

REPORT TO: SCRUTINY COMMITTEE - 19 APRIL 2017

REPORT ON: 2017/18 INTERNAL AUDIT PLAN

REPORT BY: SENIOR MANAGER – INTERNAL AUDIT

REPORT NO: 133-2017

1.0 PURPOSE OF REPORT

To submit to Members of the Scrutiny Committee the Internal Audit Plan for the 2017/18 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 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. 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 that 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 having 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 significant

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 year the consultation exercise included detailed discussions with all Service Management Teams, the ICT Extended Management Team, the Service Manager – Community Safety and Development, the Corporate Procurement Manager and other key stakeholders such as the Dundee Integrated Joint Board and its Chief Internal Auditor, Leisure and Culture Dundee and Audit Scotland, the Council's appointed external auditor. Elected Member consultation was introduced this year and discussions took place with 7 of the 8 Scrutiny Committee Members. Of the order of fifty five stakeholders were consulted as part of this exercise.

4.6 The proposed portfolio of work to be included within the 2017/18 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 cannot 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 containing background information, scope, overall / specific objectives, reference sources and timing of the review will be compiled 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 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 2017/18 Internal Audit Plan, whilst the co-source provider may change as a result of the ongoing tender exercise, this approach will continue.

4.8 For the 2017/18 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 2017/18 and the balance will be allocated across 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 2017/18 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: 29 March 2017

2017/18 INTERNAL AUDIT PLAN	Proposed Coverage	Inherent Risk
Governance Reviews		
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.	High
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.	High
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.	High
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.	Medium
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.	Medium
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.	High
ICT Reviews		
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.	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
Covalent	Review to assess the effectiveness of the utilisation of Covalent, the Council's performance and risk management system.	Medium
Keystone Asset Management	Review to assess the effectiveness of the implementation of the new CIVICA Keystone Asset Management system procured by Neighbourhood Services.	High
E-mail Security	Review of the internal controls in place to reduce the risk of information, transmitted via e-mail, being accessed inappropriately.	High

2017/18 INTERNAL AUDIT PLAN (cont'd)	Proposed Coverage	Inherent Risk
Systems Reviews		
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.	High
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.	Medium
Construction Services*	End to end review of the materials requisitioning, ordering, invoicing and payment process within the Council's Construction Services.	Medium
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.	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
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
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
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.	Medium
Leavers Process	Review to assess the adequacy of the processes and procedures in place surrounding the notification and processing of leavers.	High
Integrated Impact Assessments	Review to ensure the new Integrated Impact Assessments process and associated staff guidance is being complied with throughout the Council.	Medium
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.	High
ABC Multi-operator Smartcards	Review of the system established within the Council to discharge its new independent ABC scheme administrator responsibilities.	Low
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

2017/18 INTERNAL AUDIT PLAN (cont'd)	Proposed Coverage	Inherent Risk
Systems Reviews (cont'd)		
ParentPay	Review to assess the efficiency and effectiveness of the implementation and operation of the ParentPay system within schools.	Medium
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
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.	High
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
Financial Reviews		
Grant Claims	To provide confirmation for specified grant claims that the required terms and conditions have been complied with.	Low
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.	High
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.	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

2017/18 INTERNAL AUDIT PLAN (cont'd)	Proposed Coverage	Inherent Risk
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
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.	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. 2015/12 – Regulation of Investigatory Powers • Internal Audit Report No. 2015/16 – Procurement • Internal Audit Report No. 2015/19 – Employability and Skills • Internal Audit Report No. 2015/32 – Pay on Foot Parking • Internal Audit Report No. 2015/30 – Sub-contractors 	Medium
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.	N/A
Internal Audit Tender Exercise	Completion of tender evaluation, including presentations and award.	N/A

* Reviews carried forward that will commence during 2017/18.

