

Dorset County Council

Internal Audit Plan (Draft)

2017/18

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Summary

The Internal Audit Plan represents a summary of the planned audit reviews that the internal audit team will deliver throughout the 2017/18 financial year.



Background and Role of Internal Audit

Internal Audit provides an independent and objective opinion on the Authority's risk, governance and control environment by evaluating its effectiveness.

The Internal Audit service for Dorset County Council is provided by South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Audit and Governance Committee at its meeting on 8th June 2016. The committee is again asked to agree the Audit Charter for the forthcoming year as part of this report (see Appendix 1)

It is recommended by the Public Sector Internal Audit Standards that organisations nominate a 'Board' to oversee (monitor and scrutinise) the work of Internal Audit. As such, in addition to senior management oversight, this Council has determined that the Audit & Governance Committee will undertake this function. The plan presented below represents the planned internal audit activity for the 2017/18 financial year.

It should be noted that audit titles and plan days are only indicative for planning our resources. At the start of each audit, an initial meeting will be held to agree the terms of reference for the audit, which includes the objective and scope for the review. The plan is pulled together with a view to providing assurance to both officers and elected members that current and imminent risks faced by the Authority are adequately controlled and managed. As with previous years the plan will need to remain flexible to respond to new and emerging risks as and when they are identified. Any changes to the agreed plan will only be made through formal agreement with the Head of Internal Audit and Chief Financial Officer (Section 151).

Summary

For 2017/18, we have aligned our audit plan with the Council's Corporate Plan Outcomes Framework, as well as the eight key themes that contribute to a 'Healthy Organisation'.



Approach to Audit Planning 2017/18

As part of our 2017/18 planning process, we have sought to align a significant proportion of our plan with the Council's Corporate Plan Outcomes Framework; to support the Council's commitment to ensuring that people in Dorset are **Safe, Healthy and Independent** and that Dorset's economy is **Prosperous**.

Alongside audit work specifically designed to support the delivery of these outcomes, we have also developed our audit plan to provide assurance that the council operates as a 'Healthy Organisation'. The eight key themes that contribute to this overall assessment include;

- **Corporate Governance**
- **Financial Management**
- **Risk Management**
- **Performance Management**
- **Commissioning and Procurement**
- **Information Management**
- **Programme & Project Management; and**
- **People and Asset Management**

It follows that if an organisation can demonstrate that it operates in accordance with the sound principles of a 'Healthy Organisation' it is well placed to deliver sound services which contribute to the organisations stated Outcomes.

The audit reviews included within the plan relate to those areas highlighted as key corporate risks, reviews specifically requested by Senior Management, or areas that SWAP has identified as potential emerging risks for the Authority.

Ultimately the work undertaken by the Internal Audit Service is to enable it to provide an independent opinion on the governance, risk and control framework of the Council.

SWAP Performance Measures

The Assistant Director for SWAP reports audit performance on a regular basis to the Audit & Governance Committee and the SWAP Management Board.



SWAP Performance

SWAP performance is subject to regular monitoring review by both the Audit & Governance Committee and the SWAP Management Board. The performance standards for 2017/18, which are to be reported each quarter, are as follows;

Performance Target	Expected Performance
<u>Audit Plan – Percentage Progress</u> Audit plan completion to draft report stage at year end	95%
<u>Draft Reports</u> Issued within 5 working days Issued within 10 working days	95% 100%
<u>Final Reports</u> Issued within 10 working days of discussion of draft report	95%
<u>Quality of Audit Work</u> Customer Satisfaction Questionnaire	85%

The Draft Internal Audit Plan 2017/18

The reviews below make up our proposed plan of work for 2017/18. The exact scope of each audit review will be agreed with the relevant senior manager, prior to commencing our work. Whilst the draft plan allocates audit assignments against a specific Outcome or Healthy Organisation theme, we recognise that some of the reviews will link to more than one.

Link to Corporate Outcome or Healthy Organisation Theme	Areas of Coverage	Total Days 2017/18
Safe <i>Everyone should feel safe, wherever they are.</i>	Children in Care Follow up of Children's Ofsted action plans incl. SEND Out of County Placements Multi Agency Safeguarding Hub Family Partnership Zones New Youth Service Arrangements Trading Standards	60
Healthy <i>People are healthy and make good lifestyle choices.</i>	Delivery of Sustainability & Transformation Plan (STP) Animal Health & Welfare Dorset Waste Partnership audit allocation: <ul style="list-style-type: none"> - Agency Staff - Budget Management - Vehicle Maintenance - DWP Advice & Follow Up 	90
Independent <i>To live independent lives and have a choice over how we live.</i>	Pathways to Independence Learning Disability Services Education of Looked After Children Early Years Funding Commissioning of Domiciliary Care/ Residential Nursing Free School Meals data matching exercise Partnering & Voluntary Organisations Tricuro Governance & Oversight allocation Individual and Themed School Reviews	140
Prosperous <i>A thriving local economy provides us all with more opportunities.</i>	Implementation of Local Government Structure allocation Local Enterprise Partnership Governance & Oversight allocation	80

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<p>Corporate Governance</p> <p><i>Corporate Governance refers to the strategic management practices and values and beliefs by which the Council operates.</i></p>	<p>New Committee Structure - Information and Output</p> <p>Application of Scheme of Delegation</p> <p>Review of Corporate Working Groups</p> <p>Ethics & Culture SWAP survey</p>	<p>45</p>
<p>Financial Management</p> <p><i>Effective Financial Management is the bedrock of any successful organisation and is vital to the ongoing ability of local authorities to deliver services that the public wants.</i></p>	<p>Review of Key Financial Controls</p> <p>Budget Management - Children's</p> <p>Budget Management - Adult & Community Services</p> <p>Budget Management - Environment & the Economy</p> <p>Alignment of Forward Together and Budget Gap</p> <p>Planned Use of School Balances</p> <p>Dedicated School Grant</p> <p>Allocation and Control of Pooled Budgets</p> <p>Adult & Community Services Income Controls</p> <p>Cost of Council Services</p> <p>Capital Budget Management</p> <p>Use and Control of Credit Notes</p> <p>Delivery of Project 45 and readiness for Project 30</p> <p>Readiness for Highways Infrastructure Asset Changes</p> <p>Grant Claims - incl. Troubled Families Grant Certification</p> <p>Reactive Fraud Work - Schools, Direct Payments, Single Person Discount, Code of Conduct etc.</p>	<p>220</p>
<p>Risk Management</p> <p><i>Organisations which can demonstrate and operate under a structured and active risk management approach, are far more likely to be able to focus upon their key priorities and outcomes and, in doing so, take informed and robust decisions.</i></p>	<p>Business Continuity</p>	<p>15</p>
<p>Performance Management</p> <p><i>Performance management provides a transparent platform upon which the service is accountable to its citizens and service users for the effectiveness of its service provision and delivery of its objectives.</i></p>	<p>Follow up of prior year Partial audits and agreed actions</p> <p>Review of Outcomes Based Accountability progress</p>	<p>90</p>

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<p>Commissioning & Procurement</p> <p><i>Assessing Procurement & Commissioning activity of a Local Authority is a critical determinant in establishing its effectiveness in both being able to deliver benefit for its community, but also in showing whether it can maximise value for money for its taxpayers.</i></p>	<p>Contract Management - Compliance Review</p> <p>ICT Contract Management</p> <p>Commercial Contract Management</p> <p>Compliance with IR35 legislation</p> <p>Contract Management - Construction & Transport Contracts</p> <p>Supplier Relationship Management</p> <p>Contract Monitoring Arrangements – External Fostering and Children’s Residential Care Provision</p>	<p>90</p>
<p>Information Management</p> <p><i>Effective Information Management will facilitate and support effective working, better decision-making, improved customer service and business transformation.</i></p>	<p>ICT Key Controls</p> <p>Resilience of ICT infrastructure (Disaster Recovery)</p> <p>Threat and Vulnerability Management</p> <p>General Data Protection Regulation</p> <p>Information Governance – Follow up of Information Commissioner report and action plan</p> <p>Use of SharePoint</p> <p>Schools ICT Controls</p> <p>Software License Review</p> <p>Transfer to Cloud Computing - Cloud First Technology Strategy</p>	<p>140</p>
<p>Programme & Project Management</p> <p><i>Organisations which can demonstrate and operate under a structured and active approach are far more likely to be able to focus their efforts and successfully achieve the delivery of anticipated outcomes.</i></p>	<p>Forward Together Programme audit allocation</p> <p>Mosaic Implementation</p> <p>Review of SEN Transport Project</p>	<p>80</p>
<p>People & Asset Management</p> <p><i>Organisations which can demonstrate and operate under a structured and active approach to asset management are far more likely to be able to focus any available investment against key priorities and, as a direct result, deliver improved outcomes.</i></p>	<p>Recruitment and Retention of Children's Safeguarding Staff</p> <p>Implementation of Our People Plan</p> <p>Management & Control of Flexible Working</p> <p>Sickness Management</p>	<p>60</p>
<p>Other</p>	<p>Audit Advice, Contingency and Committee Reporting</p>	<p>60</p>

The Internal Audit Charter

Purpose

The purpose of this Charter is to set out the nature, role, responsibility, status and authority of internal auditing within Dorset County Council, and to outline the scope of internal audit work.

Approval

This Charter was last approved by the Audit & Governance Committee on 8th June 2016 and is reviewed each year to confirm it remains accurate and up to date.

Provision of Internal Audit Services

The internal audit service is provided by the South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled company. This charter should be read in conjunction with the Service Agreement, which forms part of the legal agreement between the SWAP partners.

The budget for the provision of the internal audit service is determined by the Council, in conjunction with the Members Meeting. The general financial provisions are laid down in the legal agreement, including the level of financial contribution by the Council, and may only be amended by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment that was carried out when determining the Council's level of contribution to SWAP. This is reviewed each year by the Head of Internal Audit, Chief Financial Officer (as s151 Officer) in consultation with the Chief Executive of SWAP.

Role of Internal Audit

The Accounts and Audit (England) Regulations 2015, state that: *"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the public sector internal auditing standards or guidance."*

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Responsibilities of Management and of Internal Audit

Management¹

Management is responsible for determining the scope, except where specified by statute, of internal audit work and for deciding the action to be taken on the outcome of, or findings from, their work. Management is responsible for ensuring SWAP has:

- the support of management and the Council; and
- direct access and freedom to report to senior management, including the Council's Chief Executive and the Audit & Governance Committee.

Management is responsible for maintaining internal controls, including proper accounting records and other management information suitable for running the Authority. Management is also responsible for the appropriate and effective management of risk.

Internal Audit

Internal audit is responsible for operating under the policies established by management in line with best practice.

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS); SWAP has been independently assessed and found to be in Conformance with the Standards.

¹ In this instance Management refers to the Corporate Leadership Team

Internal audit is not responsible for any of the activities which it audits. SWAP staff will not assume responsibility for the design, installation, operation or control of any procedures. Members of SWAP who have transferred in to the department from other areas Dorset County Council will not be asked to review any aspects of their previous department's work until one year has passed since they left that area.

Relationship with the External Auditors/Other Regulatory Bodies

Internal Audit will co-ordinate its work with others wherever this is beneficial to the organisation.

Status of Internal Audit in the Organisation

The Chief Executive of SWAP is responsible to the SWAP Board of Directors and the Members Meeting. The Chief Executive of SWAP and the Assistant Director also report to the Head of Internal Audit, Chief Financial Officer (as s151 Officer), and reports to the Audit & Governance Committee as set out below.

Appointment or removal of the Chief Executive of SWAP is the sole responsibility of the Members Meeting.

Scope and authority of Internal Audit work

There are no restrictions placed upon the scope of internal audit's work. SWAP staff engaged on internal audit work are entitled to receive and have access to whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. In this regard, internal audit may have access to any records, personnel or physical property of Dorset County Council.

Internal audit work will normally include, but is not restricted to:

- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management of risks;
- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assist management and Members to identify risks and controls with regard to the objectives of the Council and its services;

- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether Dorset County Council is in compliance;

- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;

- appraising the economy, efficiency and effectiveness with which resources are employed;

- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.

- reviewing the operations of the council in support of the Council's anti-fraud and corruption policy.

- at the specific request of management, internal audit may provide consultancy services provided:
 - the internal auditor's independence is not compromised
 - the internal audit service has the necessary skills to carry out the assignment, or can obtain such skills without undue cost or delay
 - the scope of the consultancy assignment is clearly defined and management have made proper provision for resources within the annual audit plan
 - management understand that the work being undertaken is not internal audit work.

Planning and Reporting

SWAP will submit to the Audit & Governance Committee, for approval, an annual internal audit plan, setting out the recommended scope of their work in the period.

The annual plan will be developed with reference to the risks the organisation will be facing in the forthcoming year, whilst providing a balance of current and on-going risks, reviewed on a cyclical basis. The plan will be reviewed on a quarterly basis to ensure it remains adequately resourced, current and addresses new and emerging risks.

SWAP will carry out the work as agreed, report the outcome and findings, and will make recommendations on the action to be taken as a result to the appropriate manager and Corporate Director. SWAP will report at least four times a year to the Audit Committee. SWAP will also report a summary of their findings, including any persistent and outstanding issues, to the Audit & Governance Committee on a regular basis.

Internal audit reports will normally be by means of a brief presentation to the relevant manager accompanied by a detailed report in writing. The detailed report will be copied to the relevant line management, who will already have been made fully aware of the detail and whose co-operation in preparing the summary report will have been sought. The detailed report will also be copied to the Head of Internal Audit, Chief Financial Officer (as s151 Officer) and to other relevant line management.

The Chief Executive of SWAP will submit an annual report to the Audit & Governance Committee providing an overall opinion of the status of risk and internal control within the council, based on the internal audit work conducted during the previous year.

In addition to the reporting lines outlined above, the Chief Executive of SWAP and the Assistant Director have the unreserved right to report directly to the Leader of the Council, the Chairman of the Audit Committee, the Council's Chief Executive Officer or the External Audit Manager.

February 2017