

**MANCHESTER CITY COUNCIL  
REPORT FOR RESOLUTION**

**COMMITTEE**            Audit Committee

**DATE:**                25 June 2009

**SUBJECT:**             Internal Audit Plan 2009/10

**REPORT OF:**         City Treasurer / Interim Head of Internal Audit

---

**PURPOSE OF REPORT**

To provide Members of the Audit Committee with the Internal Audit Plan for 2009/10.

**RECOMMENDATIONS**

Members are requested to consider and comment on the annual Internal Audit Plan for 2009/10.

**FINANCIAL CONSEQUENCES FOR THE CAPITAL AND REVENUE BUDGETS:**

None

<b><u>CONTACT OFFICERS</u></b>	<b><u>Tel Number</u></b>	<b><u>E~Mail Address</u></b>
Richard Paver	234 3564	r.paver@manchester.gov.uk
Tom Powell	234 1433	t.powell@manchester.gov.uk

**BACKGROUND DOCUMENTS**

Manchester City Council Emergent Internal Audit Plan 2009/10

**WARDS AFFECTED**    N/A

**IMPLICATIONS FOR KEY COUNCIL POLICIES**

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

## **2009/10 Internal Audit Annual Plan**

### **1. Background to report**

- 1.1. The Chartered Institute for Public Finance and Accountancy Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 (The CIPFA Code) established the expected professional standards for internal audit in local government. The CIPFA Code is informed by standards from other professional institutes, including the Institute of Internal Auditors (IIA) and the Government Internal Audit Standards (GIAS) issued by HM Treasury, and is the standard against which the quality of internal audit in local government is assessed.
- 1.2. The CIPFA Code sets out the requirement for an internal audit strategy and an annual internal audit plan. The focus of this report is the Internal Audit plan for 2009/10. An emergent Internal Audit strategy and annual plan were presented to Audit Committee in April 2009 and this report finalises the plan for the year.

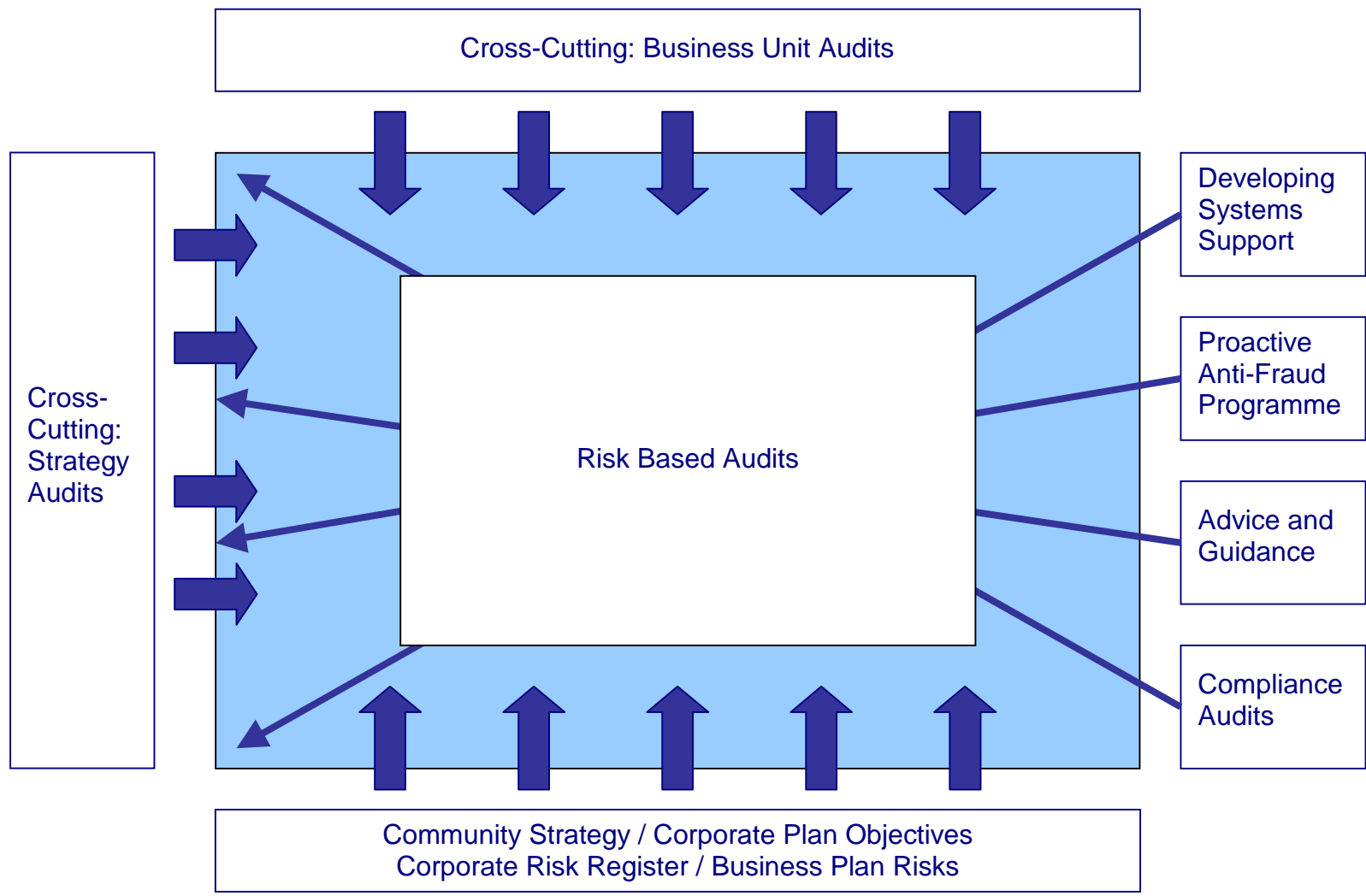
### **2. Approach to plan development**

- 2.1. Section four of the CIPFA Code states the need for an effective working relationship between internal audit and the Audit Committee and that this should include Audit Committee's "approval (but not direction) of, and monitoring of progress against, the internal audit strategy and plan". Whilst the annual plan is not being presented for approval, it is intended that the following provides assurance to members on the approach being taken, the key characteristics of the plan and the areas proposed for review.
- 2.2. The approach to audit planning in the Council for 2009/10 has been based largely, but not exclusively, on the following:
  - Review of the Corporate Risk Register.
  - Review of all service Business Plans.
  - Review of the Corporate Plan, Community Strategy and other key strategy documents.
  - Cumulative audit knowledge and experience.
  - Engagement with Heads of Service and directorate management teams.
  - Engagement with audit colleagues across Greater Manchester and the Core Cities.
- 2.3. On this basis, the following plan of areas for audit coverage has been developed. Areas were considered on a risk basis and presented to all directorate management teams for their consideration.
- 2.4. The final plan reflects the resources available for the year including new appointments due to start in June and July 2009. It also assumes the modest use of external resources to support delivery. Having accounted for planned non-chargeable time there are a total of 3,622 audit days to be spent on the delivery and management of direct audit work. The allocation of this time to auditable areas is set out in section 4.

### **3. Key characteristics of the annual plan**

- 3.1. As noted in the report to Audit Committee in April 2009 and as set out in diagram 1, the annual plan is comprised of a combination of different audits tailored to reflect the specific needs of the Council.
- 3.2. The types of audit in the plan are as follows:
  - **Strategy:** To provide an assurance opinion on the Council's strategic approach to the management of core business processes. Examples include the Information, People and Procurement Strategies.
  - **Business Unit:** To provide an assurance opinion on the adequacy and effectiveness of arrangements to ensure the achievement of business plan objectives, specifically through the management of finance, people, performance and risk.
  - **Risk Based:** To provide assurance on the arrangements in place to manage key business risks. These are the audits that focus on risks in service plans and the corporate risk register and are designed to provide management and members with assurance that appropriate steps are being taken.
  - **Compliance:** To provide assurance to statutory officers and key stakeholders that key systems and processes are operating as intended. This will include work on the core financial systems.
- 3.3. The plan also includes other assurance work as follows:
  - **Proactive Anti Fraud Programme:** Historically Internal Audit focus on fraud matters has been reactive. It is proposed to strengthen capacity in this area and deliver a more proactive service, raising awareness and using technology to help focus resources on areas of fraud risks.
  - **Developing Systems:** To provide early engagement on the development of new systems or processes and make recommendations to mitigate risks where appropriate.
  - **Advice and Guidance:** Internal Audit provides ongoing advice across the Council. Whether through attendance at working groups or responding to telephone enquiries this remains an area where early advice and support can help maintain a robust control environment.

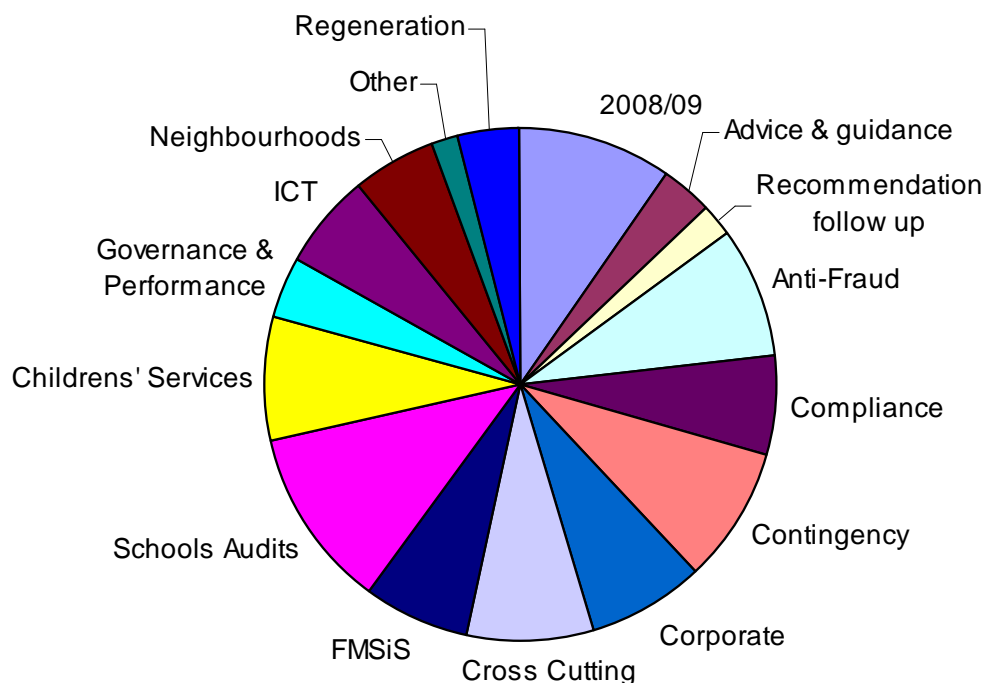
**Diagram One – Audit Plan Framework**



3.4. The final allocations of time in the plan are set out in diagram 2 as follows:

### Diagram 2 – Allocation of direct audit days in 2009/10

*Includes the apportionment of 558 days of audit and client management*



3.5. Further details of the specific reviews in these areas are included at appendix one but in summary the main areas of focus are as follows:

#### 2008/09

3.6. Completion of work from the 2008/09 audit plan year that was brought forward into 2009/10.

#### Advice

3.7. Allocation of 100 days for advice and guidance to all services. Historically this has involved advice to schools, support for the development of governance arrangements and ongoing support to officers in areas such as procurement and compliance with financial regulations.

#### Recommendation follow-up

3.8. Allocation for the follow-up of recommendations issued in prior years.

#### Anti fraud

3.9. Programme of proactive and reactive anti-fraud work. This includes an allocation of 155 days for investigations and 100 days of work in the conduct of intelligence-led investigation work and the development of corporate anti-fraud arrangements.

## **Compliance**

3.10. The plan includes 184 days for compliance audits. This work is designed to provide assurance to the Council's statutory officers including the City Treasurer and City Solicitor. It includes review of contracts and procurement, audits of casework management in adult and children's social care and audits of compliance with Codes of Conduct.

## **Contingency**

3.11. There is an allocation of contingency to deal with unanticipated demands on resources across the entire audit plan. Whilst potential areas for review have been identified this contingent element will be withheld until later in the year when the risk of additional demands can be better predicated.

## **Cross Cutting**

3.12. The plan includes 240 days for cross-cutting audits. This includes the business unit and strategy audits referred to earlier in this report as well as time to be spent on the review of the Town Hall Complex project.

## **School Audits and FMSiS**

3.13. The audit of schools and the delivery of the Financial Management Standard in Schools (FMSiS) assessments accounts for a significant proportion of the plan and reflects the investment from Internal Audit in supporting and challenging school governance and financial management in Manchester.

## **Risk Based Audit Work**

3.14. A third of the plan has been allocated to risk based audit work across all directorates. This includes work on the core financial systems, aspects of which could be classified as compliance audits. The plan includes work that spans directorates, such as the audit of Commissioning across Adult Social Care and Children's Services. The full list of audits is set out in appendix 1.

## **Other**

3.15. The final element of the audit plan is for audit work provided to the Greater Manchester Integrated Transport Authority, PATROL and Mersey Valley Joint Committee where the Council acts as lead authority. This is part of the workplan for the section but results in outputs that are reported to these respective bodies.

## **4. Conclusions**

4.1. Members are asked to note the Internal Audit Plan for 2009/10.

**Appendix 1 Audits in 2009/10 Internal Audit Plan**

Area and Allocation	Audit Title	Internal Audit Risk Assessment	Assurance to be obtained	Corporate Plan Priority										Use of Resources KLOEs	Corporate Risk Register		
				1	2	3	4	5	6	7	8	9	10				
Pro-active and reactive fraud work (255 days)	Financial Systems - Fraud Risk Assessment and Detection	Medium	To identify and document existing systems to develop further intelligence on the risks of exposure to fraud and inform proactive fraud work												X	2.3, 2.4	3, 20, 32
	Development of Fraud Response Plan	Medium	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.												X	2.3, 2.4	32, 37
	IDEA Software Implementation	Medium	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												X	2.3, 2.4	32, 37
	Fraud referrals and whistleblowing cases	High	Investigation of allegations of fraud and corruption, responses to whistleblowing allegations and collation of intelligence on other cases reported to Internal Audit												X	2.3, 2.4	20, 37
	Money Laundering Policy and Procedures	Medium	The Council's arrangements in complying with Money Laundering regulations 2007 and the proceeds of crime act												X	2.3, 2.4	20, 37
	National Fraud Initiative	Mandatory	To identify possible cases of fraud from NFI and detect and correct any consequential under or overpayments from the public purse												X	2.3, 2.4	20, 37
	Review and refresh of anti-fraud and corruption policies	Medium	Review and re-launch of the Councils Anti Fraud and Corruption Policy, Whistle blowing Policy and other key policies												X	2.3, 2.4	20, 37

Area and Allocation	Audit Title	Internal Audit Risk Assessment	Assurance to be obtained	Corporate Plan Priority										Use of Resources KLOEs	Corporate Risk Register
				1	2	3	4	5	6	7	8	9	10		
Compliance audits (184 days)	Adult Social Care – Cash Handling Procedures	Medium	Effective controls over the handling of cash on behalf of Adult Social Care service users			X							X	2.3, 2.4	20
	Casework management	High	Compliance with casework management policies and procedures for vulnerable children and vulnerable adults		X	X							X	2.2, 2.3, 2.4	4, 21
	Code of Compliance Audits	Medium	Compliance with the Code requirements on gifts and hospitality							X			X	2.3, 2.4	20, 37
	Compliance with financial regulations	Medium	Management compliance with policies and procedures in respect of travel and subsistence expenses							X			X	2.3, 2.4	20, 37
	Compliance with laws and regulations	Medium	Compliance with the requirements of the Freedom of Information Act and Data Protection Act					X					X	2.3, 2.4	20, 37
	Grant Certification	Mandatory	Support to City Treasurer in the audit of grant claims							X			X	2.3, 2.4	
	Compliance - Procurement and Contracting	Medium	Management compliance with policies and procedures in respect of procurement and contracts							X			X	1.1, 1.2, 2.1, 2.4	20, 37
	Compliance - Recruitment	Medium	Management compliance with policies and procedures in respect of recruitment							X	X		X	2.3, 3.3	16, 29
Contingency (263 days)	Contingency	N/A	Block of contingency to be released to other areas of audit work during the year based on an in-year risk assessment												

Area and Allocation	Audit Title	Internal Audit Risk Assessment	Assurance to be obtained	Corporate Plan Priority										Use of Resources KLOEs	Corporate Risk Register	
				1	2	3	4	5	6	7	8	9	10			
Corporate Services (229 days)	Core Financial Systems	Mandatory	Adequacy and effectiveness of financial systems controls - full audits for 4 systems and walkthrough confirmation / compliance tests for 8 systems								X			X	1.1, 1.3	15
	Council tax exemptions and discounts	High	Council Tax Exemptions and discounts are appropriately calculated, awarded and reviewed.								X			X	1.3	
	Final Accounts	High	Targeted audit work on the Council's Statement of Accounts											X	1.3	32
	Framework Contracts (Construction Hub)	Medium	Risks to the Council are managed in the development of the NW Construction Hub								X			X	1.1, 2.1	
	IFRS	Mandatory	Adoption of International Financial Reporting Standards in accordance with guidance in CIPFA LAAP bulletin.											X	1.3	32
	Obtaining and Managing External Funding	Medium	Risks relating to external funding are managed effectively								X			X	1.1, 1.3	
	Revenue Budget Setting	Medium	The Councils budget setting process reflects the priorities identified in the councils organisational and departmental plans	X	X	X	X	X	X	X				X	1.1, 1.2, 1.3	15, 16, 19

Area and Allocation	Audit Title	Internal Audit Risk Assessment	Assurance to be obtained	Corporate Plan Priority										Use of Resources KLOEs	Corporate Risk Register	
				1	2	3	4	5	6	7	8	9	10			
Cross Cutting (240 days)	Business Unit Review - Children and Families District	Medium	Effective management of people, finance, risk and performance							X	X	X	X	X	All	15
	Business Unit Review - Capital Programme Group	Medium	Effective management of people, finance, risk and performance							X	X	X	X	X	All	15
	Business Unit Review - Libraries and Information Service	Medium	Effective management of people, finance, risk and performance							X	X	X	X	X	All	15
	Business Unit Review - Manchester Engineering Design Consortium	Medium	Effective management of people, finance, risk and performance							X	X	X	X	X	All	15
	Commissioning Strategy	Medium	Strategies support the effective delivery of Corporate Plan and Community Strategy objectives	X					X		X			X	1.2, 2.1	33, 34 ,36
	MIP Strategy	Medium	Strategies support the effective delivery of Corporate Plan and Community Strategy objectives							X				X	All	17, 33
	People Strategy	Medium	Strategies support the effective delivery of Corporate Plan and Community Strategy objectives							X		X		X	3.3	28, 29, 33
	Performance Strategy	Medium	Strategies support the effective delivery of Corporate Plan and Community Strategy objectives	X	X	X	X				X		X	X	1.2, 2.2	33
	Sustainability Strategy	Medium	Strategies support the effective delivery of Corporate Plan and Community Strategy objectives					X						X	3.1	33
	Town Hall Complex	High	Effective governance and financial management arrangements for the Town Hall Complex project						X	X	X	X	X	X	3.2, 3.3	19

Area and Allocation	Audit Title	Internal Audit Risk Assessment	Assurance to be obtained	Corporate Plan Priority										Use of Resources KLOEs	Corporate Risk Register	
				1	2	3	4	5	6	7	8	9	10			
Childrens' Services (236 days)	Academies	Medium	An effective academies model is in place and delivered consistently across the City	X	X									X	2.3	3, 5
	Children's Trust Arrangements	Medium	Childrens' Trust Arrangements are developed in line with plans and required outcomes		X			X						X	2.1, 2.4	1
	Teenage conception strategy	Medium	The teenage conception strategy is comprehensive and supported by clear action plans to support the achievement of national and local targets		X	X								X	2.1	7
	Closing schools audits	High	Risks associated with closing schools are managed effectively											X	2.3	3
	Schools moving to academies audits	High	Risks associated with schools moving to academies are managed effectively		X									X	1.1, 1.3, 2.1, 2.3	3, 5
	Commissioning Framework - Cross cutting review in Childrens' Services and Adult Social Care contact point	Medium	Commissioning strategy has been translated into an effective model for Childrens' Services and Adult Social Care commissioning		X						X		X	X	2.1	33
		Medium	Effective implementation and roll-out of Contact Point											X	2.4	4
	District Model (Governance)	Medium	Governance arrangements support the effective delivery of District Management arrangements		X	X	X				X		X	X	2.3	
	Education redesign	Medium	Performance management arrangements and operational processes are in place to deliver the school improvement service		X		X			X	X		X	X		33
	Safeguarding Children	High	Safeguarding arrangements are robust, in line with national requirements and are consistently applied across the City to ensure the protection of Children		X	X								X	2.4	4
School assurance framework	Medium	Development of a schools assurance framework		X		X							X	2.3, 2.4	3	

Area and Allocation	Audit Title	Internal Audit Risk Assessment	Assurance to be obtained	Corporate Plan Priority										Use of Resources KLOEs	Corporate Risk Register	
				1	2	3	4	5	6	7	8	9	10			
	School attendance	High	An effective strategic approach delivers improved attendance at Manchester Schools		X	X								X	1.1, 1.2	2
	School Governance	Medium	Support to the delivery of the School Governance project		X				X	X		X	X		2.3	3
FMSiS (210 days)	FMSiS	Mandatory	Delivery of FMSiS assessment at primary and secondary schools		X					X			X		1.1, 1.3, 2.1, 2.3, 2.4, 3.2	3
Schools (350 days)	Schools Audits	High	Delivery of ore audit programme of risk-based school audits		X					X			X		1.1, 1.3, 2.1, 2.2, 2.3, 2.4, 3.2	3
Governance and Performance (114 days)	Added Value from Partnerships	Medium	To provide assurance over the mechanisms for determining, evaluating and monitoring the added value that derives from partnerships.					X				X	X		1.1, 2.1	31
	Annual Governance Statement	Mandatory	To work with the Head of Financial Management in providing assurance over the full accurate and timely completion of the AGS.					X							2.3	32
	Business Planning	Medium	To provide assurance over the Council's approach to business planning and make a contribution to the review of business plans					X		X				X	1.2, 2.2, 3.2, 3.3	32
	Data Quality	Medium	Compliance with the data quality strategy through testing of performance management data.							X				X	2.2	32
	Local Area Agreement	Medium	Effective cascade of outcomes from the Community Strategy, though targets, objectives and actions delivered though the Manchester Partnership.					X		X				X	2.1, 2.2	10, 31, 32
	Partnership Governance	High	Compliance of significant partnerships with Partnership Governance Standards					X					X	X	2.3, 2.4	31
	Stakeholder engagement in partnerships.	Medium	Effective partnership engagement with key stakeholders.					X						X	2.3	18, 31

Area and Allocation	Audit Title	Internal Audit Risk Assessment	Assurance to be obtained	Corporate Plan Priority										Use of Resources KLOEs	Corporate Risk Register	
				1	2	3	4	5	6	7	8	9	10			
ICT (189 days)	ICT Assets - Lifecycle Management	Medium	Effective controls over the acquisition, management and disposal of ICT assets						X	X				X	2.2, 2.4	17
	ICT contract and supplier management	Medium	Monitoring arrangements ensure that ICT supply and service contracts are delivered to the agreed specification						X	X				X	2.2, 2.4	17
	ICT Governance	High	Appropriate arrangements are in place through which the current and future use of ICT is directed and controlled						X					X	2.2, 2.4	17
	Internal and External Penetration Tests	High	The risk of potential vulnerabilities of the Councils internal and external facing ICT infrastructure						X					X	2.2, 2.4	
	Internet Management and Usage	Medium	The external risks that threaten ICT network security						X					X	2.2, 2.4	17
	IT Access	Medium	Adequacy and effectiveness of controls over access to ICT						X					X	2.2, 2.4	
	IT resilience and disaster recovery	Medium	Robustness of plans to ensure ICT resilience and ability to recover from ICT disasters						X					X	2.2, 2.4	23, 24
	MiCare	Medium	Recording, use and reporting of data in the MiCare system						X	X				X	2.2, 2.4	
	Security Assessment (including GC compliance)	Medium	Robustness of the security of key technologies and platforms that support the overall delivery of ICT services						X					X	2.2, 2.4	
	Use of ICT to support home and mobile working	Medium	The security, integrity and confidentiality of information is maintained for home and mobile working						X					X	2.2, 2.4	17
Other work (53 days)	GMITA	Committed	Provision of Internal audit to the Integrated Transport Authority													
	Mersey Valley Joint Committee	Committed	Provision of Internal audit to the MVJC													
	PATROL	Committed	Provision of Internal audit to the PATROL													

Area and Allocation	Audit Title	Internal Audit Risk Assessment	Assurance to be obtained	Corporate Plan Priority										Use of Resources KLOEs	Corporate Risk Register
				1	2	3	4	5	6	7	8	9	10		
Neighbourhood Services (166 days)	Adult Social Care Commissioning	Medium	The strategic approach to commissioning is translated to ensure the effective delivery of Mental Health services	X				X		X			X	2.1	34, 35, 36
	Business Continuity	Medium	Appropriate actions have been taken to response to the 2008/09 audit report and lessons learned from the ICT virus incident					X					X	2.2, 2.3, 2.4	23, 24
	Environmental Health – Licensing and Enforcement	Medium	Robust systems are in place to address the legislative framework within which the Council carries out its licensing duties				X						X	2.3, 2.4	
	Events Management	Medium	Performance measures support effective decision making in respect of special events	X	X		X			X			X	1.2, 2.2, 2.4	15, 18
	Green Strategy - Delivery	Medium	strategy is comprehensive and supported by a framework of actions plans for the delivery of environmental projects/policies		X		X					X	X	3.1	
	Personalisation – Individual Budgets	Medium	Effective controls are in operation with regard to the processing, monitoring and reporting of individual budgets.			X	X	X		X			X	1.1, 1.2, 2.4	35, 36
	Safeguarding of Adults – Recruitment	Medium	Recruitment arrangements within Adult Social Care are comprehensive, comply with legislation/directives and are consistently applied across the Manchester Safeguarding Adults partnership			X					X		X	2.4	21, 36
	Waste Management – Recycling	Medium	Arrangements support the Council's commitment to recycling and the achievement of both local and national targets	X			X	X		X			X	2.2, 3.1	21

Area and Allocation	Audit Title	Internal Audit Risk Assessment	Assurance to be obtained	Corporate Plan Priority										Use of Resources KLOEs	Corporate Risk Register		
				1	2	3	4	5	6	7	8	9	10				
Regeneration (115 days)	Accountable Body Role	Medium	Governance arrangements ensure the effective discharge of the Council's accountable body role in respect of Growth Point (social housing)	X			X	X							X	1.3, 2.3, 2.4	8, 15, 26
	Congestion and transport (Local Transport Plan)	Medium	Information and data supports the development and delivery of an effective local transport plan for 2011	X			X	X						X	X	2.3, 2.4	11
	Decent Homes Standards	High	Arrangements between the City Council and RSL's/ALMO's ensure the Council can demonstrate decent homes standards are met.	X		X	X	X							X	2.4, 3.2	8, 9, 18, 31
	Metrolink	Medium	Effective governance and financial management arrangements mitigate risks arising from joint funded projects (phase 3a)	X											X	2.4	11, 12, 31
	Trust Arrangements	Medium	Effective monitoring and control of the exposure to risk arising from trust arrangements	X	X									X	X	1.2, 1.3, 2.4	15
	Worklessness	High	Effective governance arrangements exist between partner organisations to ensure the successful delivery of the Worklessness agenda.	X	X	X	X								X	2.2	6, 10, Q1030
Block allocations (1,018 days)	Completion of audits 2008/09																
	Advice and guidance																
	Client and delivery management																
	Follow-up of Internal Audit recommendations																