

**Manchester City Council
Report for Information**

Report to: Audit Committee – 16 March 2021

Subject: Internal Audit Plan 2021/22

Report of: Head of Internal Audit and Risk Management

Summary

Standards for Internal Audit in local government are set out in the Public Sector Internal Audit Standards (PSIAS) and a Local Government Application Note from the Chartered Institute for Public Finance and Accountancy. The PSIAS confirm the Council should periodically prepare a risk-based plan of Internal Audit activity that is designed to support an annual opinion on the effectiveness of the systems of governance, risk management and internal control. The Head of Internal Audit and Risk Management is required to communicate internal audit plans and resource requirements, including significant interim changes, to Strategic Management Team and the Audit Committee for review and approval.

The audit plan for 2021/22 sets out areas of proposed audit coverage for the year and the delivery of this plan will be reported to SMT and Audit Committee as part of regular audit reporting.

Recommendations

Members are requested to review and approve the Annual Internal Audit Plan for 2021/22.

Wards Affected: All

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

- Public Sector Internal Audit Standards and Local Government Application Note (CIPFA)- PSIAS
- Internal Audit Plan 2020/21 (Audit Committee July 2020)
- Internal Audit Strategy and Resourcing (Audit Committee March 2021)

1. Purpose of Report

- 1.1. The Public Sector Internal Audit Standards (PSIAS) set out the standards for internal audit and have been adopted by the Council's Internal Audit Service. PSIAS includes the need for risk-based plans to be developed for internal audit and for senior management and the board plans to review and approval them. For local authorities the "board" is defined as the Senior Management Team and the Audit Committee.
- 1.2. The plan for 2021/22 is based on PSIAS and the Internal Audit Strategy. It has been developed in a time of significant challenge and change as the Council continues to respond and recover from the Covid19 pandemic. On this basis and given the planned completion of a service restructure by July 2021 the plan focuses on the first six months of the year and update will be presented to SMT and Audit Committee in September to confirm the areas of planned focus through to March 2022.
- 1.3. This report sets out the draft audit plan for 2021/22 with the areas of proposed audit coverage for the year and the delivery of this plan will be reported to SMT and Audit Committee as part of regular audit reporting. The report should be read in conjunction with the Audit Strategy and Resources report detailing how the Internal Audit function will need to develop in the future.

2. Basis for the Plan

- 2.1. The PSIAS (section 2000) state that the Head of Audit and Risk Management must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. They refer to the need for the plan to reflect the assurance framework, risk management arrangements and input from management and the Audit Committee. These principles have been applied in the re-development of the 2021/22 plan.
- 2.2. Internal audit forms one of the sources of assurance for a local authority. Under the Accounts and Audit Regulations, authorities must undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, considering Public Sector Internal Auditing Standards (PSIAS) and sector specific guidance. The Regulations confirm the Section 151 Officer's responsibilities to make arrangements for the proper administration of the Council's financial affairs. In addition to the independent, objective assurance and consulting activity provided by Internal Audit, the Council will also place reliance on other sources of assurance; through effective risk and performance management, policy and process compliance monitoring, staff training and development, incident reporting and through the use of external advisors and assurance providers including regulators and the External Auditor.
- 2.3. The underlying principles for the audit planning process remain valid as follows:
 - It is not cost effective or necessary to obtain audit coverage of all strategies, systems, business areas and risks, so these are reviewed on a risk basis each year and may change.

- The plan is designed to enable the Head of Audit and Risk Management to provide an annual opinion on the Council's systems of governance, risk management and internal control (PSIAS 2010)
- A range of types of audit and assurance work provide for different scope and coverage. This includes the provision of advice and guidance to services and partnerships to support developing systems, high priority risks, issues and emerging projects.
- Audit seeks to place reliance on assurance mechanisms within the Council as well as the findings of other auditors and inspectors in forming the audit plan and in providing assurance.
- The plan is flexible and is reviewed and adjusted throughout the year in response to the changing governance, risk and control landscape. These changes will be communicated to Audit Committee and senior officers.
- Audit engages with Strategic Directors, Heads of Service and colleagues across the Council, as well as through networks and best practice forums, to ensure that known and emerging risks are considered and to ensure the plan is informed by expectations (PSIAS 2010.A2).
- The plan is based on an assessment of risks (PSIAS 2010.A1) with reference to Corporate and Directorate risk registers and proposed areas for audit assessed and ranked against risk criteria to determine priorities. The criteria considered are:

Welfare of People	Impact on Service Fulfilment	Impact on Strategic Objectives
Effective Use of Finance and Resources	Changes in management, structures or systems	Legality including statutory or regulatory obligations
Mandatory Requirement	Known control or fraud risks	Corporate or Key Directorate Risk

- 2.4. Following initial consultation, including risk horizon scanning the audit plan has been developed to provide key assurance requirements across the organisation.
- 2.5. The plan reflects the current service development priorities and for 2021/22 these include increased emphasis on:
- management accountability and assurance frameworks and assurance mapping;
 - data led and data driven assurance planning and delivery;
 - organisational change and partnership development; and
 - service ways of working including the use of technology and the further development of lean and agile audit approaches.

3. Characteristics of the Audit Plan

Context for the Plan

- 3.1. The Internal Audit Plan takes account of the Council’s overall priorities and risks. The Service has carried out a review of business plans and priorities and horizon scanning to assess known and emerging risks. It is acknowledged that these may change and evolve over time so it is important that the annual plan is designed to offer sufficient flexibility to adapt plans and enable assurance to be obtained over emerging risks and take account of alternative sources of assurance.

- 3.2. For 2021/22 some of the key context in which the plan has been set includes:
 - the ongoing Covid19 recovery and response including the requirements of Government for assurance over programmes funded through grants;
 - financial challenges and related budget savings required to be delivered by the Council;
 - organisational change including the further development of health and care partnerships and the ‘supercharging of the Manchester Local Care Organisation; as well as the re-integration of the Northwards ALMO into the Council;
 - organisational development and improvement programmes including the Future Council programme, Race Review and the Better Outcomes Better Lives programme across adult services; and
 - Change activity including major capital projects, ICT investment and workforce development.

Timeframe for the Plan

- 3.3. The plan includes areas where the scope of work is not fully defined at the start of the year with some allocation of resource made in blocks, particularly for areas of planned focus for the second six months of the year. This time will be assigned when specific assurance work is more apparent and can be scoped effectively.

- 3.4. The detail of these planned areas of audit focus from October to March 2022 will be presented to SMT and Audit Committee in September 2021 as a mid-year update of the plan

Structure of the Plan

- 3.5. As in previous years the plan will include a range of audit activities which contribute to the assurance framework and to the Head of Internal Audit and Risk Management annual opinion. The relative split between the types of activity, incorporating ongoing Covid19 related work that will continue in 2021/22, is shown below.

Type of Assurance and Approximate Split		Examples
Audit Opinion Reviews	35%	System Audits Compliance Audits

		Risk Based Audits Governance and Strategy Audits Grant Certifications
Audit Assurance Reviews	35%	Covid19 Grants Post Payment Assurance Developing Systems Reviews Management Assurance Requests Assurance Assessments
Advice, Guidance & Support	5%	Attendance on working groups and boards Responses to reasonable, relevant management requests for support or guidance
Counter Fraud, Irregularity & Investigations	25%	Proactive counter fraud and irregularity activities Corporate counter fraud and irregularity investigations (including theft, procurement, payments and officer conduct) Claimant counter fraud investigations (including Council Tax, NNDR and Housing Tenancy fraud) Covid19 grants – error and fraud investigations

- 3.6. The outcomes of the audit opinion and audit assurance reviews, advice and guidance and counter fraud activity will be reported to SMT, Executive Members and Audit Committee. There are four levels of audit opinion (no, limited, reasonable, and substantial assurance). The audit opinion is considered alongside the impact of the system or area (high, medium, low) to provide a more rounded view of the risk areas to SMT and Audit Committee.
- 3.7. Progress to implementation of recommendations from all types of audit activity will be reported to SMT and Audit Committee and escalation action taken as required where there are delays in addressing risk. Quarterly updates are provided to this committee. Any significant audit recommendation that is more than six months overdue date is escalated to the Executive Member and Strategic Director for review and onto Audit Committee if it remains outstanding at nine months. For 2021/22 it is proposed that all recommendations that remain overdue for 12 months are closed for follow up by Internal Audit but are reported to SMT, Executive Member and Audit Committee and highlighted in the Head of Internal Audit and Risk

Management annual opinion and for consideration in the Annual Governance Statement.

4. Resourcing of the Plan

- 4.1. The plan is based on available resource for July 2021. For the first six months of the year this represents an increase in five staff compared to the position in 2020/21 with three fixed term placements starting in March 2021 and two staff having returned from maternity leave from April 2021. One officer who was providing operational PPE support throughout 2020/21 will also return full time to Internal Audit from July 2021.
- 4.2. In allocating staff time to audit work, allowance has been made for time to engage in the service review, in service and organisational change activity and in focused workforce development activity linked to service priorities.
- 4.3. The current plan of total resources to be allocated to the management and delivery of Council audit and counter fraud work for 2021/22 is 1,900 days. This is the resource confirmed in advance of completing a service redesign in July 2021 which is planned to provide resource availability for audit and counter fraud work of c2,300 days. The change in resource position following the service redesign will be confirmed to Audit Committee as part of the mid-year plan review in September 2021.
- 4.4. This planned level of capacity is based on the proposed service structure to be shared with staff as part of formal consultation. It is based on benchmarking with Core Cities and the assessment of the Head of Audit and Risk Management as to the scale of resource required to deliver a programme of work sufficient to support a robust, independent annual audit opinion and a scale of counter fraud activity necessary to deter, prevent, detect and investigate fraud and irregularity.
- 4.5. The current, confirmed resource availability for 2021/22 compares to a plan in 2020/21 of c1,500 days, much of which was spent on non-core audit activity supporting the Covid19 response and reflected vacancies and maternity leave across the Service.

5. Planned Areas of Audit Work

- 5.1. Set out below are the planned areas of audit activity after considering the review of the risks and the major changes the Council is facing. It should also be noted that the covid-19 related assurance activity will need to continue for business rates grants and other government returns. This work continues to impact on resources across the Core.
- 5.2. The plan for 2021/22 is focussed in more detail on the first six months of the year with areas of proposed focus for the period from October 2021 to March 2022 to be assessed further with management to define areas of risk and assurance need.

- 5.3. The areas in the plan below for April to September 2021 are being finalised with Directorate Leadership Teams to ensure that they appropriately reflect key risks across service areas and can be accommodated alongside current client commitments. Any amendments on the back of these discussions, or as a result of any other changes the council is facing will be confirmed to Audit Committee as part of the regular reporting.

April-September 2021

Area of Focus	Assurance Title
Core	Covid19 Grants: Payment Checks and Assurance Covid19 Mandatory Grant Schemes Post Payment Assurance Covid19 Discretionary Grant Schemes Post Payment Assurance Covid19 Grant Certifications EU Grant Certifications Our Town Hall Work Packages and Payments (from 2020/21) Future Council Programme Governance
Growth & Development	Avro Hollows Tenant Management Organisation Northwards Housing ALMO Integration Major Projects Assurance Estates Planning
Neighbourhoods	Covid19 Enforcement Assurance Traded Services (to be scoped)
Adults, Health and Care	Payments Systems Stabilisation Programme Payments Systems Assurance Health and Care Assurance Framework (from 2020/21) Better Outcomes Better Lives Programme Assurance Supervisions and Management Advice and Guidance: MLCO Development
Children's Services, Education and Schools	Planning for Permanence (from 2020/21) Supervisions (from 2020/21) Education Services (from 2020/21) Foster Care payments system Schools assurance mapping

Area of Focus	Assurance Title
Data Information and Systems	ICT Project Assurance: End User Device Rollout ICT Project Assurance: PCI DSS (Payments) ICT Project Assurance: EYES (Education and Early Years) ICT Assurance Map and Audit Needs Assessment Data Analysis and Assurance: Single Person Discount
Procurement, Commissioning and Contracts	Supplier Due Diligence (from 2020/21) Waivers and Contract Extensions Contract Management Adult Social Care
Counter Fraud and Irregularity	National Fraud Initiative Counter Fraud Risk Assessments and Training with Directorate Leadership Teams (completion of work started 2020/21) Fraud and Error Investigations: <ul style="list-style-type: none"> • Covid19 Reliefs and Grant Payments • NNDR • Council Tax Support • Housing Tenancy and Right to Buy • Other allegations • Whistleblowing and internal referrals

October 2021 – March 2022

Area of Focus	Assurance Title
Core	Core Financial Systems Assurance Debt Recovery and Write Offs Annual Governance Statement Significant Partnerships Register Climate Change Our Town Hall: Work Packages and Payments
Growth & Development	Northern Gateway Project Assurance Northwards Housing ALMO Integration Disabled Facilities Grant Certification
Neighbourhoods	Highways Grant Certifications Regulatory Services

Area of Focus	Assurance Title
	Planning and Licensing Youth Services
Adults, Health and Care	To be informed by Health and Care Assurance Map and BOBL programme assurance. Based on current risk assessments could include: <ul style="list-style-type: none"> • Multi Agency Safeguarding Arrangements • Supported Living: Aids, Adaptions and Technology Enabled Care • Direct Payments • Adults Services Quality Assurance Framework • Transitions Follow Up Review (Children’s to Adults) • Client Financial Services
Children’s Services, Education and Schools	Service front door: assessment and access Multi Agency Safeguarding Arrangements Leaving Care Schools Assurance Health Checks Safer recruitment in schools (cross cutting review) Schools Financial Value Standard compliance
Data Information and Systems	ICT Project Assurance: Flare Replacement Information Governance Compliance Data Analysis: Assessment of options to develop the service approach to data led and continuous audit.
Procurement, Commissioning and Contracts	Factory Project Assurance Social Value Compliance Low Carbon in Procurement Decision Making Frameworks – Selection and Award
Counter Fraud and Irregularity	Policy Framework Annual Review – Council and Schools Transparency Code Reporting Annual Fraud Report Fraud and Error Investigations:

6. Recommendations

6.1. Audit Committee is requested to

- Review and approve the Annual Internal Audit Plan for 2021/22

- Agree to a mid-year plan review and revision report to be presented in September 2021.