

MANAGEMENT BOARD

Draft Internal Audit Programme for 2012/3

Paper from Director of Internal Audit

Purpose

1. The attached paper is the proposed Internal Audit Programme for 2012/3, and is for discussion and agreement by the Management Board before it is presented to the Audit Committees at their May meeting.

Action for the Board

2. The Board are asked to review the proposed programme and discuss with the Director of Internal Audit, in advance of the Management Board meeting, any detailed comments or questions.
3. The Management Board is invited to discuss and agree the Programme, including any changes to the priority of work from that proposed.

Consultation and equality analysis

4. Meetings have been held with all executive members of the Management Board to obtain their thoughts and ideas, building on the paper to the Management Board in January (MB2012.P.05). The draft programme has been discussed with the Clerk, and developed in conjunction with colleagues in the House of Lords.
5. No formal equality analysis has been undertaken.

Internal Audit Programme

6. Internal Audit provides the Clerk, as Accounting Officer, and Management Board with independent assurance on the effective operation of governance, risk management and internal controls. The work culminates in an Annual Report and Opinion that is used in support of the Annual Governance Statement in the Resource Accounts
7. The proposed Programme addresses concerns raised by the Management Board and deliberately has fewer audit assignments than in the most recent year. It also introduces the idea of Departmental Reviews both to increase IA's knowledge of the business and gain a wider range of assurance.
8. In developing the proposed programme a number of areas of potential audit have been identified, but not included. It is hoped that some of these topics could be added to the programme as the year progresses, and the Management Board are invited to identify any priorities for inclusion later in the year.

Financial and procurement implications

9. The Internal Audit team reduced its complement in 2011/2 and restructured, as part of the OCE's contribution to the Savings Programme. A vacancy in the team will arise at the end of April, but this is being actively recruited.
10. The in-house team is supported by a contract with Deloitte that has been extended (with effect from October 2012) for an initial one year period. The budget for external support has been reduced in recent years, again as part of OCE savings. Deloitte are primarily used to provide specialist internal audit skills that are not available to the in-house team.

Risk management

11. The systems of risk management are subject to an annual internal audit review, and individual audit assignments take a risk based approach, developing a testing programme based on the risks in an area and the expected / actual controls.
12. The overall programme has sought to take a "risk-based" approach, identifying the rationale for some audits as either "Red/Green" (assurance on the operation of key controls) or "Red/Red" (known area of residual risk). The development of the programme has not relied upon the formal risk registers in place.

House of Lords implications

13. The programme has been developed in conjunction with the head of Internal Audit in the House of Lords, and identifies work that is of joint interest and how resourcing will be divided.

Comparators

14. There is currently no direct comparator information available for the House's internal audit service and resource. HM Treasury is undertaking an Internal Audit Transformation Programme and is collecting data (to which we have responded), however most of this relates to Central Government departments and their Arms Length Bodies.
15. The House of Lords team is made up of a Head of Internal Audit and two staff, supplemented by external specialists in ICT and capital.

Paul Dillon-Robinson
Director of Internal Audit

10 April 2012

DRAFT - INTERNAL AUDIT PROGRAMME – 2012/3 SUMMARY

The following is a high level summary of the proposed internal audit programme for 2012/3. More detailed explanation is included in the attached Appendix. The approach reflects that agreed at the January Management Board (Annex A to MB2012.P.05)

CORPORATE REVIEWS

Governance : High level review of overall business planning and performance reporting, linking into corporate and departmental Management Board effectiveness, whilst also including business resilience planning.

Risk Management : Annual review of corporate and departmental systems, as well as progress to embed the approach.

Improvement Plans : Progress and effectiveness of Financial Management and Procurement Improvement Plans, including any associated work on Contract Management.

ASSURANCE REVIEWS

Key Financial Controls : Payroll and Accounts Payable testing in association with NAO (see link to HAIS Implementation).

Key ICT Controls : Regular testing and Follow Up, including specific testing on management of user accounts.

Specialist ICT audit :

- **Cyber-threat** (network security, anti-virus, e-mail and internet), link to information security. [House of Lords to undertake this audit]
- **Software usage**, value for money focus
- **Service Delivery** (change and problem management systems)
- **Annunciators** (link to network convergence), risk assessment approach.

Capital Projects :

- **Fire Safety** (rotating with M&E and Cast Iron Roofs)
- **Programme Office** checkpoints
- **Individual capital project assurance** (to be confirmed, but **Curtis Green Gates**, **Access Control** and **7 Millbank Amenities** suggested). [House of Lords to undertake one]

Data validation : Assurance on Sustainability reporting [House of Lords to undertake this work].

Procurement :

- **Periodicals** (lessons learned from Newspapers, taken forward to monographs). [Joint audit with House of Lords]

- **Catering**, periodic assurance that project to remedy procurement risk is progressing

Contract Management : Royal Mail arrangements after recent re-negotiation, with House of Lords

Facilities Management : Car Parking across parliamentary estate, with House of Lords

HIGH RISK AREAS

HAIS Implementation : Testing programme of compliance with new processes and controls (link to Key Financial Controls). Assurance on HR / Payroll interface

Savings Programme : Sustainability of a sample of proposals.

Pensions Administration : Review of Pension Unit's administrative processes.

Procurement cards : Involvement with Director of Finance's overall review of usage.

Planning and decision-making : Review of processes for how projects and programmes are developed and decided upon. VFM/de-cluttering approach

DEPARTMENTAL REVIEWS

Quarterly visits to each department to meet with a range of senior managers, build knowledge of services and functions (business plans, performance reports, risk registers and departmental developments), and enhance own knowledge of House Service.

Test a sample (minimum of two across the year) of departmental specific : procurements, contracts, business cases, benefits realisations, HR controls, information security controls, business continuity plans, benefits realisation of projects/programmes (including SPIRE) and effectiveness of HR business partners

Topics not included but raised : Capital Overspend, PICT Healthcheck, HR PPP, Archibus lessons learned, Benefits realisation of ICT programmes, Internal consultancy support - business processes, ICT Training for members, VFM on Book usage, HR Absence Management, Business cases

INTERNAL AUDIT PROGRAMME 2012/13				
	Subject Area	Associated areas	Outline Scope	Notes / Rationale
CORPORATE REVIEWS				
1	GOVERNANCE	Business Planning	Single annual review of how the corporate and departmental Management Boards operate, including the effectiveness of the Business Planning to Performance Management cycle, and the level to which Business Resilience plans are embedded.	<i>Corporate systems appear more settled, but have yet to look at operation of Management Boards and this review would be a more integrated approach. Given a focus on delivery, review how OCE/DMB monitor progress on delivering business plans/developments and realise benefits.</i>
		Performance Reporting		
		Business Resilience		
		Management Board(s)		
2	RISK MANAGEMENT	Corporate risks	Review of corporate and departmental systems for the identification, assessment and review of risks and their management, including the effectiveness of the corporate project to embed risk management systems.	<i>Should be a relatively high level review, but suspect focus will be on the mitigations being recorded and their effectiveness.</i>
		System of risk management		
		Project to embed risk management		
3	IMPROVEMENT PLANS	Financial Management	Review progress and effectiveness of Improvement Plans in areas that are acknowledged as weak, including follow up of previous audit findings in these areas.	<i>Financial Management/Procurement are known areas in need of improvement. No formal plan for contract management is in place, but is an area of acknowledged weakness</i>
		Procurement		
		Contract Management		

ASSURANCE REVIEWS				
4	KEY FINANCIAL CONTROLS	Payroll	Testing of operation and effectiveness of key controls within the Payroll and Accounts Payable systems, to a testing programme that can be relied upon by the NAO	<i>Relatively resource intensive, given sample sizes. Will link in with HAIS Implementation work (see 18 below)</i>
		Accounts Payable		
5	KEY I C T CONTROLS		Continuation of the programme of standard testing, including follow up of implementation of previous agreed actions and some rotational coverage of small areas of technical specialism (per ITIL framework). In particular, the Management of User Accounts will have a more detailed level of testing (joiners, leavers and changes, as well as validating teams and the effectiveness of Active Directory.	<p><i>Standard testing programme that has evolved in recent years, but with some focused testing on access controls, given their importance.</i></p> <p><i>Work to be led by Deloitte specialists supported by in-house resource.</i></p>
6	SPECIALIST I C T AUDIT - CYBER THREATS	Information Security	Follow up and update of previous audits in the area of Infrastructure (network security, anti-virus, e-mail and internet) that specifically focuses on external threats and in the light of the changing landscape and appreciation of the threat. The main thrust of this work would be to give assurance that the controls in place against the threat are up to date and working effectively. Associated to this would be some work on the governance/committee structure about assuring that the threat is being managed effectively across both Houses.	<p><i>House of Lords will resource this work, but will liaise closely with House of Commons given SIRO role of DG HR&C.</i></p> <p><i>Liaison will also be with Parliamentary Security Director on this area.</i></p>

7	SPECIALIST I C T AUDIT - SOFTWARE USAGE	Software usage	This audit will look at the control over the efficient use of software and its cost, providing a more Value For Money focus. This will concentrate on individual users rather than corporate systems. It will look to see if the software being used, across a range of parliamentary users, is appropriate and being used sufficiently to justify its cost and maintenance. The work will note work scheduled by management to look at software licences.	<i>Work to be undertaken by Deloitte specialists</i>
8	SPECIALIST I C T AUDIT - SERVICE DELIVERY	Change Management	Because changes are being made to these two areas, with the work being pushed out to management, this review will look at how successfully this has been achieved, by reviewing the two areas against the basic professional standards in these areas.	<i>Work to be undertaken by Deloitte specialists</i>
		Problem Management		
9	SPECIALIST I C T AUDIT - ANNUNCIATORS	Net work convergence	Risk assessment review of the current annunciator system, in advance of a transfer of responsibility to PICT for its upkeep. This will look at both the technology and content management, and will link into the network convergence programme. The review will take into account the large number of stakeholders involved and services delivered through the system. Whilst the review will primarily be a technical review, it will also look at moves to increase the level of integration and ownership.	<i>Work to be undertaken by Deloitte specialists</i> <i>Link to a lessons learned piece of work being commissioned by DG Facilities (as SRO of Network Convergence)</i>

10	CAPITAL PROJECTS	Fire Safety	Rotational review of this high value/high risk capital programme/project to give assurance that being appropriately managed and reported	<i>Part of a suggested three year rotation with M&E and Cast Iron Roofs. Met with Senior Project leader and agreed 3 monthly catch-ups with possible audit in Q4.</i>
11	CAPITAL PROJECTS	Programme Office Checkpoints	Follow up review of effectiveness of Electronic Project Management System and use of checkpoints to control overall management and reporting of capital project assurance	<i>Delayed from 2011/12 as expected changes had not been implemented</i>
12	CAPITAL PROJECTS	Capital Projects	Specific assurance on two/three individual capital projects. Actual projects to be agreed with management, but suggestions to date : Curtis Green Gates, Access Controls, and 7 Millbank Amenities	<i>One review to be undertaken by House of Lords</i>
13	HOUSE OF LORDS PROPOSAL - DATA VALIDATION	Sustainability reporting	Assurance on the validity/probity of data and metrics used in reporting on sustainability. This will take into account any other external sources of assurance	<i>Suggested by House of Lords and will be resourced by them</i>
14	PROCUREMENT	Periodicals	Bi-cameral Review of procurement of periodicals to take account of lessons learned from Newspapers exercise and take forward lessons to monograph procurement	<i>Joint audit with House of Lords</i>
15	CATERING PROCUREMENT	Commercial Services Catering & Retail Services	Periodic review and assurance on progress of project in remedying weaknesses in contracts within CRS	<i>Commitment to maintain these independent checks on progress</i>

16	CONTRACT MANAGEMENT	Royal Mail	Review of contract management arrangements, service provision and value, in the light of recent re-negotiations, both for each House and as a shared service	<i>Deferred from 2011/12 at Management's request. Joint audit with House of Lords</i>
17	FACILITIES MANAGEMENT	Car Parking	Value for Money review of arrangements for car parking across the Estate, in the light of a recent management review.	<i>Deferred from 2011/12 at Management's request. Joint audit that will be led by House of Lords, but will need a Commons balance/input.</i>
HIGH RISK AREAS				
18	H A I S IMPLEMENTATION	Payroll	Testing programme of the level and nature of compliance with new processes and procedures introduced as part of the HAIS Implementation in order to strengthen financial control (e.g. Raising purchase orders). In addition, assurance on the effective working of HR / Payroll interfaces that will be critical to the effective running of the system	<i>Critical system with significant changes in control environment and approach that need to be embedded. Requested work from both Director of Finance and DG of HR & Change</i>
		Accounts Payable		
		Financial Management		
		Human Resources		
19	SAVINGS PROGRAMME		Ongoing review of sample of savings proposals to ensure that they are sustainable	<i>Exact scope to be agreed nearer the time and may vary in light of Income Generation/Market testing or other developments</i>
20	PENSIONS ADMINISTRATION		Review of the administration of the four Pension funds administered by the Pensions Unit within Finance Department	<i>Suggested by Director of Finance in light of continuing changes and little previous coverage by internal audit. Link with Deloitte specialist. [NB House of Lords have similar review in their programme]</i>

21	PROCUREMENT CARDS	Accounts Payable	Assist in review of the usage of Government Procurement Cards by Finance Department, to focus on issues of internal control	<i>Would work in conjunction with Director of Finance's own review and could use recent NAO review/publication. [NB House of Lords have similar review in their programme]</i>
22	PLANNING & DECISION-MAKING	Parliamentary Estates	This audit will review the economy, efficiency and effectiveness of how projects and programmes are developed and decisions made to proceed. This addresses concerns raised by managers, primarily in PED and PICT, on both "the cost of spending a pound" and the law of unintended consequences. Might be part of a "de-cluttering" movement	<i>This is an area of repeated concern, but aware of management efforts to resolve. Alternative would be to look at verifying reasons for the capital underspend. . Joint audit with House of Lords</i>
		PICT		
		Portfolio Management		
		Change		
		Business Cases		
	HOUSE OF LORDS PROPOSAL - VALUE FOR MONEY REVIEW OF LIBRARY BOOK STOCKS		An examination of the current acquisition strategy, related governance arrangements and degree of co-ordination with the House of Commons Library to provide value for money assurance	<i>Audit in House of Lords programme but not yet confirmed if this is to be joint.</i>

DEPARTMENTAL REVIEWS		Quarterly visits to each department to meet with a range of senior managers over the year, build knowledge of services and functions, and enhance own knowledge of House Service. Keep up to date with business plans, performance reports, risk registers and departmental developments	<i>Designed to increase internal audit knowledge of how the various areas of the House operate.</i>
		Over the year test a sample (minimum of two) of departmental specific : procurements, contracts, business cases, benefits realisations, HR controls, information security controls, business continuity plans, benefits realisation of projects/programmes (including SPIRE) and effectiveness of HR business partners	<i>Designed to both increase the profile of internal audit and gain a breadth of coverage</i>
FOLLOW UP AUDITS			
	METROPOLITAN POLICE SPECIAL SERVICE AGREEMENT	More detailed reviews of the effectiveness of the implementation of agreed actions and current effectiveness of the area	
	REMOVALS PORTERAGE & STORAGE		
	PARLIAMENTARY OUTREACH		
	USE OF CONSULTANTS		
	CENTRAL TOURS		
	LATE NIGHT TRANSPORT		

The following table sets out other topics, raised in the planning process, that could be used to substitute for audit assignments or be added to the programme if good progress is made and resource is available.

OTHER TOPICS RAISED WITH INTERNAL AUDIT			
Capital Overspend	PICT Healthcheck follow up	HR PPP	Data Protection
Archibus lessons learned	Benefits realisation of ICT programmes	Internal consultancy support - business processes	Information Security
ICT Training for members	VFM on Book usage	Cloud planning	HR Absence Management
	Business cases	Mobile phone (in House of Lords proposals)	

The following table sets out the current topics proposed in the House of Lords' internal audit programme that are not noted within that for the House of Commons.

OTHER TOPICS BEING COVERED IN HOUSE OF LORDS PROGRAMME			
Gifts and Hospitality Policy	Financial Delegations	Staff Expenses	Member Claims
Specialist Advisers to Select Committees	CRS Retailing Operations	Staff Loans	Voting & Divisions
Registers of Sensitive Information Assets	Office level business continuity plans	Mobile phone usage	