that the framework contracts deliver consistency, integrity and sufficient flexibility to the procurement process.	Fieldwork	Fieldwork complete	Draft to be issued by end of May 2009.
44	Use of Manchester Project Management Methodology.	To evaluate whether the Manchester Methodology for project management is used to deliver projects on time to cost and quality.	Complete	Complete	Final report issued.
45	Partnership Service Delivery in PFI	To establish whether management arrangements are in place to assess how far service delivery is in line with contractual expectations.	Draft	Draft	Will be issued as final on receipt of management comments.
46	District Strategic Regeneration Frameworks	To provide assurance that the DSRFs are implemented and managed to deliver the planned regeneration of the city.	Fieldwork	Draft	Will be issued as final on receipt of management comments.
47	Heritage Security	To establish whether cultural assets held by the Council are identified, recorded and secured.	Fieldwork complete	Draft	Will be issued as final on receipt of management comments. Deadline for responses extended at reasonable management request.
48	Monitoring Consultants	To assess whether consultant output monitoring gives assurance that contract objectives and VFM are achieved and waste and fraud prevented.	Consolidated	Consolidated	This audit is being delivered as part of the work on framework contracts.
49	IT Access	To assess the adequacy of the Council approach to granting, changing and removing access to systems and utilities including applications, email and internet.	Deferred	Deferred	Deferred to 2009/10.
50	Acquisition, Control and Disposal of ICT equipment.	To review policy and procedures for the purchase, use, security and disposal of ICT equipment.	Deferred	Deferred	Deferred to 2009/10.
51	Penetration Testing	To review the vulnerability of Council ICT systems to external attack and misuse. This was expanded to include both external and internal penetration testing.	Draft	Draft	Will be issued as final on receipt of management comments. Deadline for responses extended at reasonable management request.
52	Internet Usage Review	To assess the controls over and risks arising from employee use of the internet.	Deferred	Deferred	Deferred to 2009/10.

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53	Use and Security of Mobile and Wireless Technology	To assess the effectiveness of controls over the use of mobile and wireless technology.	Deferred	Deferred	Deferred to 2009/10.
54	Email Technical Infrastructure	To test the effectiveness of technical infrastructure controls deployed to support appropriate e-mail use.	Draft	Draft	Will be issued as final on receipt of management comments .
55	Access to Academy	Additional audit as part of the work on the core financial systems as agreed with the external auditor	Fieldwork	Draft	Will be issued as final on receipt of management comments.
56	Secondary School Audits	There was no budgeted activity for secondary schools in the period to 31 March 2009. Work was brought forward on three secondary schools to respond to specific risks and as a work-around for the IT issues.	Fieldwork	Draft	These form part of the 2009/10 audit plan and draft reports have been issued for three schools to date.
57	Capital Budget Monitoring	As noted above and in consultation with External Audit the planned review of revenue budget monitoring was expanded to include a separate report on capital budget monitoring.	Draft	Draft	Will be issued as final on receipt of management comments.
58	Financial Management Standards in Schools (FMSiS)	To manage and conduct the external assessment of 57 primary schools. This is the third year of assessment work.	Fieldwork	Complete	All assessments concluded.
59	Greater Manchester Passenger Transport Authority (GMPTA)	Provide a bought-in internal audit service – three reports to be issued for the year and input to the annual governance statement.	Fieldwork	Draft	Will be issued as final on receipt of management comments.
60	Traffic Penalty Tribunal (formerly NPAS)	Provide a bought-in internal audit service – two reports to be issued for the year	Fieldwork complete	Draft	Will be issued as final on receipt of management comments.
61	Counter Fraud and Investigation	To ensure the risk of loss to the Council through fraud, waste, mismanagement is minimised and to provide for development and implementation of proactive fraud work.	Complete	Complete	Work has focussed on reactive investigations and responses to whistleblowing allegations. A number of significant unplanned investigations are ongoing at year end and will carry forward into 2009/10. Also included the initial responses and investigations arising from the National Fraud Initiative. Annual activity in this area and any findings that impact on the systems of internal control will be reported separately to Audit Committee.

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62	Consultancy Advice and Support	Contingency allocation to enable a risk-assessed, flexible response to requests from senior management for resources to provide specialist advice and support.	Complete	Complete	Has included support to the Council's Business Continuity Team, advice on procurement and purchasing across the Council, advice to schools and other service areas on matters of internal control.
63	Grant Certifications	To certify that Statements of Grant Usage submitted to central government accurately record eligible expenditure and that grants have been used in line with the terms and conditions. Examples include: Supporting People and Housing Market Renewal.	Complete	Complete	All certifications requested for 2007/08 have been completed.
64	Recommendations Monitoring	Monitoring and review of implementation of recommendations for Service improvement and to address exposure to risk.	Complete	Complete	Follow-up complete and to be reported to Audit Committee in June 2009 annual report.
65	2007/08 Audit Completion	Completion of audits from started in 2007/08 but not completed by 30 June 2008 (c200 days delivered in the 2008/09)	Complete	Complete	Final reports issued on all audits brought forward from 2007/08.