REPORT TO: **SCRUTINY COMMITTEE - 16 APRIL 2014**

REPORT ON: **2014/15 INTERNAL AUDIT PLAN**

REPORT BY: **CHIEF INTERNAL AUDITOR**

REPORT NO: **186-2014**

1.0 PURPOSE OF REPORT

To submit to Members of the Scrutiny Committee the Internal Audit Plan for the 2014/15 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) came into effect on 1 April 2013, along with the CIPFA Local Government Application Note for the United Kingdom. These publications replace the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (2006) which previously set out the requirements in respect of professional standards for internal audit services.

4.2 The key standards within the PSIAS which relate to preparation of the internal audit plan are summarised below:

- 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"*.

4.3 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 Chief Internal Auditor. This plan also requires to be sufficiently flexible to reflect the changing risks and priorities of the organsation. In developing the plan cognisance should be taken of the risk management framework and the relative risk maturity of the organisation. However where it is viewed that this area is not sufficiently well developed, the Chief Internal Auditor is required to undertake a risk assessment to underpin the development of the plan. As part of this process input from key stakeholders is considered.

4.4 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 an organisation's operations. In addition, the Chief Internal Auditor is also required to prepare an annual internal audit opinion on the adequacy of the Council's overall control environment. The plan should therefore include sufficient work to enable the Chief Internal Auditor to provide such an opinion. 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 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 and other relevant background information contained for example in the Council Plan, Departmental Service Plans, reports from external inspection bodies and committee reports. In addition, as in previous years, to capture potential areas of risk and uncertainty more fully, key stakeholders have been consulted. This consultation included detailed discussions with the various Departmental 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 2014/15 Internal Audit Plan is summarised at Appendix A. The format and content of the plan as presented to Committee is in line with the approach used in previous years and the proposed reviews have been grouped into key themes which are integral to the assurance gathering process across the organisation's activities. For each area included within the plan there is a brief summary of the proposed coverage and the risk rating from an internal audit perspective which is based upon discussions and background information gathered as part of the audit planning process. For each review and in line with recognised good practice a brief detailing the scope, objectives and timing will be prepared and agreed with the relevant manager prior to commencement of the audit fieldwork.

4.7   In terms of resourcing the Council's Internal Audit Service it has been recognised for a number of years that the nature of internal audit work is now extremely varied and requires a diverse portfolio of skills and technical competencies. In addition, due to a recognised shortfall between the in-house resources and the total resources required to deliver the plan existing procurement frameworks have been utilised in recent years to secure additional resources to deliver some of the planned projects. Given that this requirement would continue to be pivotal to the delivery of the Council's Internal Audit Service for the foreseeable future it was viewed that it would be beneficial to formally tender for the supply of internal audit services to supplement the in-house team. The outcome of the tender exercise which was undertaken during the current financial year resulted in a co-sourcing agreement being entered into with PwC. This agreement which was approved by the Policy and Resources Committee on 9 December 2013 (Report No 519-2013) became effective on 1 January 2014.

4.8   For the 2014/15 financial year, it is estimated that the total productive days available for audit work will be of the order of 855 days. Approximately 80% of these productive days will be assigned to reviews which will commence in 2014/15 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. It should be noted however that whilst the 2014/15 Internal Audit Plan, including the estimated resources, has been prepared on the best information currently available it may be subject to amendment to reflect the changing risks and priorities of the organisation arising during the financial year. Any material amendments to the planned work will be reported back 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, Director of Corporate Services and Head of Democratic and Legal Services have been consulted on the content of this report.

7.0   BACKGROUND PAPERS

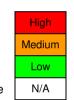None

Sallie Dailly, Chief Internal Auditor   DATE: 26 March 2014

2014/15 INTERNAL AUDIT PLAN	Proposed Coverage	Risk Rating
Governance Reviews		
Assurance Mapping	Review to assess the levels of assurance that services receive from external or third party assurance providers and the effectiveness of these arrangements.	Medium
Communication Strategy	Review of the key objectives contained in the Council's corporate communication strategy to assess if the anticipated improvements are being delivered.	Medium
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.	Medium
Information Governance	Assessment of the information governance framework within the Revenues Division to ensure that policies, structures and practices are in line with good practice.	High
Partnerships	Review of the effectiveness of the governance frameworks for the partnership arrangements entered into by the Council with outside parties.	Medium
Performance Information	Assessment of the arrangements in place to compile and validate performance indicators reported as part of the Local Government Benchmarking Framework.	Medium
Schemes of Administration	Review to assess the suitability and completeness of the Council's Schemes of Administration in respect of financial regulations, tender procedures and delegation of powers.	Medium
ICT Reviews		
Anti-Virus Software	Review of the deployment of anti-virus software including an assessment of the effectiveness of the arrangements to mitigate potential risks.	Medium
Business + IT Development Process	Review of the end to end Business + IT Development (BID) request process, to provide assurance that requests are underpinned by a robust business case and anticipated benefits are realised.	Medium
ICT Refresh Programme	Assessment of the annual programme to refresh computer hardware within schools to provide assurance that the process is effectively managed.	Medium
Systems Reviews		
Business Continuity	Review to assess the adequacy of the arrangements in place to ensure that critical functions can continue to be provided in the event of a major incident that may impact on the business.	Medium

2014/15 INTERNAL AUDIT PLAN (cont'd)	Proposed Coverage	Risk Rating
Systems Reviews (cont'd)		
Capital Monitoring	Systems review of departmental and corporate arrangements which underpin the monitoring of the Council's Capital Plan.	Medium
Data Matching	Assessment of the Council's approach to data matching initiatives including action taken to resolve potential matches and anomalies.	Medium
Development and Training	Review of effectiveness of the Council's framework to ensure that staff are receiving appropriate opportunities to communicate and receive development and training.	Medium
Energy Consumption	Review of the initiative to reduce energy consumption across the school estate and provide assurance that there are effective strategies in place to deliver the anticipated financial savings.	Medium
Grant Funding	Review to ensure that there is an effective corporate approach to the planning, application, monitoring and management of grant funding across the organisation.	Medium
Lettings and Voids Management	Review of the policies and procedures to provide assurance that the Council's housing stock is being effectively managed.	Medium
Lone Working	Assessment within the Housing Department of the policy and operational practices in place to deliver a safe working environment for employees.	Medium
Mental Health Referrals	Review within the Education Department of the referral processes including consideration of potential efficiency improvements.	Medium
Performance Indicators	Review of the data capture systems used by the Housing Department to compile the charter indicators required by the Scottish Housing Regulator to assess landlord performance.	Medium
PVG Scheme	Assessment of the Council's arrangements to ensure compliance with the provisions of the protecting vulnerable groups (PVG) scheme.	Medium
School Community Support Service	Review within the Education Department of the delivery and management of the service to provide assurance that key aims and objectives are being achieved.	Medium
Self Directed Support	Review of the Council's approach to fulfil the new legislative requirement which requires authorities to offer those with eligible needs greater choice and control over the support to meet their needs.	Medium
Sickness Absence Reporting	Review of the new corporate reporting procedure to assess the effectiveness of the processes including the provision of management information.	Medium

2014/15 INTERNAL AUDIT PLAN (cont'd)	Proposed Coverage	Risk Rating
Systems Reviews (cont'd)		
Staff Travel	Review of staff travel to ensure that there is a consistent approach across the organisation which follows the principles laid down in the Council's Staff Travel Plan.	Medium
Trade Waste	Systems review of the end to end process in respect of trade waste including steps taken to ensure income maximisation.	Medium
Welfare Reform	Review of an area of potential risk arising from the introduction of UK Government's welfare reform agenda and the mitigating action taken by the Council.	Medium
Procurement / Contract Reviews		
E-tendering	Review of the centralised corporate electronic tendering processes to assess robustness and compliance with good practice.	Medium
Stocks and Stores	Review of the systems and processes operated in relation to stock and stores management within the Environment Department.	Medium
Financial Reviews		
Grant Claims	To provide confirmation for specified grant claims that the required terms and conditions have been complied with.	Low
Income	Systems review within the Environment Department of the various income streams derived from the outdoor facilities managed by the Environmental Management Division.	Medium
Payroll	Review of the processes operated in respect of staff leaving the employment of the Council to ensure that they are in line with the Council's corporate procedures.	Medium
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
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
Follow-up Reviews	Specific reviews undertaken by internal audit staff to provide formal assurances to management and Elected Members that recommendations previously agreed have been implemented.	Medium

2014/15 INTERNAL AUDIT PLAN (cont'd)	Proposed Coverage	Risk Rating
Contingency (cont'd)		
Prior Year Work	Finalisation of projects which commenced during the previous financial year.	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

Key for Risk Rating

	High
	Medium
	Low
Not Applicable	N/A