

HUNTINGDONSHIRE DISTRICT COUNCIL

Title: Internal Audit Plan Quarter 2 - 2018/19
Meeting/Date: Corporate Governance Committee – 26 July 2018
Executive Portfolio: Cllr J Gray (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 two audit plan.

The plan includes reviews of the following areas:

- 3C IT procurement
- Freedom of information
- Homelessness prevention pilot
- IT disaster recovery procedures
- Payment card industry data security standards

In addition, time has also been allowed for work in the following areas:

- Identifying key controls within the new financial management system (Technology 1) ahead of undertaking quarterly assurance reviews.
- Using data analysis to identify potential fraud or error in supplier payments.
- Early involvement in the new processes and procedures that are to be introduced for evaluating CIL bids and allocating funds.

The report also provides a summary of the work that has been completed against the quarter one plan.

Recommendation

That the Corporate Governance Committee approve the Internal Audit plan for quarter two, 2018/19.

1. PURPOSE OF THE REPORT

- 1.1 To allow the Committee to consider and approve the Internal Audit (IA) audit plan for quarter two 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

Available resources

- 3.1 It is estimated that 55 days (excluding the days to be delivered by BDO, the internal audit computer audit supplier) will be available for delivering the Qtr. 2 audit plan.

			Qtr. 2 Plan
Total days available			104
Less	Leave, sickness	8	
	Staff development & training	3	
	Management	14	
	PSIAS/Shared Service/Lean	5	30
			74
Less	Risk Management & Ins.	6	
	General advice	4	
	Corporate Governance Cttee	3	
	Follow-up reviews	3	
	4action – reporting	2	
	Ann. Gov. Statement	1	19
			55
	Delivery of the audit plan		55

- 3.2 The 55 days available has been provisionally allocated across the following areas.

Internal Audit & Assurance Plan 2018-2019 - Quarter 2

Audit area	Commentary
3C IT procurement	To review the opportunities for improving the efficiency of IT procurement through the adoption of one Code of Procurement across the 3Cs. This audit has commenced and will be concluded in Qtr. 2.
Freedom of Information	To review the administration processes associated with receiving and responding to freedom of information requests. The audit will also consider 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.
Homelessness prevention pilot	This review will consider the robustness of the homelessness pilot scheme. The Council is piloting a new approach to combat homelessness by intervening with those identified as a risk at a much earlier stage and then offering 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.
Tech 1 - New FMS	<p>Identifying key controls across all the Technology 1 modules prior to completing quarterly assurance reviews.</p> <p>This work was due to be undertaken in Qtr.1 but postponed due to the on-going implementation of T1. T1 became 'live' on 9 July. Once any issues following 'go-live' have been identified and resolved, the IA&RM will then determine the timing of this piece of work.</p>
<p>In addition to the audits noted above, time has been allocated in the Qtr. 2 audit plan for undertaking work in the following areas.</p>	
Improving data analysis	The IA team use data analysis and file interrogation software (IDEA) to examine datasets during audit reviews. A review of payments made to suppliers is to be undertaken to identify any anomalies in payments and cases of potential fraud or error.
Community Infrastructure Levy.	Early involvement in the new processes and procedures that are to be introduced for evaluating CIL bids and allocating funds.
<p>Internal audit reviews to be undertaken by BDO.</p>	
Disaster recovery	The purpose of this audit is to provide assurance that the IT disaster recovery arrangements are sufficient to recover critical IT services.
Payment Card Industry Data Security Standard (PCI-DSS) Project Management	As a Merchant responsible for accepting credit and debit card payments, the Council is required to comply with the requirements of PCI-DSS. The purpose of this audit is to provide assurance that the delivery of the PCI-DSS project will result in the Council complying with the requirements of the Standard.

- 3.3 In addition to reviewing the areas listed above, time has also been included in the Qtr. 2 work plan to provide for the following:
- providing help and advice 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.
- 3.4 The audit plan for Qtr. 1 was agreed by the Committee at the March 2018 meeting. Progress made to the 30 June against that plan is set-out below.

Audit area	Current position
<p>Small works contracts</p> <p>To review the contract management processes supporting the small works contracts and its use.</p>	<p>The work in this area has been completed and a report is currently being prepared.</p>
<p>3C IT procurement</p> <p>To review the opportunities for improving the efficiency of IT procurement through the adoption of one Code of Procurement across the 3Cs.</p>	<p>This audit has commenced and will be concluded in Qtr. 2.</p>
<p>Main financial systems : Qtly reviews</p> <p>Accounts Payable Accounts Receivable Council Tax / NNDR Main Accounting system</p>	<p>Reviews have been completed in respect of the key controls associated with the financial systems listed above. Each of the four areas received an adequate assurance opinion.</p> <p>In addition work has been undertaken to identify the key controls associated with the payment and recovery of housing benefits. Once agreed, these areas will be reviewed on a quarterly basis.</p>
<p>Energy costs</p> <p>To review the process for the procurement of energy and water. Annual expenditure in this area is of the region of £850k.</p>	<p>This review did not go-ahead. The Head of Operations has appointed a specialist consultant to review energy use.</p>
<p>Tech 1 - New FMS</p> <p>Identifying key controls across all the Technology 1 modules ahead of quarterly assurance reviews.</p>	<p>This work was due to be undertaken in Qtr.1 but postponed due to the on-going implementation of T1.</p>
<p>IT policy management</p> <p>To review the IT policy management software system including procedures for amending, the appropriateness of content and managing the roll-out to staff and their take-up of it.</p>	<p>This review has been postponed due to the software supplier updating the security policies to capture changes in legislation and standards over the past year. The review is due to be undertaken by BDO, our IT audit supplier.</p>

- 3.5 As two audit reviews that were due to be undertaken by the in-house internal audit team did not go ahead, audit reviews planned for later in the year were brought forward. Progress made on these areas is set out below.

Audit area

Current position

Hired staff

The 2018/19 budget shows that the level of spend on hired staff will reduce from £1.5m in 2017/18 to £182k in 2018/19. This review is to examine the management of this budget across all services.

Discussions have been held with a sample of managers who incurred hired staff expenditure in 2017/18 and the measures that they are putting to place to manage hired staff costs identified. The audit has been put on-hold until Qtr. 3 when it will be revisited.

Legal debt recovery procedures

To review the debt collection procedures followed by 3C Legal for the collection of the Council's general debts that have been referred to them by the Resources income team.

The work in this area has been completed and a report is currently being prepared.

Mobile phone contract

To review the management of the mobile phone project across the 3C partner authorities. The review will consider the procurement process, project management and the establishment of procedures to support compliance with mobile phone policies going forward.

This audit has commenced and will be concluded in Qtr. 2.

Internal Audit performance measures

- 3.6 At the time of preparing the Qtr. 1 audit plan, performance measures for 2018/19 had not been agreed with the Head of Resources. Since that time, performance measures have been agreed and included in the IA Service Plan. They are set out below.

- Results of end of audit survey forms (85% rating for service quality good or better).
- 100% of suggested audit actions agreed or the Corporate Management Team agree to accept the risk identified.
- Deliver 2018/19 audit plan by 30 April 2019.

- 3.7 In addition, there are four further performance measures that are reported internally that relate to the progress of individual audits.

- Complete audit fieldwork by the date stated on the audit brief (75%).
- Issue draft audit reports within the period stated on the audit brief (80%).
- Meet with customer and receive response allowing draft report to progress to final within 15 working days of issuing draft report (75%).
- Issue final audit report within 5 working days of receiving full response (90%).

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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