

**REPORT TO: SCRUTINY COMMITTEE - 22 APRIL 2015**

**REPORT ON: 2015/16 INTERNAL AUDIT PLAN**

**REPORT BY: CHIEF INTERNAL AUDITOR**

**REPORT NO: 141-2015**

## **1.0 PURPOSE OF REPORT**

To submit to Members of the Scrutiny Committee the Internal Audit Plan for the 2015/16 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 became effective in April 2013 apply to all internal audit service providers within the public sector and set out the requirements in respect of professional standards for such services. Within the PSIAS the key standards which relate to 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 Chief Internal Auditor. In addition, due to environment in which local government operates and the potential challenges arising from this, the plan also requires to be sufficiently flexible to reflect the changing risks and priorities of the organisation. In developing the plan cognisance is also 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 separate risk assessment to underpin the development of the plan. As part of this 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 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.

**4.4** 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 and identify emerging areas, 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 five stakeholders were consulted as part of this exercise.

**4.5** The proposed portfolio of work to be included within the 2015/16 Internal Audit Plan is summarised at Appendix A. The layout of the plan as presented to Committee follows that used in previous years and once again the proposed reviews have been 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 risk rating from an internal audit perspective. This has been prepared on the basis of discussions and pertinent background information gathered as part of the audit planning process. In line with good practice a more detailed brief which covers the scope and focus, specific objectives and timing will be prepared and agreed with the client prior to commencement of the audit fieldwork.

**4.6** 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. As a result it is difficult to ensure continued provision of all the requisite skills particularly where the in-house team is relatively small. To address this the internal audit services provided are currently being delivered utilising both in-house staff and also for specific pieces of internal audit work via resources procured through the Council's co-sourcing partnership with PwC which commenced in January 2014. For the projects contained in the 2015/16 Internal Audit Plan this approach will continue to be adopted.

**4.7** For the 2015/16 financial year, it is estimated that the total productive days available for audit work will be of the order of 850 days. Approximately 80% of these productive days will be assigned to reviews which will commence in 2015/16 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 2015/16 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. In addition, as required under the Standards significant interim changes to the planned 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, 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: 01 April 2015

2015/16 INTERNAL AUDIT PLAN	Proposed Coverage	Risk Rating
<b>Governance Reviews</b>		
Communication Strategy	High level review to assess the effectiveness of the Council's corporate communication strategy in delivering simple, strong, clear and consistent messages to external and internal audiences.	Medium
Corporate Policies	Review of the methodology and approach to the development of key policy statements for the Council against recognised good practice principles.	Medium
Health and Social Care Integration	To provide support in the delivery of internal audit activities as laid down in the approved integration scheme between the Council and NHS Tayside.	Medium
Information Governance	High level corporate review of the Council's information governance framework to assess that policies, structures and practices are in line with 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
Serious Organised Crime	To assess the robustness of the framework within the Council to identify the potential risks arising from criminal activity and the measures in place to address these.	Medium
<b>ICT Reviews</b>		
Cloud Usage	Review to assess if the potential benefits of the anytime anywhere access functionality for the Microsoft Office cloud productivity suite used within the school estate are being maximised.	Medium
ICT Compliance and Assurance	Review of the compliance and assurance regime in respect of the Council's ICT environment to confirm that potential risks and vulnerabilities are being identified, considered and addressed.	Medium
SEEMIS	Review of the user access control framework for the SEEMIS information technology software solutions utilised by the Education Department for a range of services.	Medium
<b>Systems Reviews</b>		
Capital Plan	To assess the planning and monitoring arrangements for the programme of capital works contained within the approved Housing Capital Budget.	Medium
Data Integrity	High level assessment of the completeness, reliability and timeliness of critical management information used by the Council as part of its decision making processes.	Medium

2015/16 INTERNAL AUDIT PLAN (cont'd)	Proposed Coverage	Risk Rating
<b>Systems Reviews (cont'd)</b>		
Employability and Skills	Review of key initiatives to improve employability and skills within the local economy including assessment of achievement of outcomes.	Medium
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
Flexible Working Arrangements	Review of Council's flexible working policies and procedures to ensure that the operational practices are consistent, transparent and achieve the anticipated benefits.	Medium
Fuel Management	To review the management of fuel within the Environment Department to confirm that the systems and control framework operated are in line with good practice and mitigate potential risks.	Medium
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
Lone Working	Assessment within the Housing Department of the policy and operational practices in place to deliver a safe working environment for employees.	Medium
Pay on Foot Parking	Review to assess the adequacy of the control framework for income collection, enforcement and compliance with regulations in respect of Council operated car parks.	Medium
Pension Fund	High level review of the procedures and practices in place to ensure compliance with the Fund's regulatory requirements and governance arrangements.	Medium
Performance Information	Assessment of the performance information framework operated within Leisure and Culture Dundee including the data collection processes and reporting of key outcomes.	Medium
Personal Protective Equipment	Review to assess that the Council's policies, procedures and management of personal protective equipment complies with health and safety legislative and regulatory requirements.	Medium
Regulation of Investigatory Powers	Review of the Council's policies and operational procedures in this area against the legislative framework and code of practice governing such investigations.	Medium

2015/16 INTERNAL AUDIT PLAN (cont'd)	Proposed Coverage	Risk Rating
<b>Systems Reviews (cont'd)</b>		
Self Directed Support	Review of the Council's approach to fulfil the legislative requirement that authorities should offer those with eligible needs greater choice and control over the support required to meet their needs.	Medium
Workforce Management	Review of engagement and management of agency workers, consultants and third parties across the Council to ensure that the systems operated are in line with good employment practice.	Medium
<b>Procurement / Contract Reviews</b>		
Health and Safety Contracts	Review of the Council's processes, procedures and controls to ensure compliance with statutory requirements and best practice in respect of health and safety matters.	Medium
Procurement	Review within the Council's centralised procurement activities and practices to assess the effectiveness of these in supporting the delivery of the procurement reform agenda.	Medium
Sub-Contractors	Review of the approach operated in respect of the appointment and use of sub-contractors within the Environment Department to assess compliance with procurement practices and principles.	Medium
<b>Financial Reviews</b>		
Construction Industry Scheme	Review to assess that the Council's responsibilities under this scheme as a deemed contractor are being effectively discharged.	Medium
Grant Claims	To provide confirmation for specified grant claims that the required terms and conditions have been complied with.	Low
Financial Systems	Review and assessment of the Council's framework, associated processes and controls underpinning the reconciliation of key financial systems.	Medium
Online Payments	Review of the arrangements in place to process online payments through the Council's website to provide assurance that the systems are secure and well controlled.	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

2015/16 INTERNAL AUDIT PLAN (cont'd)	Proposed Coverage	Risk Rating
<b>Contingency</b>		
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
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
N/A