

APPENDIX A

INTERNAL AUDIT PLAN

2011/12

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 2011/12 (the Audit Plan).

2. Internal Audit – Responsibilities & Scope

Responsibilities

2.1 Internal Audit is an independent 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 – Policy and 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 - 2011/12

- 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 2011/12.

	<u>Area</u>	<u>Coverage</u>	<u>Days</u>
A	Governance arrangements	All directorates	65
B	Anti-fraud and corruption	All directorates	53
C	Operational systems and services	Communities	250
		Children & Enterprise	177
		Policy & Resources	125
D	Financial systems	Policy & Resources	170
E	ICT systems	Policy & Resources	80
F	Procurement	All directorates	110
G	Advice and support	All directorates	48
H	Follow up work	All directorates	25
I	External work	Manchester Port Health Authority	3
J	Provision - completion of 2010/11 audits		50
	Contingency		104
	Total Planned Audit Days		1260

- 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 Governance arrangements

The Council's governance arrangements are set out in the Local Code of Corporate Governance, which forms part of the Council's Constitution.

Internal audit will examine governance arrangements in much of its work, but we also undertake specific pieces of work relating to aspects of the Council's governance framework. Work planned in 2011/12 is:

- Preparing the Annual Governance Statement;
- Contributing to the annual review of the Council Constitution;
- Reporting to the Council's Audit Committee (Business Efficiency Board);
- Maintaining of the Council's Scheme of Delegation;
- Reviewing the operation of the Council's risk management framework;
- Reviewing how the Council deals with complaints.

B Anti-Fraud & Corruption work

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 includes:

- Participation in the National Fraud Initiative 2011
- Participation in the Greater Manchester Anti-Fraud Group
- Targeted anti-fraud and corruption data mining

C Operational systems and services

Reviews of operational systems and services 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 directorate plans;
- Safeguarding of assets;
- Maintenance of complete and accurate records;
- Efficient, economic and effective use of resources;

Work is planned across all three directorates to ensure that Internal Audit can provide an annual opinion on the whole of the Council's control environment. Particular emphasis in the 2011/12 reviews will be on examining opportunities for additional income generation and cost minimisation.

Communities

- Civic Catering
- Crematorium & Cemeteries (including extension work at Runcorn Cemetery)
- Industrial Units
- Grants to voluntary organisations
- Personalisation
- Continuing Health Care
- Homelessness Service
- Disabled Facilities Grants
- Re-ablement
- Oakmeadow (Older People provision)

Children & Enterprise

- Children's Centres
- Children with Disabilities Pooled Budget
- Education Business Partnership
- Schools - Local Bank Accounts
- Schools - Transfer process to Academy status
- MyPlace
- KS4 PRU Gateway
- Adoption Service/permanence
- Edinburgh Road
- Sports Grant
- Building Cleaning
- Property Maintenance

Policy & Resources

- Corporate credit cards
- Overtime and honoraria payments
- Financial assessments & charging (Adult Social Care service users)
- Car allowances and mileage claims
- Highways Maintenance (including footways)
- Mayor's Fund

D 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
- Purchase to Pay
- 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:

- Council Tax
- NNDR
- Budgetary Control
- Income Control and Cash Collection

E ICT systems

ICT audit involves the audit of the technological aspects of an organisation's business processes. In particular, it involves reviewing and testing the organisation's practices and procedures relating to:

- The secure provision of business processing;
- The processes for developing and acquiring new systems and facilities;
- The economy, efficiency and effectiveness of the use and exploitation of IT facilities.

Planned ICT related work in 2011/12 comprises:

- Application management
- Management of third party services
- Project management – Implementation of LYNC IP Telephony system
- PCI DSS (Payment Card Industry Data Security Standard) Compliance
- ICT Service Delivery (Compliance with 'Information Technology Infrastructure Library' (ITIL) service management framework)

F Procurement

The term 'procurement' relates to the processes by which organisations acquire the goods, works and services they need from third parties. These processes span the whole life cycle, from the initial definition of business needs right the way through to the point when the goods are used or disposed

of, or when an asset reaches the end of its useful life, or the day when a service contract expires.

Whilst procurement arrangements and issues are examined in the audit of specific operational areas, audit work is also planned on the following specific procurement activities:

- Control of agency staff
- Use of consultants
- Mersey Gateway – Land acquisitions
- Building Schools for the Future
- Due North (E-tendering system)

G Advice & Support

Internal Audit has an advisory 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 2011/12, Internal Audit will contribute to the following corporate issues:

- Corporate Risk Management Group
- Advice to schools
- Information Governance Group

H 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.

I External work

Internal Audit undertakes an annual internal audit for Manchester Port Health Authority.

J Provision – Completion of 2010/11 audits

Due to the vacancy on the team and the impact of unplanned work, not all planned work for the year will be completed by year-end. A provision is therefore made in the 2011/12 plan to allow time for the completion of audit reviews carried over from 2010/11:

- Carers' Strategy
- Community Safety
- Libraries and Bibliographical Services
- The Village - Castlefields
- Teachers' Pay

K Contingency – Unplanned Work

The Council is downsizing and undergoing major structural change and Internal Audit can play an important role in providing assurance that adequate controls are maintained throughout this process. Consequently, an increased contingency provision has been made in the Audit Plan to accommodate any unplanned work that may arise during this period of change.