

Governance, Risk and Best Value Committee

10.00am, Thursday 3 April 2014

Internal Audit Plan 2014/15

Item number	8.5
Report number	
Wards	

Links

Coalition pledges	P30
Council outcomes	CO25
Single Outcome Agreement	All

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Executive summary

Summary

This report reviews Internal Audit's annual planning process and seeks approval for the Internal Audit Plan for the period 1 April 2014 to 31 March 2015 (2014/15 plan).

Internal Audit has continued to deliver the 2013/14 audit plan, finalising a number of reports and management letters during the period. There are 3 audits from the 2013/14 plan rolled into the 2014/15 plan.

This report details the work that Internal Audit will carry out in the period 1 April 2014 to 31 March 2015. The Internal Audit plan remains fully flexible, to accommodate changes in the Council's risk profile.

Recommendations

It is recommended that the Committee approves the Internal Audit plan for the period 1 April 2014 to 31 March 2015.

Measures of success

Alignment of the Internal Audit Plan to the key risks faced by the Council to ensure governance is improved, service areas take responsibility for corrective action and confidence in the management of risk is increased.

Financial impact

No direct financial impact.

Equalities impact

No full ERIA is required.

Sustainability impact

There is no direct sustainability impact arising from the report's contents.

Consultation and engagement

The internal audit management team consulted with senior management, elected members, risk management and conducted industry benchmarking in preparing this plan.

Background reading / external references

None.

Internal Audit Plan 2014/15

1. Background

- 1.1 The internal audit plan is risk based and focuses on the governance, risk and controls to allow the Chief Internal Auditor to provide an opinion on the Council's internal control environment, based on the work undertaken during the year. The work of internal audit informs the annual Governance Statement in the financial statements.

Risk-based audit

- 1.2 As part of the continual improvement of the Internal Audit function, a renewed focus on a risk-based internal audit approach has been progressively introduced since October 2013. This is to orientate the Internal Audit Plan to the key risks faced by the Council and will, over time, lead to greater confidence in the management of risk and ensure the resources are focussed on the areas that really matter.

2. Main report

Internal Audit planning

- 2.1 The Governance, Risk and Best Value Committee's remit includes agreeing internal audit plans and ensuring internal audit work is properly planned with due regard to risk, materiality and coverage for the 2014/15 period.
- 2.2 Internal audit have almost completed the audit program approved at Governance, Risk and Best Value Committee in September 2013. Included at Appendix 2 is a report highlighting the 3 audits that have not been commenced in the 2013/14 plan that have been incorporated into the 2014/15 plan.
- 2.3 Internal Audit planning:
- 2.3.1 optimises the use of audit time and matches the internal audit team's skill sets to individual internal audit reviews;
 - 2.3.2 determines the requisite level of audit resource required;
 - 2.3.3 ensures that maximum benefit is obtained by the Council;
 - 2.3.4 focuses on strategic risks facing the Council and internal audit requirements, including rotational reviews of key financial controls, governance and risk management;
 - 2.3.5 ensure that audit coverage is sufficient to provide an opinion on the adequacy, effectiveness and reliability of the Council's financial internal control system; and

2.3.6 ensures that audit coverage is also sufficient to provide an opinion on the effectiveness of the systems designed to monitor progress in the implementation of the Council's functions, strategies and policies, and compliance with its statutory duties.

Draft Internal Audit Plan

- 2.4 The draft plan has been circulated to the Chief Executive and Director of Corporate Governance.
- 2.5 In developing the internal audit plan, a number of factors have been taken into account including specific ongoing Council projects and the requirement for internal audit support.
- 2.6 Where the Internal Audit plan is required to be updated this will be reported back to the Governance, Risk and Best Value Committee for approval.
- 2.7 The plan has been prepared assuming a total of 1395 internal audit days for the period, based on 42 individual reviews for City of Edinburgh Council. The total days of 1395 include time for FETA; SEStran; Tattoo; LBCJA, and LVJB. Should the number of internal audit staff change during the period and/or the required skills mix change the plan will need to be revisited.
- 2.8 The provision of internal audit services during the year is guided by the internal audit charter. The performance of internal audit will be monitored throughout the year, compared with agreed KPIs and reported on a regular basis to the Governance, Risk and Best Value Committee.
- 2.9 The full plan for the period is attached at Appendix 1: Internal Audit Plan 14/15.

3. Recommendations

- 3.1 It is recommended that the Committee approves the Internal Audit plan for the period 1 April 2014 to 31 March 2015.

Richard Brown

Chief Internal Auditor

Links

Coalition pledges	P30 - Continue to maintain a sound financial position including long-term financial planning
Council outcomes	CO25 - The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	All

Appendices

Appendix 1 - Internal Audit plan for the year April 2014 to March 2015

Appendix 2 - Internal Audits from 2012/13 plan carried forward into 2014/15 plan

Appendix 1

Internal Audit plan for the year April 2014 to March 2015

Review	Description	Area	Days
CORPORATE GOVERNANCE			
Data Quality	Review the Council's data quality strategy and management to ensure data is fit for purpose and does not pose a risk to migration/interface projects.	ICT	25
Application Security	Review the corporate security arrangements for existing and proposed ICT applications, paying particular attention to those hosted externally/accessed via the internet.	ICT	25
PSN	Review of Process and procedures in relation to PSN given the potential risks to the Council of non-compliance.	ICT	25
Procurement	Appropriate planning and risk appraisal over the business critical ICT provider contract being put out to tender (with the current provider being deeply embedded).	ICT	25
Benefits Cases	Visibility of the delivery of savings on major programmes	Customer Services	30
Festival Contracts	Review the effectiveness of the new 'profit share' contracts	Finance	30
Fixed Assets	Review into the asset management and project management processes, skills and capacity as part of Council-wide review	Council wide	25
Capital Project Management	Review into the asset management and project management processes, skills and capacity as part of Council-wide review	Council wide	30
Continuous controls over	Testing of key controls within the Council's key financial systems using continuous auditing	Finance	60

key financial systems	techniques and data techniques to interrogate complete populations of data where controls are automated. Testing will cover compliance with processes and production of an internal audit report on a six monthly cycle, allowing for the identification of trends. A new alert has been put into Oracle sending emails on supplier data changes or payment detail changes. Review of the control processes around this control. 3 way matching		
Compliance with Public Records Scotland Act	Review to assess controls and procedures in place to ensure the Council is compliant with the Public Records (Scotland) Act 2011.	Council wide	20
Occupational Health	Review to assess whether policies and procedures are in place which covers the key risks in relation to sickness absence and workforce wellbeing and whether these are operating effectively. Review will also assess the effectiveness of the referral process to the Council's occupational health service provider.	HR	30
Complaints Handling Process	Review to assess compliance with the Council's complaints handling procedure and whether this follows best practice guidance issued by the Scottish Public Services Ombudsman in 2011.	Customer Services	20
Customer service centre / contact centre	Review of processes and procedures relating to customer service and customer engagement following changes within the contact centre.	Customer Services	20
Online customer services - payments etc	Review of online customer strategy and progress against Council plans for online benefits/payments and customer engagement within the digital space.	Customer Services	20
Workforce Planning	Review of the realisation of workforce planning including benefits achieved through VR, efficiency and cost savings.	HR	20
Data Quality	Review the impact of data quality on the pursuit of individual debt.	Finance	20
Welfare	Review of the Councils strategy and plans for	Revenues &	20

Reform	dealing with the impact of welfare reform including the affects of universal credit and direct payments.	Benefits	
Procurement	Process and procedures in place for the use of Procurement Cards across the Council.	Finance	20
Total internal audit days – Corporate Governance			465
Services for Communities			
Annual Maintenance Programme	Perform a detailed review of the SfC internal controls around the Annual Maintenance Program (i.e. School Estate)	Corporate Property	20
Housing	Tenancy - Review of fraud prevention procedures (to include over-claiming HB, sub-letting impropriety and illegal sub-letting) and process for allocations & complaints.	Housing & Regeneration	20
Housing	Review the Houses in Multiple Occupation (HMO) and licensing fee effectiveness (e.g. Inspection cost disparity).	Housing & Regeneration	20
Housing	Audit of the Management of Development Funding (TMDF). Review grants to ensure that there are sufficient controls in place and evidence over expenditure.	Housing & Regeneration	25
Waste & Fleet	Assess processes relating to the VOSA test lane and MOTs to make sure that they are independent, properly managed and income is dealt with appropriately	Environment	20
Waste & Fleet	Review the system in place over trade and domestic waste received at CRC sites. Assess how revenue is maximised (chargeable v non chargeable) and controls over acceptance and payment. Procedure for disposing of scrap metal and other items of value on site.	Environment	30
Community Safety - all areas	Perform 2nd part of community safety audit. In less critical areas of the service, review policies, risk management and business continuity.	Community Safety	20
Financial	Audit of the Bus station - Financial procedures	Transport	15

procedures	(cash collection - deposits)		
CAP FM / CAFM	Review the systems and controls in place around the new CAFM IT system that manages property estate.	Corporate Property	25
Water of Leith	Review governance arrangements in place over the Water of Leith and Braid Burn Flood Prevention Scheme.	Transport	30
Total internal audit days – Services for Communities			225
Health and Social Care			
Personalisation/ SDS	Personalisation - Stage 3: Review the key risk areas relating to option 2 of SDS		30
Social Care and NHS	Review the key risks facing integrated care, including IT and authorisation protocols	Integrated Care	30
Unscheduled Care	Review process for strategic requirements/ budget ownership	Shared Partnership HSC/ NHS	35
Service Provision	Review processes in place to ensure there is effective monitoring of service provision for the individual client to ensure outcomes are delivered.	Client Relationship Management	25
Management Information	Control processes over management information produced from 'Business Objects' (module attached to Swift system); to include testing of accuracy of data results.	ICT	25
Total internal audit days – Health & Social Care			145
Children and Families			
Service delivery	Review how C&F is preparing to meet statutory requirements of the Children & Young People Bill	Looked After Children/ Throughcare and Aftercare	25
School Management System - Wisepay	Review the output from the pilot scheme to ensure there has been a formalised process to capture lessons and identify and any control gaps for informing the future consideration of rollout. Provide a key control paper as	Education	30

	required.		
Personalisation	Review areas of key risk - personalised budget costs.	Looked After Children	25
School Meals / home economics	Review the processes in place for procuring school meal items to ensure there is evidence of value for money		20
Transformation	To review the processes in place which measure the effectiveness of investment in changing the balance of care.	Looked After Children	25
Unit visits - James Gillespies/ Firhill	Review areas of income (including school lets) to ensure controls are robust and procedures are complied with.	Education/ Schools	20
ICT	To review the key ICT systems for Children and Families	Children and Families	20
Procedures	Review of policies and procedures for the key systems covering Young Peoples and Residential centres(business manager has been recruited to take this forward)	Looked After Children - Young Peoples Centres	25
Total internal audit days – Children and Families			190
Council wide/inter-departmental			
BOLD Project	Scrutiny of the strategic outcome delivery - measurement and tracking	Council Wide	30
Project budgeting processes	Setting of contingencies/transparency	Council Wide	30
Facilities	Janitors / Cleaning & impact of statutory functions	Children and Families /Services for Communities	25
Total internal audit days – Council wide/inter-departmental			85

Investments and Pensions			
Pensions & Investments	Audit the immediate payment (live) system from Payments Units. Also assess reconciliation controls between payroll and pension systems. Perform pension payroll follow up work.	Lothian Pension Fund	25
Pensions & Investments	Review the Scheme of Delegation. Ensure that core internal controls around both payments and investment comply with the Scheme of Delegation.	Lothian Pension Fund	25
Pensions & Investments	Audit of Pensions Administration including a review of data quality and impact on payments (electronic transfers). Assess employer's quality control systems through liaising with their auditors and obtain evidence of assurance in order to gain comfort over the accuracy of pay information received.	Lothian Pension Fund	25
Total internal audit days – Investments and Pensions			75
Miscellaneous			
Internal Audit	Follow up reviews		80
Internal Audit	Fraud support		10
Internal Audit	Contingency audit allocation		40
Joint boards	FETA, SESTran, Tattoo, LBCJA, LVJB	Corporate Governance	30
Joint boards	FETA, SESTran, Tattoo, LBCJA, LVJB	Provision of IA Services	50
Miscellaneous – internal audit days			210
Total Internal Audit days – Work Plan 2014/15			1395

Appendix 2

Internal Audits from 2012/13 plan carried forward into 2014/15 plan

The expectation is that all audits in the 2013/14 plan will have been completed/commenced within the audit year, with the exception of the following which are included in the 2014/15 plan where appropriate:

Review	Description	Area	Days
Procurement	Appropriate planning and risk appraisal over the business critical ICT provider contract being put out to tender (with the current provider being deeply embedded). (Now in 2014/15 plan due to resource constraints)	ICT	25
Personalisation	Personalisation - Stage 3: Review the key risk areas relating to option 2 of SDS (Now in 2014/15 - Stage 3 work delayed as Stage 2 scope increased and a more detailed review of costs completed)	Health & Social Care	30
Personalisation	Review of key Personalisation risks (Now in 2014/15 plan as per client request)	Children & families workstream	25