

REPORT TO: SCRUTINY COMMITTEE - 18 APRIL 2018

REPORT ON: 2018/19 INTERNAL AUDIT PLAN

REPORT BY: SENIOR MANAGER – INTERNAL AUDIT

REPORT NO: 119-2018

1.0 PURPOSE OF REPORT

To submit to Members of the Scrutiny Committee the Internal Audit Plan for the 2018/19 financial year as detailed at Appendix A.

2.0 RECOMMENDATIONS

Members of the Committee are asked to review and approve the information contained within this report.

3.0 FINANCIAL IMPLICATIONS

None

4.0 MAIN TEXT

4.1 The Public Sector Internal Audit Standards (PSIAS), which came in to effect in April 2013 and revised most recently in April 2017 set out the requirements in respect of professional standards for all internal audit service providers within the public sector. The key standards within the PSIAS that relate to the preparation of the Internal Audit Plan are as follows:

- Standard 2010 – Planning, which states that *“the chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisations goals”*.
- Standard 2020 – Communication and Approval, which states that *“the chief audit executive must communicate the internal audit activity’s plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations”*.

4.2 In practice within Dundee City Council, a risk-based plan for the organisation, outlining the planned programme of work to be undertaken by the Internal Audit Service, is developed annually by the Senior Manager – Internal Audit. Due to the environment in which local government operates and the potential corresponding challenges, the plan requires to be sufficiently flexible to enable it to respond to changes in the organisation’s risks and priorities. In developing the plan, cognisance is also taken of the risk management framework and the risk maturity of the organisation. Where it is viewed that this area is not sufficiently well developed, the Senior Manager – Internal Audit is required to undertake a separate risk assessment to support the development of the plan. As part of that supplementary risk assessment process, input from key stakeholders is considered. A report containing the Corporate Risk Register (CRR) will be considered at the Policy and Resources Committee on 23 April. The 2018/19 Internal Audit Plan has been cross referenced to the corporate risks within it.

4.3 Whilst the organisation is responsible for establishing and maintaining appropriate risk management processes, control systems and governance arrangements, a fundamental role of the Council's Internal Audit Service is to provide Members and senior management with independent and objective assurance surrounding these arrangements, which is designed to add value and improve operations.

4.4 In addition, the Senior Manager – Internal Audit is required to prepare an annual internal audit opinion on the adequacy of the Council's overall control environment. The plan should, therefore, include a work programme that is sufficient and diverse enough to enable the opinion to be provided. This opinion is also included within the Internal Audit

Annual Report, which is reported to Members of the Scrutiny Committee on an annual basis.

- 4.5** Key components of the internal audit planning process include having a clear understanding of the Council's functions / activities, associated risks and potential range and breadth of audit areas for inclusion within the plan. This exercise is informed by significant developments at both a national and local level as well as other relevant background information contained, for example, within the Council Plan (2017 – 2022), Strategic Service Area Scorecards, reports from external inspection bodies, the Local Scrutiny Plan and committee reports presented to both Council and Dundee IJB committees. In addition, as in previous years, to capture potential areas of risk and uncertainty, including emerging risks, key stakeholders have been consulted. This year the consultation exercise included detailed discussions with all Service Management Teams, the ICT Extended Management Team, the Service Manager – Community Safety and Resilience and other key stakeholders such as KPMG, the Council's current co-source Internal Audit partner and Audit Scotland, the Council's appointed external auditor. In addition, Scrutiny Committee Elected Member consultation was carried out again this year. Of the order of sixty stakeholders were consulted as part of the planning exercise.
- 4.6** The proposed portfolio of work to be included within the 2018/19 Internal Audit Plan is summarised at Appendix A. The layout of the plan as presented to Committee, in general, follows that used in previous years, with proposed reviews being grouped into key themes which are integral to the assurance gathering process across the organisation's activities. For each of the reviews included within the plan there is a brief summary of the proposed coverage and the inherent risk rating from an internal audit perspective. It is anticipated that there will be internal controls in place to mitigate these risks, however, the level of controls and the reliability that can be placed on them cannot be confirmed until the audit reviews have been undertaken. The plan has been prepared on the basis of discussions and review of relevant background information gathered as part of the audit planning process. In line with good practice, a more detailed brief containing background information, scope, overall / specific objectives, reference sources and timing of the review will be compiled for each review and agreed with the client prior to commencement of the audit fieldwork.
- 4.7** It has been recognised for a number of years that the nature of internal audit work is extremely diverse and, therefore, a varied portfolio of professional skills and technical competencies is required to successfully deliver the plan. It is difficult, as a result, to ensure continued provision of all necessary skills, particularly where the in-house team is small. To address this, the Council's Internal Audit Service is delivered utilising a mix of in-house staff and, for specific pieces of work, resources procured through the Council's co-sourcing partnership. The co-source partnership with PwC ended on 30 June 2017 and, following a tender exercise, a new co-source partnership commenced in November 2017 with KPMG.
- 4.8** For the 2018/19 financial year, it is estimated that the total productive days available for audit work will be of the order of 800 days. Approximately 75% of these productive days will be assigned to reviews which will commence during 2018/19 and the balance will be allocated across advice and guidance, specific investigations, undertaking (through the use of Pentana where appropriate) follow-up and progress reviews and finalising prior year work that is currently ongoing / nearing completion. It should be noted, however, that whilst the 2018/19 Internal Audit Plan, including the estimated resources, has been prepared utilising the best information currently available, it may require to be amended during the financial year to reflect changing risks and priorities. As required under the PSIAS, any significant changes to the planned programme of work will be reported to the Scrutiny Committee. The Chief Executive, Executive Director of Corporate Services and the Head of Corporate Finance will also be kept informed of Internal Audit developments by the Senior Manager – Internal Audit through regular meetings.

5.0 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

6.0 CONSULTATIONS

The Chief Executive, Executive Director of Corporate Services, Head of Corporate Finance and Head of Democratic and Legal Services have been consulted on the content of this report.

7.0 BACKGROUND PAPERS

None

Pamela Redpath, Senior Manager – Internal Audit

DATE: 29 March 2018

2018/19 INTERNAL AUDIT PLAN	Proposed Coverage	Inherent Risk / CRR Risk No.
<i>Governance Reviews</i>		
Dundee Health and Social Care Partnership	To support the Dundee Integrated Joint Board (IJB) Chief Internal Auditor through the provision of internal audit reviews relating to the services operationally delegated to the IJB.	High CR2
Transformational Change	Review of the arrangements in place to manage the Council's transformational change agenda, C2022, including the identification, demonstration and reporting of proposed savings.	High CR11
General Data Protection Regulations (GDPR)	High level review of the Council's approach to implementing GDPR, with a view to ensuring its statutory duties are effectively discharged.	High CR7
Brexit	Review the arrangements in place to assess and report on the potential impacts of Brexit, including the development and implementation of a comprehensive contingency plan.	High CR9
Risk Management Arrangements	Review of the progress made towards improving the Council's risk management arrangements at a corporate and service level against recognised good practice.	High CR5
Waterfront Project	High level review of the governance arrangements in place to manage, monitor and report on the £1 billion waterfront regeneration project.	High CR4 & 10
Communication Strategy	Review to assess the effectiveness of the implementation of the Council's new corporate communication strategy, including how it helps manage reputational risk within the organisation.	High All
Fraud Governance	To assess the robustness of the framework in place within the Council to identify potential risks arising from fraud and the measures in place to mitigate these.	High CR5
<i>ICT Reviews</i>		
User Access Levels (Phase 2)	High level review of the appropriateness of user access levels and associated permissions for a number of the Council's key IT systems as identified via the business continuity planning exercise.	High CR7
Keystone Asset Management*	Review to assess the effectiveness of the implementation of the new CIVICA Keystone Asset Management system procured by Neighbourhood Services.	High CR5 & 9

2018/19 INTERNAL AUDIT PLAN (cont'd)	Proposed Coverage	Inherent Risk / CRR Risk No.
Systems Reviews		
Health and Safety	Review of the risk assessment process in place within the Council to examine work activities and identify, manage and mitigate corresponding health and safety risks.	High CR6
Mosaic	Review to assess the effectiveness of the new MOSAIC system procured by the Council in relation to deployment and achievement of expected outcomes.	High CR7 & 9
DWP Appointeeships	Review of the arrangements in place within the Council for the management of DWP benefits for clients who are deemed incapable of managing their own affairs.	Medium CR9
Attainment Challenge	Review of the arrangements in place to ensure that Attainment Scotland Fund monies are being appropriately utilised to ensure children and young people in Dundee are achieving their full potential.	High CR4
Fleet Management	Review of the arrangements in place for licensing, checking and maintaining Neighbourhood Services' vehicle fleet to ensure compliance with the regulatory system for commercial vehicles.	High CR9
Carbon Reduction Commitment and Climate Change*	A review of the Council's annual submission for the Carbon Reduction Commitment Energy Efficiency Scheme and arrangements in place to meet climate change targets.	High CR9
Energy Management*	Review of the Council's strategic and operational approach to managing and monitoring energy consumption and the identification of potential opportunities to make improvements.	Medium CR1 & 5
Health and Safety Contracts	Review of the Council's processes, procedures and controls in place to ensure compliance through health and safety contracts with relevant statutory requirements and best practice.	High CR6
Integrated Impact Assessments*	Review to ensure the new Integrated Impact Assessments process and associated staff guidance is being complied with throughout the Council.	Medium CR5
Leisure and Culture Dundee	Review of the arrangements in place for income collection and recording through the MRM system, the integrity of which is considered by management to be critical to the strategic decision making process.	High CR2
ABC Multi-operator Smartcards*	Review of the system established within the Council to discharge its new independent ABC scheme administrator responsibilities.	Low CR2
Electric Vehicles Parking*	Review to assess the operational arrangements in place to support the Council's commitment of offering free parking to those with electric vehicles.	Medium CR9

2018/19 INTERNAL AUDIT PLAN (cont'd)	Proposed Coverage	Inherent Risk / CRR Risk No.
<i>Procurement / Contract Reviews</i>		
Procurement Reform	Review to assess the Council's progress towards reforming its procurement practices, including no purchase order no pay policy, and achieving sustainable procurement in line with national guidance.	High All
e-tendering*	Review within the Council and Tayside Procurement Consortium of the processes in place for e-tendering to ensure that they are robust and in line with procurement legislation.	High All
<i>Financial Reviews</i>		
Grant Claims	To provide confirmation for specified grant claims that the required terms and conditions have been complied with.	Low CR1
Council Tax	Review of the arrangements in place within the Council to administer and monitor entitlements for Council Tax Reduction.	High CR1
Internal Financial Controls	Review to determine progress made by the Council towards implementing the recommendations made by PwC following the serious fraud incident.	High CR1
Housing Capital Plan	To assess the planning, monitoring and reporting arrangements in place for the programme of capital works contained within the approved Housing Capital Budget.	High CR1 & 10
Stocks and Inventories	Review of arrangements in place to ensure that procedures and processes are line with Council guidance and records are complete and accurate.	Low CR1

2018/19 INTERNAL AUDIT PLAN (cont'd)	Proposed Coverage	Inherent Risk / CRR Risk No.
Contingency		
Advice and Guidance	Provision of ad-hoc support to assist services in respect of specific queries and contribute to the delivery of improvements in the Council's control environment.	N/A
Follow-up Reviews	<p>Specific reviews undertaken by internal audit staff to provide formal assurances to management and Elected Members that recommendations previously agreed have been implemented.</p> <ul style="list-style-type: none"> • Internal Audit Report No. 2015/06 – Financial Systems • Internal Audit Report No. 2016/10 – ICT Risk Management • Internal Audit Report No. 2016/13 – Information Governance • Internal Audit Report No. 2016/21 – Revenue Monitoring • Internal Audit Report No. 2016/28 – Dangerous Buildings and Public Safety 	N/A
Prior Year Work	Finalisation of projects that are currently ongoing / nearing completion.	Medium
Progress Reviews	Completion of the annual exercise whereby formal assurances are obtained from management that internal audit recommendations have been implemented.	Medium
Specific Investigations	To respond to requests for advice and assistance as required in respect of cases of suspected fraud, corruption or malpractice.	Medium

* Reviews carried forward that will commence during 2018/19.