

REPORT TO: SCRUTINY COMMITTEE - 20 APRIL 2016

REPORT ON: 2016/17 INTERNAL AUDIT PLAN

REPORT BY: SENIOR MANAGER – INTERNAL AUDIT

REPORT NO: 141-2016

1.0 PURPOSE OF REPORT

To submit to Members of the Scrutiny Committee the Internal Audit Plan for the 2016/17 financial year as detailed at Appendix A.

2.0 RECOMMENDATIONS

Members of the Committee are asked to note 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, 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 activity, 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. However, 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 this supplementary risk assessment process, input from key stakeholders is considered.

4.3 Whilst the organisation is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records 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, 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 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 a clear understanding of the Council's functions, associated risks and potential range and breadth of audit areas for inclusion within the plan. This exercise is also informed by key developments at both a national and local level as well as other relevant background information contained for example within the Council Plan, Service Plans, reports from external inspection bodies and committee reports. In addition, as in previous years, to capture potential areas of risk and uncertainty, including emerging risks, key stakeholders have been consulted. This consultation exercise included detailed discussions with all Service Management Teams and other key stakeholders such as KPMG, the Council's appointed external auditor. Of the order of fifty stakeholders were consulted as part of this exercise.
- 4.6** The proposed portfolio of work to be included within the 2016/17 Internal Audit Plan is summarised at Appendix A. The layout of the plan as presented to Committee 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 can not be confirmed until the audit reviews have been undertaken. This 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 that covers the scope and focus, specific objectives and timing of the review will be prepared 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 services are currently delivered utilising a mix of in-house staff and, for specific pieces of work, via resources procured through the Council's co-sourcing partnership with PwC, which commenced in January 2014. For the projects contained in the 2016/17 Internal Audit Plan, this approach will continue.
- 4.8** For the 2016/17 financial year, it is estimated that the total productive days available for audit work will be of the order of 800 days. Approximately 85% of these productive days will be assigned to reviews which will commence during the 2016/17 financial year and the balance will be allocated across provision of advice and guidance, specific investigations, undertaking follow-up and progress reviews and finalising prior year work that is currently ongoing / nearing completion. It should be noted, however, that whilst the 2016/17 Internal Audit Plan, including the estimated resources, has been prepared on 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 interim changes to the planned programme of work will be reported to the Scrutiny Committee.

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 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: 31 March 2016

2016/17 INTERNAL AUDIT PLAN	Proposed Coverage	Inherent Risk
Governance Reviews		
Assurance Mapping*	Corporate review to assess the levels of assurance that services receive from external / third party assurance providers and the effectiveness of these arrangements.	N/A
Fraud Guidelines*	Review to assess the suitability and completeness of the Council's Fraud Guidelines and update as appropriate to ensure that they reflect good practice principles and procedures.	High
Health and Social Care Integration	To provide support as required in the delivery of internal audit services and carry out a review of the wider governance arrangements as they evolve.	High
Information Governance*	High level review of the Council's information governance framework, including policies, procedures and working practices, to assess that it is in line with relevant legislation and good practice.	High
Public Performance Reporting*	Analytical review and assessment of the data sets in respect of organisational performance formally reported as part of the Council's Public Performance Reporting framework.	Medium
Risk Management Arrangements	Review of the Council's risk management arrangements at a corporate and service level against recognised good practice.	Medium
Transformational Change	Review of the arrangements in place to manage the Council's Changing for the Future agenda, including the identification, reporting and evidencing of proposed savings.	High
V&A	High level review of the arrangements in place to manage and monitor the construction of the V & A Museum of Design, Dundee.	High
ICT Reviews		
Cyber Crime	Review of the arrangements in place within the Council to ensure that cyber crime risk is being appropriately mitigated.	High
Data Security	Review of the internal controls in place to reduce the risk of unauthorised access of data through the use of passwords, including the resetting process.	High
ICT Assurance Mapping	Provision to carry out a specific ICT assurance mapping exercise against the Cabinet Office's Public Service Network compliance assessment process.	N/A
ICT Risk Management	Review to assist with the development of a formal risk management framework within the Council's Information Technology Service.	High

2016/17 INTERNAL AUDIT PLAN (cont'd)	Proposed Coverage	Inherent Risk
Systems Reviews		
Children in Residential Care	High level review of the arrangements in place to support the decision making process surrounding children being placed in residential care and ensure compliance with relevant legislation.	High
Construction Design Management Regulations	High level review of the Council's approach to implementing the 2015 Construction Design Management Regulations, with a view to ensuring adequate discharge of statutory duties.	High
Construction Services	End to end review of the materials requisitioning, ordering, invoicing and payment process within the Council's Construction Services.	Medium
Dangerous Buildings and Public Safety	High level review to ensure that the Council is discharging its statutory duties in relation to dangerous buildings under the Building (Scotland) Act.	High
Data Integrity	High level review of the accuracy of some of the performance indicators in the new corporate suite of indicators, which are considered by management to be critical to the decision making process.	High
Emergency Planning	Review of the arrangements in place within the Council to ensure that the Council is achieving best practice and complying with Civil Contingencies legislation.	High
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
Fuel Management*	To review the management of fuel within the Fleet Service to confirm that the systems and control framework operated are in line with good practice and mitigate potential risks.	Medium
Health and Safety	High level review of the arrangements in place within Neighbourhood Services to identify, manage and mitigate health and safety risks.	High
Leadership, Training and Development*	High level review of the effectiveness of the Council's approach to providing staff with development opportunities which are proportionate, appropriate and of relevance to improving service delivery.	Medium
Leisure and Culture Dundee	Review of Leisure and Culture Dundee's risk management arrangements against recognised good practice.	High
Occupational Road Risk	To review the Council's revised approach to mitigating occupational road risk and ensure that it is in line with recognised good practice in this area.	High

2016/17 INTERNAL AUDIT PLAN (cont'd)	Proposed Coverage	Inherent Risk
Systems Reviews (cont'd)		
Pension Fund - Administration	High level review of the framework in place within the Council to ensure compliance with the regulations surrounding local government pension scheme administration in Scotland.	High
Pension Fund – Treasury Management	Review of the treasury management policy and procedures as detailed in the Treasury Management Strategy.	Medium
Recruitment and Selection	Review of the Council's recruitment and selection process, including policies and procedures, training of employees involved in the process and arrangements in place to mitigate recruitment fraud.	High
Procurement / Contract Reviews		
Contract Specifications	High level review of the arrangements in place to ensure that the specification of requirements in procured contracts is compiled in line with good procurement practice.	High
e-tendering	Review of the process in place for e-tendering to ensure that it is robust and in line with procurement legislation.	High
Procurement Assurance Mapping	Provision to carry out a specific assurance mapping exercise against the Procurement and Commercial Improvement Programme (PCIP) full assessment carried out by Scotland Excel.	N/A
Financial Reviews		
Grant Claims	To provide confirmation for specified grant claims that the required terms and conditions have been complied with.	Low
Journal Entries	Review of the working practices and procedures in place surrounding the creation, authorisation, posting, evidencing and monitoring of journal entries.	Medium
Revenue Monitoring	High level review of the revenue monitoring arrangements in place within the Council, including work carried out centrally in Corporate Services and locally by the Finance and Support Service Managers.	High
Stocks and Inventories	Review of arrangements in place to ensure that procedures and processes are to the required standards and records are complete and accurate.	Low

2016/17 INTERNAL AUDIT PLAN (cont'd)	Proposed Coverage	Inherent Risk
Contingency		
Advice and Guidance	Provision of ad hoc support to assist clients in respect of specific queries and to contribute to the delivery of improvements in the Council's control environment.	N/A
External Quality Assessment Process	As part of the peer review process developed to ensure conformance with the PSIAS, deliver an external quality assessment of the internal audit service provided in another Scottish Local Authority.	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. 2013/06 – School Transport • Internal Audit Report No. 2014/04 – Grant Funding • Internal Audit Report No. 2014/15 – PVG Scheme • Internal Audit Report No. 2014/27 – Schemes of Administration • Internal Audit Report No. 2014/28 – Business Continuity 	Medium
Prior Year Work	Finalisation of projects currently at audit fieldwork / quality review / draft report stage.	Medium
Progress Reviews	Annual exercise to seek formal assurances 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.	N/A

* Reviews carried forward that will commence during 2016/17.