

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	Internal Audit Plan Quarter 3 - 2018/19
Meeting/Date:	Corporate Governance Committee – 10 October 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 three internal audit plan.

The plan includes reviews of the following areas:

- LEAN transformation process
- Corporate enforcement
- Setting of statutory charges
- Data Protection (GDPR) implementation
- 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.
- Reviewing the progress made to delivering the themes identified in the 2017/18 annual governance statement.

The report also provides a summary of the work that has been completed in the year to date.

Recommendation

That the Corporate Governance Committee approve the Internal Audit plan for quarter three, 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 three (Q3) 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 65 days (excluding the days to be delivered by BDO, the internal audit computer audit supplier) will be available for delivering the Q3 audit plan. These days have been provisionally allocated across the following areas.

Internal Audit & Assurance Plan 2018-2019 - Q3

<i>Audit area</i>	<i>Commentary</i>
Tech 1 - New FMS	Technology 1 became ‘live’ on 9 July. Work will be undertaken to identify the key controls across all the T1 modules prior to completing quarterly assurance reviews. This is anticipated to be a substantial piece of work and discussions are taking place with 3C partner Councils to see if the workload can be shared.
LEAN review	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.
Corporate enforcement	The Cabinet approved a revised corporate enforcement policy in February 2018. This review will consider how it has been implemented. The review will also examine the efficiency opportunities to be gained by introducing one corporate enforcement team across the Council
Setting statutory 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

Audit area	Commentary
	direct and indirect costs. This review will consider the processes in place for identifying the cost of all resources used to deliver the land charges and licencing service and the setting of fees.
GDPR	A little over four months have passed since the GDPR became law. This review will consider the delivery by Services of their action plans for achieving compliance as well as 'business as usual' processes for managing personal data.
Annual Governance Statement Themes	Time has been set aside to undertake reviews around the five theme areas contained in the 2017-18 AGS. The scope of these audits are currently being developed.
Internal audit reviews to be undertaken by BDO.	
Disaster recovery	The purpose of this audit is to provide assurance that the IT disaster recovery arrangements are sufficient to recover critical IT services.
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.

- 3.2 In addition to reviewing the areas listed above, time has also been included in the Q3 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.

- 3.3 Progress made as at the 28 September against the audits previously agreed for 2018/19 is set-out below.

Audit area	Current position
Homelessness prevention pilot This review is considering the robustness of the homelessness pilot scheme, introduced 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.	Fieldwork is underway and the audit is anticipated to be concluded in Q3.
Freedom of Information To review the administration processes associated with receiving and responding to freedom of information requests. The	Fieldwork is underway and the audit is anticipated to be concluded in Q3.

Audit area

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.

Small works contracts

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

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.

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.

Main financial systems : Qtly reviews

Council Tax / NNDR
Housing Benefit creditors.

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.

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.

Current position

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.

An interim report has been issued and agreed. Further work is planned for Q4.

The main findings are 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.

Fieldwork has been completed and the draft report is expected to be issued by the 12th October.

The June 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.

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.

Discussions have been held with a sample of managers who incurred hired staff expenditure in 2017/18 and the measures

Audit area

This review is to examine the management of this budget across all services.

Current position

that they are putting to place to manage hired staff costs identified. Depending on progress with the other audits listed in the report, this audit will be revisited in either Q3 or Q4.

IT policy management

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.

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.

Energy Costs

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.

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.

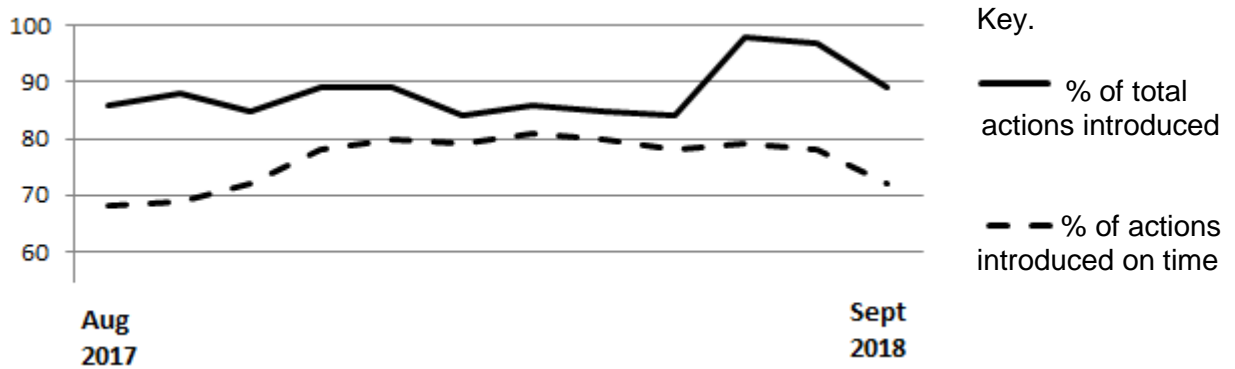
Outcome: 12 months to August 2018 – 100% (from 9 responses).

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 September 2018: 78% on time (121 actions due in the period)
: 89% on time and late

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



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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