HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	Internal Audit Plan Quarter 4 - 2018/19
Meeting/Date:	Corporate Governance Committee – 23 January 2019
Executive Portfolio:	Councillor J A Gray – Executive Councillor for Resources
Report by:	Internal Audit & Risk Manager
Wards affected:	All wards

Executive Summary:

Committee agreed on a trial basis that for 2018/19 the internal audit plan should be prepared on a quarterly rather than annual basis, This report asks the Committee to consider and then approve the quarter four internal audit plan.

The plan includes reviews of the following areas:
- LEAN transformation process
- Setting of Land Charge fees and statutory licence charges
- Complaints handling
- Commercialisation
- Legal debt recovery procedures
- Hired staff
- Payroll
- Housing Benefits
- Taxi licensing
- Payment card system security
- Council Anywhere preparations
- Information security
- IT policy management
- Financial management system implementation and access controls

In addition, time has also been allowed to identify the key controls within the new financial management system (Technology 1) ahead of undertaking quarterly assurance reviews.

The report also provides a summary of the work that has been completed in the year to date and explains why previously approved audits have not progressed as planned.

Preparing and requesting the Committee to approve the audit plan on a quarterly basis was an innovative idea and one that was intended to make internal audit a service business partner, focusing on current and future risks rather than the traditional approach of considering how risks have been managed in the past. The change to the audit planning process has not achieved this and been largely unsuccessful. A disproportionate amount of time has been spent by the audit team arranging and meeting Heads of Service and their managers to obtain information and/or intelligence that would then directly influence the audit plan. Only a small

number of potential audit reviews have been suggested by Managers, which when pursued, were found to be being reviewed by others. This has led to audit resources being committed to reviews that were not subsequently progressed and this has had an impact on the overall number of audits that have been able to be delivered.

With the significant transformational proposals that are underway or planned, it is appropriate that the internal audit plan addresses the most significant risks that the Council faces. It is not appropriate for the audit plan to be approved at the start of the year and not change. It is proposed that for 2019/20 the internal audit plan be prepared and approved by the Committee on a six monthly, rather than quarterly basis.

Recommendations

It is recommended that:
1. The Corporate Governance Committee approve the Internal Audit plan for quarter four, 2018/19, and
2. The Internal Audit plan for 2019/20 be prepared on a six monthly basis. .

1. PURPOSE OF THE REPORT

1.1 To allow the Committee to consider and approve the Internal Audit (IA) audit plan for quarter four (Q4) 2018/19.

2. BACKGROUND

2.1 The Accounts and Audit Regulations 2015 require that the Council '…must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Audit Standards (PSIAS) or guidance'. The Council have adopted the PSIAS through the Committees Terms of Reference.

2.2 The Council requires the Internal Audit & Risk Manager (IARM) to "establish risk-based plans to determine the priorities of internal audit activity, consistent with the organisations goals". The risk based-plan must also:

- take into account the requirement to produce an annual internal audit opinion;
- incorporate a strategic high-level statement of how the internal audit service will be delivered and developed and how it links to the Council's objectives and priorities;
- explain how internal audit's resource requirements have been assessed; and
- include the approach to using other sources of assurance and any work required to place reliance upon those other sources.

Furthermore, the IARM must review and adjust the plan as necessary, in responses to changes in risks, operations, programs, systems, and controls.

3. ANALYSIS

3.1 It is estimated that 52 days (excluding the days to be delivered by BDO, the internal audit computer audit supplier) will be available for delivering the Q4 audit plan. These days have been provisionally allocated across the following areas.

Internal Audit & Assurance Plan 2018-2019 – Q4

Audit area	*Commentary*
Tech 1 - New FMS	This review was commenced in Q3 and will be completed in Q4. Technology 1 became 'live' on 9 July. Work has already been undertaken in Q3 to identify the key controls across all the T1 modules and this will continue into Q4 together alongside reviews of the controls effectiveness. A meeting has been held with 3C partner Councils to see if the workload could be shared but this was not possible due to work scheduling issues.
LEAN review	This audit was due to be completed in Q3 but was postponed due to staff in the Service area being unavailable. The LEAN review process has been revised and reviews are now conducted over a two week period. This audit will consider if agreed outcomes are being delivered, embedded and leading to process change.
Setting of Land Charge fees and statutory licence charges	The fees and charges for statutory services should be set so that they recover the full cost of the service. This is usually the total cost of all resources used in providing the service including direct and indirect costs. Separate reviews of both Land Charges and other statutory licence costs will consider the processes in place for identifying and charges and setting fees.

Audit area	Commentary
Complaints handling	The 2016/17 and 2017/18 Annual Governance Statement (AGS) referred to the need to improve the complaints handling procedures. In preparation for the 2018/19 AGS a review will be undertaken of the progress made to improve procedures.
Commercialisation	The commercialisation agenda is expected to deliver a significant income stream to the Council. A review of the governance procedures that have been introduced to manage commercialisation activities as well as the progress that has been made with delivery of the CCTV business plan is to be completed.
Legal debt recovery procedures	A review was completed in Q2 of the debt collection procedures followed by 3C Legal for the collection of the Council's general debts referred to them by the Resources income team. An interim report found that: 1. There has been little recent work undertaken by 3C Legal to recover debt referred. 2. 3C Legal do not hold a complete record of the debts that have been referred. 3. No performance management information or monitoring of the current position is taking place. Further work is planned for Q4 to review the progress that has been made across the three areas above.
Hired staff	Work was undertaken in Q1 to examine the measures that managers had put in place to achieve the reduced 2018/19 hired staff of £182k from the £1.5m 2017/18 spend. This review will examine spend to date and what impact, if any, the achievement of the budget has had on the delivery of services.
Payroll	The payroll system is a key financial system. Controls are reviewed on a rolling basis to ensure that all areas are covered across a 5 year period. This review is to examine the controls associated with the authorisation and calculation of statutory and voluntary deductions, changes to employees standing data and system updates arising from Inland Revenue legislative changes.
Housing Benefits	The housing benefit system is a key financial system. Controls are reviewed on a rolling basis to ensure that all areas are covered across a 5 year period. This review is to examine the controls associated with the risk-based verification framework and sample checking the supporting evidence for new claims.
Taxi Licensing	A review of the processes followed by the Licensing Service to determine if a license holder is deemed a 'fit and proper' person.

Audit area	*Commentary*

Internal audit reviews to be undertaken by BDO.

Card Industry Data Security Standard (PCI-DSS) Project Management	This area was last reviewed in May 2014. As a Merchant responsible for accepting credit and debit card payments, the Council is required to comply with the requirements of PCI-DSS. This audit will consider if compliance is being achieved.
Council Anywhere	The introduction of Council Anywhere will facilitate remote and agile working for members of staff across the Council. The audit will provide assurance that the delivery of the Council Anywhere meets the needs of the Council and has been appropriately secured.
Information Security Healthcheck	In 2016/17 and 2017/18, Internal Audit undertook reviews of the Cyber Security and Network Security controls implemented by the Shared ICT Service. An attack against the Council has the potential to disrupt operations and cause lasting financial and reputational damage. The purpose of this audit is provide assurance that the Shared ICT Service has addressed the findings raised in the previous Internal Audit reports and that there are effective information security controls in place.
Protocol Policy Management System	This review was due to commence in Q2 but was postponed due to the software supplier updating the security policies to capture changes in legislation and standards over the past year. The audit will review the IT policy management software system including procedures for amending its content, the appropriateness of content and managing the roll-out to staff and their take-up of it.
T1 (FMS) Post-Implementation and Access Controls	The purpose this audit is to provide assurance that the implementation of the new financial management system-T1 - has met the needs of the Council and that there are appropriate post-implementation arrangements in place. Furthermore, the audit will also assess the access controls that have been applied to secure the T1 application.

3.2 In addition to reviewing the areas listed above, time may also be required to provide for the following:
- help, advice and assistance to managers;
- follow-up reviews of agreed audit actions introduced;
- attendance at quotation openings,
- managing whistleblowing allegations; and
- the quality assessment of audit work undertaken and file review.

3.3 Progress made as at the 8 January against the audits previously agreed for 2018/19 is set-out below.

Audit area	*Current position*
Homelessness prevention pilot	
This review considered the robustness of the homelessness pilot scheme that was introduced to combat homelessness by intervening with those identified as at risk at a much earlier stage and then offering	The report has been issued to the Corporate Director (Services).

Audit area	*Current position*

access to support such as advice on employment & training or debt management. Homelessness has been recognised in the 2017/18 AGS as a significant issue.

Freedom of Information

This review considered the administration processes associated with receiving and responding to freedom of information requests. The audit will considered the thoroughness of responses provided and the opportunities for making more information available on the Council's website so reducing the need to respond individually to requests.

The draft report has been issued. The main issues that have emerged are:
1. Staff guidance for FoI champions is not as comprehensive as it could be.
2. FoI training is not mandatory for staff.
3. The Corporate Retention and Records Management Policy needs to be updated to reflect GDPR.

Small works contracts

This review examined the contract management processes supporting the small works contracts and its use.

This audit has been completed and closed. The main findings are that:
1. The contract is due to expire in March 2019 and needs to be re-let.
2. Clear responsibilities should be assigned to a member of staff for contract monitoring and to support services who use the contract.

Mobile phone contract

This reviewed considered the management of the mobile phone project across the 3C partner authorities. The review examined the procurement process, project management and the establishment of procedures to support compliance with mobile phone policies going forward.

The audit has been completed and closed. The main findings are that:
1. Arrangements for reviewing phone billing should be formalised.
2. The mobile phone policy be reviewed and updated to reflect current working practices.

Main financial systems : Qtly reviews

Council Tax / NNDR
Housing Benefit creditors.

The September 2018 reviews have been completed in respect of the key controls associated with the financial systems listed opposite. Whilst there were some minor issues identified, nothing that warrants reporting to the Committee.

BACS payment fraud

In June 2018 a Council supplier was targeted by a fraudster who, after taking control of the suppliers email account, successful deceived the Council into changing the suppliers bank account.

The Council made a payment of £81k to the fraudulent bank account. It has been recovered in full and no losses incurred. Internal audit reviewed the processes followed to verify the bank account change request and new procedures have been introduced. The Police were informed of the loss. They have investigated the matter but are unable to trace the bank account holder and have closed their file.

Audit area	*Current position*

IT Disaster recovery

The purpose of this audit is to provide assurance that the IT disaster recovery arrangements are sufficient to recover critical IT services in accordance with the expectations of the Council.

The fieldwork for this audit has been completed and a draft report is in the process of being prepared.

Planned audits that did not proceed.

3C IT procurement

This audit intended to review the opportunities for improving the efficiency of IT procurement through the adoption of one Code of Procurement across the 3Cs.

The 3C Management Board requested that this audit not proceed. They wished to consider the wider approach to procurement across the 3Cs and if needed, introduce change before an audit review.

Energy Costs

This audit intended to review the process for the procurement of energy and water. Annual expenditure in this area is of the region of £850k.

This review did not go-ahead. The Head of Operations has appointed a specialist consultant to review energy use.

General Data Protection Regulation - GDPR

This audit intended to review the delivery by Services of their GDPR action plans for achieving compliance as well as 'business as usual' processes for managing personal data.

This review did not go-ahead. The Head of 3CITSS has appointed a specialist consultant to review the progress Services have made in delivering their agreed action plans.

Corporate enforcement

The Cabinet approved a revised corporate enforcement policy in February 2018. This review was to have considered how it has been implemented and also examine the efficiency opportunities to be gained by introducing one corporate enforcement team across the Council.

This review did not go-ahead as internal audit resources were redirected towards a special investigation which is still underway.

Annual Governance Statement (AGS) : Themes

Time had been set aside to undertake reviews around the five theme areas contained in the 2017-18 AGS.

This review did not go-ahead due to the use of internal audit resources being redirected towards a special investigation. A review of the progress made across the AGS themes has been undertaken and the results of that work reported to the Committee elsewhere on the agenda.

Internal Audit & Assurance Plan 2017-2018 – Outstanding reports

3.4   All but one audit review completed in 2017-2018 have been closed. The exception is the audit of Commercial Estates. The draft report has been issued and a response received. The Head of Resources does not wish to introduce the agreed audit actions until the Commercial Estates restructure has been completed. In these circumstances the delay is considered reasonable as the restructure is likely to impact upon how the actions will be delivered.

Internal Audit performance measures

3.5   The performance measures for IA as contained in the IA Service Plan 2018/19 are set out below.

Customer satisfaction

Target: 85% or more of customers rating service quality as good or better via customer survey forms.
Outcome: 12 months to December 2018 – 100% (from 5 responses).

Implementation of agreed internal audit actions

Target: The Corporate Leadership Team has set a target of 100% of agreed actions to be implemented on time, based on a rolling 12 month timeframe.
Outcome: 12 months to December 2018 : 70% on time (99 actions due in the period)
: 88% on time and late

The chart below details performance for the year ending December 2018.

Key.

⎯⎯ % of total actions introduced

– – % of actions introduced on time
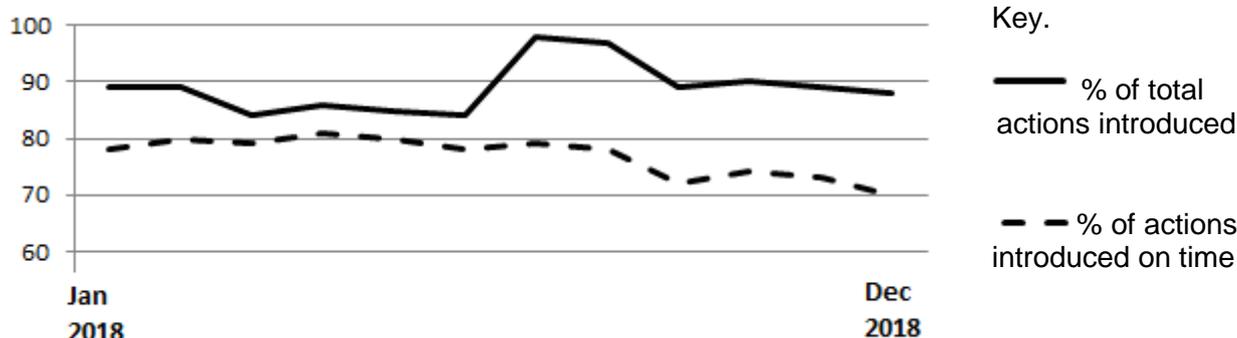
4.   LINK TO THE CORPORATE PLAN

4.1   The Internal Audit Service through the audit plan contributes to all the strategic themes and outcomes. Specifically it supports Corporate Management Team and Heads of Service by undertaking reviews that provide assurance that:
- significant risks identified in the risk register are managed effectively;
- laws and regulations are being met,
- business and financial processes and systems are managed effectively; and
- assets are safeguarded.

It also improves the performance of the Council by assessing current risks, considering emerging risks, identifying efficiency gains and process improvements.

5.   RESOURCE IMPLICATIONS

5.1   There are no resource implications over and above those set out in the 2018/19 budget.

6.   REASONS FOR THE RECOMMENDED DECISIONS

6.1   The Committee's terms of reference require it to approve the IA plan.

BACKGROUND PAPERS

The Public Sector Internal Audit Standards

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