

APPENDIX A

INTERNAL AUDIT PLAN

2010/11

1. Purpose of the Audit Plan

1.1 This plan summarises the results of Internal Audit's planning work. It sets out details of:

- The responsibilities and scope of Internal Audit;
- Internal Audit's reporting arrangements;
- The proposed programme of work for 2010/11 (the Audit Plan).

2. Internal Audit – Responsibilities & Scope

Responsibilities

2.1 Internal Audit is an appraisal function within an organisation.

2.2 The internal audit function is responsible for:

- a) Providing assurance to management that:
 - Internal control systems (including risk management and governance arrangements) are adequate and functioning efficiently and effectively;
 - The policies and procedures established by management are complied with, are appropriate in current circumstances, and are not wasteful;
 - The accounting records, and associated financial systems, form a reliable basis for the production of the financial statements.
- b) Drawing the attention of management to, and recommending remedial action to address:
 - Deficiencies in the systems of internal control; and
 - Instances of duplicated functions, wastage and inefficiency.
- c) Providing advice on audit related matters, including suspected fraud or corruption.
- d) Providing advice on risk and control issues in regard to systems development.
- e) Providing assurance to the Council's s151 officer on the Council's system of internal control in support of the Council's Annual Governance Statement.

Scope

- 2.3 The scope of the internal audit function includes:
- The whole internal control system of the Council including all its operations, resources, services and responsibilities for other bodies; and
 - Reviewing controls that protect the interests of the Council in its dealings with partnerships in which the Council has an interest.
- 2.4 The establishment and maintenance of adequate control systems is the responsibility of management. Recommendations made by Internal Audit can reduce risk and lead to systems of control being considered adequate. However, the implementation of audit recommendations cannot eliminate risk altogether.
- 2.5 Whilst it is not the role or responsibility of Internal Audit to detect fraud, the risk of fraud will be considered in each audit assignment.

3. Reporting arrangements

3.1 At the conclusion of each individual audit assignment, a Draft Report is issued to the appropriate manager within the Council. Once the report has been agreed, a Final Report is then issued to:

- The Chief Executive;
- The Strategic Director – Resources;
- The Operational Director – Finance (s151 officer);
- The Strategic Director responsible for the area reviewed;
- The Operational Director responsible for the area reviewed;
- Audit Commission.

3.2 In each audit report, an overall opinion will be provided on the area audited. The opinion is based on an assessment of the effectiveness of the control environment in the area audited and the likelihood of objectives being met. The scale of opinions is set out in the following table:

| Opinion type | Assurance Level | Description |
|--------------|-----------------|--|
| Positive | Substantial | A robust framework of controls ensures objectives are likely to be achieved. Controls are applied continuously or with minor lapses. |
| | Adequate | There is basically a sound system of controls for objectives to be achieved. However, there are weaknesses and evidence of non-compliance or ineffective controls. |
| Negative | Limited | A risk of objectives not being achieved due to the absence of key internal controls. Where controls do exist, there is significant non-compliance. |

3.3 On a quarterly basis, Internal Audit produces a Progress Report for the Business Efficiency Board detailing the key issues arising from audit work and progress made against the Audit Plan.

3.4 An Annual Report is presented to the Business Efficiency Board to provide assurance or otherwise on the effectiveness of the internal control framework of the Council.

4. Internal Audit Plan - 2010/11

- 4.1 The Audit Plan is stated in terms of the number of days input which is estimated as accurately as possible based on existing staff numbers. However, the resources available and the exact time required for each piece of audit work cannot be estimated precisely at this stage. The plan therefore represents the best estimate of the audit resources available and the ways in which they will be deployed.
- 4.2 The analysis below summarises the planned coverage for 2010/11.

| <u>Analysis of Planned Audit Time</u> | <u>Days</u> |
|---|--------------------|
| <u>Corporate work</u> | |
| Corporate & strategic issues | 55 |
| Governance arrangements | 50 |
| Anti-fraud and corruption | 63 |
| <u>Transactional Support Services</u> | |
| Financial systems | 160 |
| Procurement & contract management | 135 |
| Human Resources | 15 |
| IT and Administration | 100 |
| <u>Non-Transactional Support Services</u> | |
| | 65 |
| <u>Directorate work</u> | |
| Adults & Community | 162 |
| Children & Young People (including schools) | 291 |
| Environment & Economy | 100 |
| Resources | 40 |
| <u>Other work</u> | |
| Fee earning work | 72 |
| Advisory work | 43 |
| <u>Provision - completion of 2009/10 audits</u> | |
| | 50 |
| <u>Follow up of previous audit recommendations</u> | |
| | 25 |
| <u>Contingency</u> | |
| | 21 |
| Total Planned Audit Days | 1447 |

- 4.3 The following pages provide a more detailed breakdown of the specific work that will be carried out under each area of audit activity. Detailed terms of reference for each piece of work will be agreed with the appropriate manager(s) prior to the audit commencing.

A Corporate work

Corporate & strategic issues

Reviews are planned of the following areas:

- Carbon management
- Widnes Waterfront scheme
- Building Schools for the Future

Governance arrangements

Planned work comprises:

- Review of the Council's governance controls (to provide assurance for the Annual Governance Statement)
- Input to the annual review of the Council Constitution
- Reporting to the Council's Audit Committee (Business Efficiency Board)
- Maintenance of the Council's Scheme of Delegation

Anti-Fraud & Corruption

Internal Audit has a pro-active programme of counter fraud work. This work is undertaken to help ensure that the Council has adequate arrangements to highlight potential instances of fraud and corruption, and to maintain a strong counter fraud culture.

Planned anti-fraud and corruption work for 2010/11 includes:

- Participation in the National Fraud Initiative 2010
- Participation in the Greater Manchester Anti-Fraud Group
- Anti-Fraud and Corruption awareness initiatives
- Targeted anti-fraud and corruption data mining

B Transactional Support Services

Financial systems

Whilst Internal Audit has adopted a risk-based approach to prioritising audit coverage, there are areas of work where work is required on an annual basis. One such area is the Council's main financial systems.

As part of Internal Audit's joint working agreement with the Audit Commission, annual reviews are undertaken on all the systems that compile material disclosures for the Council's financial statements.

Internal Audit will therefore carry out 'key control' reviews on the systems listed below. These reviews are intended to provide assurance that systems are operating effectively and to identify and evaluate any changes that might affect the operation of the identified system controls.

- Payroll
- Business rates
- Council Tax
- Housing Benefit
- Creditors
- Loans & Investments
- Cash & Bank
- Accounting journals
- Sundry debtors
- Fixed assets

Additionally, all key financial systems are reviewed in detail on a cyclical basis. More in depth work will therefore be undertaken on the following systems:

- Sundry debtors
- Housing Benefit and Council Tax Benefit
- Payroll
- Purchase to Pay

Procurement & contract management

Internal Audit will be involved in auditing the following areas:

- Upton All Saints CE Primary School - New build
- Kingsway Health Centre refurbishment
- Waste contract
- Municipal Building refurbishment
- The Hive
- The Village – Castlefields
- Highways - Contract management
- High cost care packages

A range of checks will also be undertaken on contract final account payments.

Human Resources

Work on Human Resources will focus on the ongoing implementation of the Trent system.

IT & Administration

Following Internal Audit's own risk assessment, reviews are planned in the following areas:

- Server virtualisation
- Data security
- IT Procurement
- IT Strategy
- Mobile working

- Code of Connection compliance

C Non-Transactional Support Services

Reviews are planned in the following areas:

- Performance Reporting – Data Quality
- National Indicators
- Marketing & Communications

D Directorate work

Full system reviews provide assurance as to whether management has established satisfactory systems of control to ensure:

- Compliance with statutory requirements and Council / departmental policies and procedures;
- Achievement of objectives in service plans;
- Safeguarding of assets;
- Maintenance of complete and accurate records;
- Efficient, economic and effective use of resources.

The operational system reviews planned for 2010/11 are summarised below. Work is planned across all directorates to ensure that Internal Audit can provide an annual opinion on the whole of the Council's control environment.

Adults & Community

- Carers' Strategy
- Community Safety Team
- Private Sector Housing Grants
- Personalisation
- Community Meals Service
- Libraries
- Lifeline, Community Wardens, Telecare Services
- Social inclusion for vulnerable adults
- Private Sector Housing Grants
- Sports Development Grant
- Trading Standards partnership

Children & Young People

School audits continue to be undertaken on a cyclical basis. All schools operating delegated bank accounts are visited approximately every two years. All other schools are visited approximately every four years. However, the timing of school audits is adjusted to reflect other known issues, such as changes in the Head Teacher of a school.

Where possible, school audits are combined with Financial Management Standard in Schools (FMSiS) assessment visits to minimise the number of visits to schools and to ensure an efficient use of audit resources.

Other planned work in Children & Young People Directorate includes:

- Attendance at school
- Early Years Settings
- Teachers' Pay
- MyPlace
- Youth Offending Team
- Contact Point - Accreditation
- Directorate cash income

Environment & Economy

- Asset management
- Environmental Health
- School meals
- Kerbside waste collections
- Pest Control

Resources

- Land charges
- Miscellaneous licensing

E Other work

Advisory work

Internal Audit has a consultancy role in addition to its assurance role. This includes providing advice on control analysis and design, guidance in developing new systems and the sharing of knowledge and best practice across the Council.

In 2010/11, Internal Audit will contribute to the following corporate issues:

- Corporate Risk Management Group
- Agency Working Group
- Procurement & Commissioning Group
- Schools - General
- Carefirst 6 implementation
- Individualised budgets
- Information Governance Group

Fee earning work

Internal Audit undertakes a small amount of fee earning work. This comprises:

- Providing an annual internal audit for Manchester Port Health Authority;
- Undertaking the Financial Management Standard in Schools external assessment for the Council's schools. In 2010/11, it is anticipated that 23 schools will be assessed against the standard.

F Provision – Completion of 2009/10 audits

Inevitably at year-end, not all planned work for the year will be completed. A provision is therefore made in the 2010/11 plan to allow time for the completion of work in progress carried over from 2009/10.

G Follow up

Internal audit routinely carries out follow up work to provide assurance that all previous audit recommendations that were agreed are actually implemented. Follow up reviews are normally undertaken shortly after the date agreed in the Action Plan for the implementation of recommendations has passed.

H Contingency – Unplanned Work

Provision is made in the Audit Plan to accommodate any unplanned work that may arise during the year. This may range from requests for advice or assistance from service areas to responding to incidences of fraud.