

Dorset County Council

Report of Internal Audit Activity

Plan Progress 2017/18 – August 2017

Contents

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Summary

The Assistant Director is required to provide an annual opinion to support the Annual Governance Statement.

As part of our plan progress reports, we will provide an ongoing opinion to support the end of year annual opinion.



Audit Opinion

Audit reviews completed to date, highlight that in certain areas, risks are generally well managed with the systems of internal control working effectively.

Follow up work completed to date this year highlights that recommendations have generally been implemented to mitigate the risks identified.

Internal Audit Plan Progress 2016/2017

Appendix A & B provide a summary of all 2017/18 internal audit work underway, including any areas of high risk identified by audit.

Appendix C provides a summary of Authority progress in mitigating areas of high risk previously identified by internal audit.



Internal Audit Work Programme

The schedule provided at Appendix A contains the status of all Quarter 1 and Quarter 2 audits as agreed in the 2017/18 Internal Audit Plan. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these.

To assist the Committee in its important monitoring and oversight role, findings that have been identified in our 2017/18 work which are considered to represent significant corporate risks to the Council, are separately summarised in Appendix B. These items will remain on our progress reports for monitoring by the Committee until the necessary management action is taken and appropriate assurance has been provided that the risks have been mitigated / addressed.

As above, in those cases where Significant Risks have previously been identified in service or cross-cutting Authority reviews, a summary of the key audit findings, agreed management actions, along with the current position of implementation, have been summarised in Appendix C.

Internal Audit Plan Progress 2016/2017

SWAP Performance - Summary of Audit Opinions

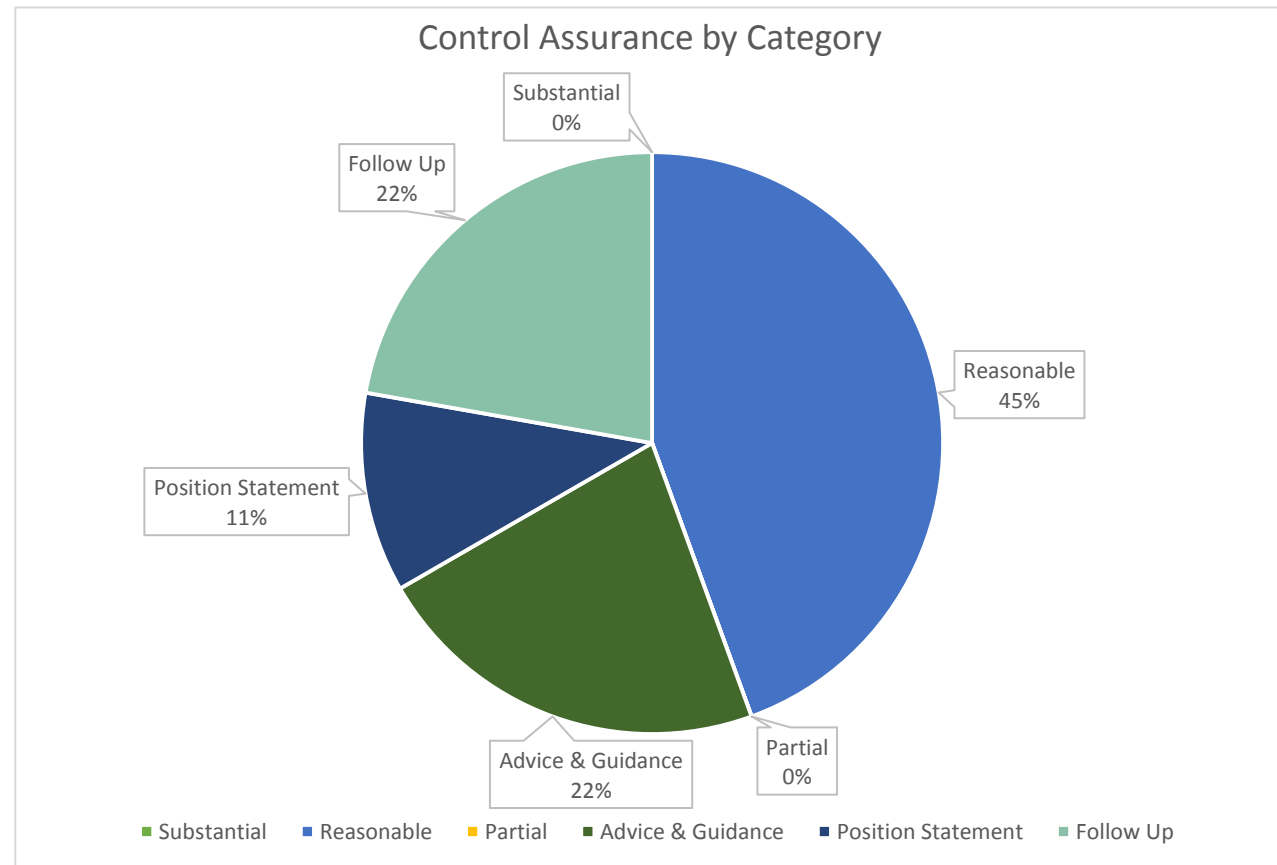
At the conclusion of audit assignment work each review is awarded a "Control Assurance", a summary of the assurance levels is as follows:

- **Substantial – Well controlled and risks well managed.**
- **Reasonable – Adequately controlled and risks reasonably well managed.**
- **Partial –Systems require control improvements and some key risks are not well managed.**
- **None – Inadequately controlled and risks are not well managed.**



Summary of Control Assurance

As well as our standard audit opinions, we have also included our Follow Up work along with any Advice & Guidance. It should be noted that there were no 'None' Audit Opinions in our work to date.



Internal Audit Plan Progress 2016/2017

Approved Changes

We keep our plans under regular review so as to ensure that we are auditing the right things at the right time.



Approved changes to the Audit Plan

Since the approval of the annual internal audit plan there have been some changes. These have been due to emerging risks that have been deemed higher priority, or where the service has stated that an audit would not add sufficient value at this time due to arrangements being in their infancy. The changes have been summarised below:

Audits removed from the original 2017/18 audit plan

- Pooled budgets
- Readiness for Highways infrastructure Asset change

Audits substituted to replace the reviews above

- Accounts payable – procedures for changes to supplier bank account details
- Covert surveillance procedures

Audits deferred

- Multi-Agency Safeguarding Hub – deferred from Quarter 2 to Quarter 4 at request of the Assistant Director, Care and Protection
- Corporate Working Groups – deferred from Quarter 1 to Quarter 4 at the request of Programme Director - LGR

Internal Audit Plan Progress 2016/2017

The Assistant Director of for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.



SWAP Performance

SWAP now provides the Internal Audit service for 21 Councils and public-sector Authorities. SWAP performance is subject to regular monitoring review by both the Board and the Member Meetings. The respective outturn performance results for Dorset County Council for the 2017/18 year (as at 31 August 2017) are as follows;

Performance Target	Average Performance
<p><u>Audit Plan – Percentage Progress</u> Final, Draft and Discussion Document Fieldwork completed awaiting report In progress Yet to complete</p>	<p>13% 2% 15% 70%</p>
<p><u>Draft Reports</u> Issued within 5 working days Issued within 10 working days</p>	<p>63% 75% (Average Days of 5)</p>
<p><u>Final Reports</u> Issued within 10 working days of discussion of draft report</p>	<p>86% (Average Days of 8)</p>
<p><u>Quality of Audit Work</u> Customer Satisfaction Questionnaire</p>	<p>81%</p>

Internal Audit Plan Progress 2016/2017

“Added Value”

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.



Added Value

Primarily Internal Audit is an assurance function and will remain as such. However, Members requested that we provide them with examples of where we have “added value” to a particular service or function under review. In response to this we have changed our approach and internal processes and will now formally capture at the end of each audit where we have “added value”. As we complete our operational audit reviews and through our governance audit programmes across SWAP we seek to bring information and best practice to managers to help support their systems of risk management and control.

- Whilst undertaking a recent review of Trading Standards, we were also able to provide an opinion on the completeness of a guidance document prepared in response to a recommendation resulting from a Food Standards Agency inspection.
- We receive fraud notifications from our partners and we regularly share this information to help increase awareness of current fraud activity.
- As a result of a fraudulent request to change bank details for a supplier, we provided advice and guidance to strengthen controls around changing supplier bank account details. This also included review of revised advice and guidance to the business on such procedures.
- We have shared a best practice guidance document from the Home Office on Covert Surveillance with the Council’s Data Protection Officer.

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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major ← → 1 = Minor				
						Recommendation				
						5	4	3	2	1
2016/17 Work										
Governance	Tricuro Governance Arrangements	4	Draft							
Operational	Outcomes Based Accountability	4	Fieldwork							
2017/18 Work at Report Stage										
Follow up	Children in Care	1	Final	N/A		-	-	-	-	-
Operational	Trading Standards	1	Final	Reasonable		-	-	6	-	-
Operational	Animal Health & Welfare	1	Final	Reasonable		-	-	2	-	-
Operational	Schools IT Controls	1	Final	Reasonable		-	2	2	-	-
Follow up	Ethical Governance	1	Final	N/A		-	-	-	-	-
Operational	Mosaic - Data Migration Readiness	1	Final	Position Statement		-	-	-	-	-
Operational	Agency Staff - DWP	1	Final	Reasonable		-	1	9	-	-
Grant Certification	Careers and Enterprise Grant	1	Final	Advice & Guidance		-	-	-	-	-
Grant Certification	Dorset Growth Hub	1	Final	Advice & Guidance		-	-	-	-	-
Operational	Planned Use of School Balances	1	Draft							
IT Audit	Resilience of ICT Infrastructure – Service Continuity Plan Arrangements	1	Draft							

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major ↔ 1 = Minor				
						Recommendation				
						5	4	3	2	1
Follow Up	Debt Management	1	Draft							
Follow Up	Safer Recruitment	1	Draft							
IT Audit	ICT Contract Management	1	Draft							
Operational	Budget Management - Children's	1	Discussion Document							
2017/18 Work in Progress										
Operational	Deprivation of Assets Adult and Community Services	1	In Progress							
Follow up	Use of Consultants	1	In Progress							
Follow up	Direct Payments - Children's	1	In Progress							
Operational	Use and Control of Credit Notes	2	In Progress							
Operational	Learning Disability Services	2	In Progress							
Operational	Education of Looked After Children	2	In Progress							
Operational	Dedicated Schools Grant	2	In Progress							
Governance	Accounts Payable Fraud Investigation	2	In Progress							
Follow up	Intermediaries Legislation / IR35	2	In Progress							
Operational	Business Continuity	2	In Progress							
Operational	VAT	2	In Progress							

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major ↔ 1 = Minor				
						Recommendation				
						5	4	3	2	1
Follow up	Better Care Fund	2	In Progress							
Follow up	Section 17 Payments	2	In Progress							
Follow up	Towards Adulthood – transition from Children’s to Adults	2	In Progress							
Follow up	SEN - Decision Making	2	In Progress							
Follow up	Agency Staff	2	In Progress							
Operational	Early Years Funding	2	Not Started							
Operational	Contract Monitoring Arrangements - Children's	2	Not Started							
Operational	Commercial Contract Management	2	Not Started							
Governance	Pathways to Independence	2	Not Started							

Schedule of significant risks identified from Internal Audit work in 2017/2018

Name of Audit	Risk Identified	Weaknesses Found	Recommendations and Agreed Management Action		Agreed Date of Action
<p>In the 2017/18 final audit reports issued to date, there have been no Significant Risks identified in our work.</p>					

Summary of progress in mitigating previously reported Significant Risks

Audit Tittle	Significant Audit Findings	Dates of Implementing Key Actions Agreed by Service	Progress in Implementing Agreed Actions
Debt Management	<p>There are inadequate debt recovery procedures for Children’s Services Debts.</p> <p>Debt recovery actions within directorates are not recorded on DES/SAP</p> <p>Environment directorate using a “work around” to put a customer’s service provision on stop.</p> <p>At the time of the audit the value of aged credit that had been outstanding for over 365 days stood at £404,037.00.</p>	All actions were planned to be completed by the end of March 2017.	A current follow up review is at draft report stage, however, indications are that there are no residual significant concerns.
Safer Recruitment	<p>There is no effective control to ensure that a DBS check is undertaken in every appropriate instance prior to employment commencing.</p> <p>Without a signed contract being in place prior to service delivery the Authority will not be able to enforce the DBS requirement contained within the contract.</p> <p>Without maintaining a central record of volunteers, the Authority is unable to ensure that a DBS check is undertaken in every appropriate instance prior to volunteer work commencing.</p>	All actions were planned to be completed by the end of April 2017.	A follow up review is at draft report stage and we will report progress on implementation of our recommendations within our next update.

Audit Title	Significant Audit Findings	Dates of Implementing Key Actions Agreed by Service	Progress in Implementing Agreed Actions
Budget Management	<p>Budgets are not always assigned to an appropriate budget holder according to Schemes of Delegation, resulting in the possibility that there is no accountability for monitoring expenditure against the budget allocated.</p> <p>There was previously a lack of clarity around the roles and responsibilities of Committees for scrutinising budgets (since the audit fieldwork roles and responsibilities have now been clarified).</p> <p>Senior Management are not always providing evidence that budgets are being effectively scrutinised, with actions taken and officers held to account.</p>	All actions were planned to be completed by the end of April 2017.	<p>It was considered appropriate to allow senior management a reasonable period of time to implement our recommendations. As a result, a follow up review is programmed but has not been completed as yet.</p> <p>We have however undertaken a further budget management audit of Children’s Services which is now at report stage. We will be able to provide more detail of our findings within our next update report.</p>
Use of External Advisors	<p>There is limited strategic oversight of the use of external advisors at a corporate level.</p> <p>Inaccurate coding of external advisor spend, resulting in the figures reported to Members containing potential inaccuracies and/ or overstatements.</p> <p>Officers in some areas are unaware of key guidance and best practice principles in relation to the use of external advisors.</p> <p>Consideration of using alternatives to external advisors at the outset of work is not always being undertaken (or at least evidenced).</p>	All actions were planned to be completed by end of January 2017.	<p>We are undertaking a follow up review currently and will report progress on implementation of our recommendations within our next update.</p>

Audit Tittle	Significant Audit Findings	Dates of Implementing Key Actions Agreed by Service	Progress in Implementing Agreed Actions
Income Generation	<p>Lack of financial tools to enable effective cost and management accounting.</p> <p>Lack of training and guidance to ensure managers develop commercial awareness.</p> <p>Project management processes are not employed to manage the implementation of the Commercial Board’s objectives.</p>	All actions were due to be completed by end of October 2016.	CLT agreed to absorb the work of the Commercial Board into the One Council Group and to change focus onto commercial business as usual rather than developing services for income generation. As a result, the specific audit recommendations arising from this review have not been implemented, but used to inform future activity where appropriate.
Ethical Governance	<p>The audit included a review of the embeddedness of ethical governance for both members and staff. Issues were identified regarding the following for staff:</p> <ul style="list-style-type: none"> • Declaration of Interests • Gifts and Hospitality • Training 	<p>The majority of recommendations were expected to be implemented by 31 Dec 2015, with the rest to follow April 2016.</p> <p>A number of implementation dates were subsequently deferred to 1st April 2016 to coincide with the work already started in relation to the revision to the Council’s Code of Conduct.</p> <p>A follow up audit was undertaken in August 2016. It was found that the vast majority of agreed actions were still outstanding along with the associated risks, with the dates of implementation expected to be early 2017.</p>	A further follow up audit, undertaken in July 2017 has found that all key actions agreed have been completed and there are no residual significant concerns.