

**ITEM No ...5.....**

**REPORT TO: SCRUTINY COMMITTEE – 13 FEBRUARY 2019**

**REPORT ON: INTERNAL AUDIT PLAN PROGRESS REPORT**

**REPORT BY: SENIOR MANAGER – INTERNAL AUDIT**

**REPORT NO: 59-2019**

**1.0 PURPOSE OF REPORT**

To submit to Members of the Scrutiny Committee an update on the progress towards delivering the 2017/18 and 2018/19 Internal Audit Plans.

**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 Standard 2060 of the Public Sector Internal Audit Standards (PSIAS) entitled Reporting to Senior Management and the Board states that “the chief audit executive must report periodically to senior management and the board on...performance relative to its plan” and that “reporting and communication to senior management and the board must include information about the audit plan and progress against the plan”. In addition, Standard 1110 of the PSIAS entitled Organisational Independence supports this requirement, stating that “examples of functional reporting to the Board involve the Board receiving communications from the chief audit executive on the Internal Audit Activity’s performance relative to its plan”.
- 4.2 At a senior management level, this requirement is discharged by the Senior Manager – Internal Audit through established direct reporting channels to the Chief Executive, Executive Director of Corporate Services, Head of Corporate Finance (to whom the Senior Manager – Internal Audit reports administratively) and the Corporate Finance Management Team. However, until this report, the Scrutiny Committee has not received an interim update on progress against the plan and this was identified by the Senior Manager – Internal Audit as an area requiring improvement, already featuring in the Quality Assurance and Improvement Programme reported to Scrutiny Committee at its meeting on 27 June 2018 (Article IX, Report No 207-2018, Appendix C).
- 4.3 The Council’s 2017/18 and 2018/19 Internal Audit Plans were approved by Scrutiny Committee at its meetings on 19 April 2017 (Article VI, Report No 133-2017) and 18 April 2018 (Article VI, Report No 119-2018) respectively. Work to finalise the 2017/18 Audit Plan has continued throughout 2018/19 with a number of audit reports having been submitted to Scrutiny Committee during the year, however, a small number of areas require to be finalised. Completion of prior year work has had some impact on the delivery pace of the 2018/19 Internal Audit Plan, however, work is progressing and assignments are at various stages of the internal audit process. The Internal Audit co-sourcing arrangement with KPMG provides a degree of flexibility in terms of scheduling assignments at the most appropriate time for the organisation and, consequently, the majority of reviews contained within the portfolio of work allocated to KPMG will not commence until the last quarter. KPMG is continuing to deliver the assignments allocated to it and regular contract management meetings are being held, during which progress against the plan is discussed and monitored.
- 4.4 The reasons for the delays noted above vary but include unplanned demands on the Senior Manager – Internal Audit’s time in relation to other areas of operational responsibility (i.e.

Corporate Fraud Team and Risk Management), the requirement in some instances to add additional value and deliver more work than originally planned and the ongoing provision of advice and guidance to services. In addition, to date, the arrangements for inputting outstanding internal audit recommendations to Pentana including the ongoing management of triggers and reminders as well as monitoring officer updates has proved to be more resource intensive than originally envisaged. It is hoped that this will improve going forward as the arrangements become more established.

- 4.5 The Senior Manager – Internal Audit is in the process of reviewing the 2018/19 Internal Audit Plan with a view to confirming the ongoing relevance of the individual assignments contained within it and ultimately ensuring that the Council continues to utilise internal audit resources in the most efficient and effective way. The outcome of that exercise along with any suggested amendments will be reported back to the Scrutiny Committee for approval.
- 4.6 Whilst there has been some delay in delivering the Internal Audit Plans, the number of audit assignments finalised since June 2018 and reported to Scrutiny Committee as well as the audit assignments that are ongoing and planned to be delivered and reported on between now and the date of the next Internal Audit Annual Report are expected to provide sufficient assurances to help inform the Chief Audit Executive’s annual audit opinion for 2018/19. The range and breadth of audit areas (Council functions / activities and associated risks) covered continue to be appropriate.
- 4.7 Appendix 1 and Appendix 2 to this report give a summary of the progress on individual assignments within the 2017/18 and 2018/19 Internal Audit Plans.

## **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: 31 January 2019

## 2017/18 Internal Audit Plan – Progress Report (excluding reviews carried forward to 2018/19)

Not Yet Commenced	Planning	Fieldwork	Reviewing	Draft Report Issued	Scrutiny Committee
2017/18 INTERNAL AUDIT PLAN		Proposed Coverage			Status
<b><i>Governance Reviews</i></b>					
Dundee Health and Social Care Partnership	To support the Dundee Integrated Joint Board (IJB) Chief Internal Auditor through the provision of a number of internal audit reviews within the services operationally delegated to the IJB.			17/04/19	
Festivals and Events	Review to assess the governance arrangements in place corporately to support festivals and events and ensure associated risks, including health and safety risks, are identified and mitigated.			27/06/18	
Trips and Holidays	Review of the risk assessment process and related arrangements in place within the Children and Families Service for trips and holidays attended by school pupils and children in residential care.			13/02/19	
Public Performance Reporting	Assessment of the data sets in respect of organisational performance formally reported as part of the Council’s Public Performance Reporting framework.			12/12/18	
Out of Hours Service	Review to assess the effectiveness of the out of hours service currently operating within the Children and Families Service from a business continuity perspective.				
Service Governance Arrangements	High level review, following the Council’s reorganisation, to assess the progress made towards integrating key governance arrangements within the new services.				
<b><i>ICT Reviews</i></b>					
User Access Levels	High level review of the appropriateness of user access levels and associated permissions for the Council’s key IT systems as identified via the business continuity planning exercise.			27/06/18	
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.			27/06/18	

2017/18 INTERNAL AUDIT PLAN (Cont'd)	Proposed Coverage	Status
Pentana	Review to assess the effectiveness of the utilisation of Pentana, the Council's performance and risk management system.	12/12/18
E-mail Security	Review of the internal controls in place to reduce the risk of information, transmitted via e-mail, being accessed inappropriately.	27/06/18
<b>Systems Reviews</b>		
Bankers Automated Clearing System (BACS)	To assess the adequacy of the processes and controls in place surrounding the preparation and transmission of BACS transactions via the Microgen Bacway IP Professional System.	26/09/18
Dundee Partnership Grant Funding	Review of the processes in place for receiving, recording, assessing, approving, allocating and monitoring Community Regeneration Fund and Community Infrastructure Fund grant applications.	26/09/18
Construction Services	End to end review of the materials requisitioning, ordering, invoicing and payment process within the Council's Construction Services.	
Lone Working	Risk based assessment and review of the arrangements in place to deliver a safe working environment for employees who are required to work alone.	27/06/18
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.	12/12/18
Pension Fund	Review to assess if the Altair self-service module is being fully utilised by scheduled and admitted bodies and anticipated benefits are being realised.	26/09/18
Leavers Process	Review to assess the adequacy of the processes and procedures in place surrounding the notification and processing of leavers.	Advice provided
Leisure and Culture Dundee	High level review of the arrangements in place within Leisure and Culture Dundee to identify, manage and mitigate health and safety risks.	26/09/18
ParentPay	Review to assess the efficiency and effectiveness of the implementation and operation of the ParentPay system within schools.	12/12/18

2017/18 INTERNAL AUDIT PLAN (Cont'd)	Proposed Coverage	Status
<b><i>Procurement / Contract Reviews</i></b>		
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.	13/02/19
Contract Management	Review of contract management arrangements to ensure that compliance with specification of requirements is being adequately monitored and, where appropriate, remedial action is being taken.	13/02/19
<b><i>Financial Reviews</i></b>		
Grant Claims	<p>To provide confirmation for specified grant claims that the required terms and conditions have been complied with.</p> <ul style="list-style-type: none"> <li>- 2016/17 Grant Claim: Local Authority Air Quality Action Plan</li> <li>- 2016/17 Grant Claim: Local Air Quality Management</li> <li>- Interreg Create Converge Project</li> </ul>	<p>27/09/17</p> <p>27/09/17</p> <p>13/12/17</p>
IR35 (Intermediaries Legislation)	Review to assess that the Council's responsibilities following the reform of IR35 for deducting / paying income tax and NI contributions are being effectively discharged.	13/02/19
Pupil Equity Funding	Review of the framework in place to administer the new pupil equity funding and ensure that it is being utilised in line with the new National Operational Guidance.	
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.	26/09/18
<b><i>Contingency</i></b>		
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.	Complete
External Quality Assessment Process	As part of the peer review process developed to ensure conformance with the PSIAS, prepare for and assist with the Council's external quality assessment of its Internal Audit Service.	27/06/18

2017/18 INTERNAL AUDIT PLAN (Cont'd)	Proposed Coverage	Status
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.	
	<ul style="list-style-type: none"> <li>Internal Audit Report No. 2015/32 – Pay on Foot Parking</li> </ul>	14/02/18
	<ul style="list-style-type: none"> <li>Internal Audit Report No. 2015/16 – Procurement</li> </ul>	
	<ul style="list-style-type: none"> <li>Internal Audit Report No. 2015/12 – Regulation of Investigatory Powers</li> </ul>	26/09/18
	<ul style="list-style-type: none"> <li>Internal Audit Report No. 2015/19 – Employability and Skills</li> </ul>	18/04/18
Progress Reviews	Completion of the annual exercise whereby formal assurances are obtained from management that internal audit recommendations have been implemented.	27/09/17
Specific Investigations	To respond to requests for advice and assistance as required in respect of cases of suspected fraud, corruption or malpractice.	Complete
Internal Audit Tender Exercise	Completion of tender evaluation, including presentations and award.	Complete P&R Report No. 356-2017

## 2018/19 Internal Audit Plan – Progress Report

Not Yet Commenced	Planning	Fieldwork	Reviewing	Draft Report Issued	Scrutiny Committee
2018/19 INTERNAL AUDIT PLAN		Proposed Coverage			Status
<b><i>Governance Reviews</i></b>					
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.				
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.				
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.				
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.				
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.				
Waterfront Project	High level review of the governance arrangements in place to manage, monitor and report on the £1 billion waterfront regeneration project.				
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.				
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.				

2018/19 INTERNAL AUDIT PLAN (Cont'd)	Proposed Coverage	Status
<b>ICT Reviews</b>		
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.	
Mosaic	Review to assess the effectiveness of the deployment of the new MOSAIC system procured by the Council.	
<b>Systems Reviews</b>		
Keystone Asset Management	Review to assess the effectiveness of the implementation of the new CIVICA Keystone Asset Management system procured by Neighbourhood Services.	
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.	
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.	
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.	
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.	
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.	
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.	
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.	



2018/19 INTERNAL AUDIT PLAN (Cont'd)	Proposed Coverage	Status
Integrated Impact Assessments	Review to ensure the new Integrated Impact Assessments process and associated staff guidance is being complied with throughout the Council.	
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.	
ABC Multi-operator Smartcards	Review of the system established within the Council to discharge its new independent ABC scheme administrator responsibilities.	
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.	
<b>Procurement / Contract Reviews</b>		
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.	
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.	
<b>Financial Reviews</b>		
Grant Claims	<p>To provide confirmation for specified grant claims that the required terms and conditions have been complied with.</p> <ul style="list-style-type: none"> <li>- 2017/18 Grant Claim: Local Authority Air Quality Action Plan</li> <li>- 2017/18 Grant Claim: Local Air Quality Management</li> </ul>	<p>26/09/18</p> <p>26/09/18</p>
Council Tax	Review of the arrangements in place within the Council to administer and monitor entitlements for Council Tax Reduction.	
Internal Financial Controls	Review to determine progress made by the Council towards implementing the recommendations made by PwC following the serious fraud incident.	

2018/19 INTERNAL AUDIT PLAN (Cont'd)	Proposed Coverage	Status
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.	
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.	
<b>Contingency</b>		
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.	Ongoing
	Gas Safety	13/02/19
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.	
	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	
Progress Reviews	Completion of the annual exercise whereby formal assurances are obtained from management that internal audit recommendations have been implemented.	26/09/18
Specific Investigations	To respond to requests for advice and assistance as required in respect of cases of suspected fraud, corruption or malpractice.	As required