

Dorset County Council

Report of Internal Audit Activity

Plan Progress 2017/18 – January 2018

Executive 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.

We will also provide details of any significant risks that we have identified in our work, along with the progress of mitigating previously identified significant risks by audit.



Audit Opinion and Summary of Significant Risks

Audit Opinion:

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

Significant Risks:

In the 2017/18 final audit reports issued to date, there have been four Significant Risks identified in our work.

In regard to **Resilience of ICT infrastructure – Service Continuity Planning**, there is a risk that the authority is unable to recover key systems and data when an incident occurs which would result in a loss or corruption to data and systems with the associated financial loss due to business disruption and/or loss of service continuity. The service have agreed to implement all recommendations made in our report and these should all be in place by 31 March 2018. A follow up audit will take place during Quarter 1 of 2018/19 to assess progress on implementation.

An audit of the **Governance Framework for Tricuro** found that it does not allow the council, as owners of the company, sufficient control and scrutiny to fully measure the effectiveness of:

- Governance arrangements
- Reporting of both finance and performance
- Oversight of future business strategy

Failure to maintain sufficient control and scrutiny could lead to potential financial and reputational damage to the council. Again, the service has agreed to implement our recommendations and time has been allocated within Quarter 4 of this financial year to undertake a follow up audit to assess implementation of our recommendations.

A review of the authority's readiness for the new **EU General Data Protection Regulations (GDPR)** which comes into effect on 25th May 2018 was requested by the Authority. The review identified that currently the organisation is not able to fully implement the requirements of the GDPR within the required timescales resulting in non-compliance with the consequence of financial penalties. The response from the authority has been extremely positive in terms of implementing our recommendations and we plan to undertake some further advisory and follow up work before the end of the financial year to assist with progress towards GDPR compliance.

Executive Summary

The final audit where significant risks have been identified is **Budget Management within Children's Services**. It was found that not all budgets have been based on realistic assumptions and achievable savings targets, resulting in the inability to deliver expenditure within available budget. It was also identified that failure to adjust budgets and savings targets in year, as a result of demand led or external changes, results in future overspends within the service. The report has been at discussion document stage for a number of months, however this timescale has been impacted by the change of Director. We have now reached a point where it has been possible to move the report to draft stage with management responses. We hope to be able to issue the final report shortly and will undertake some follow up work to review progress in the new financial year.

Follow Up Work

Follow up work undertaken so far this year, has proved challenging to complete with some difficulties in obtaining timely responses from management on progress of implementing our recommendations. In some instances actions appear to be prompted by our follow up process, however in the majority of cases recommendations are complete or at least in progress. In the case of two follow ups this year, we feel that insufficient progress has been made and therefore we have scheduled a further review either towards the end of Quarter 4 or Quarter 1 of next year (Better Care Fund and Safer Recruitment).

Progress of mitigating previously identified significant risks, has been included in Appendix B.

Internal Audit Plan Progress 2017/18

SWAP Performance - Summary of Audit Opinions

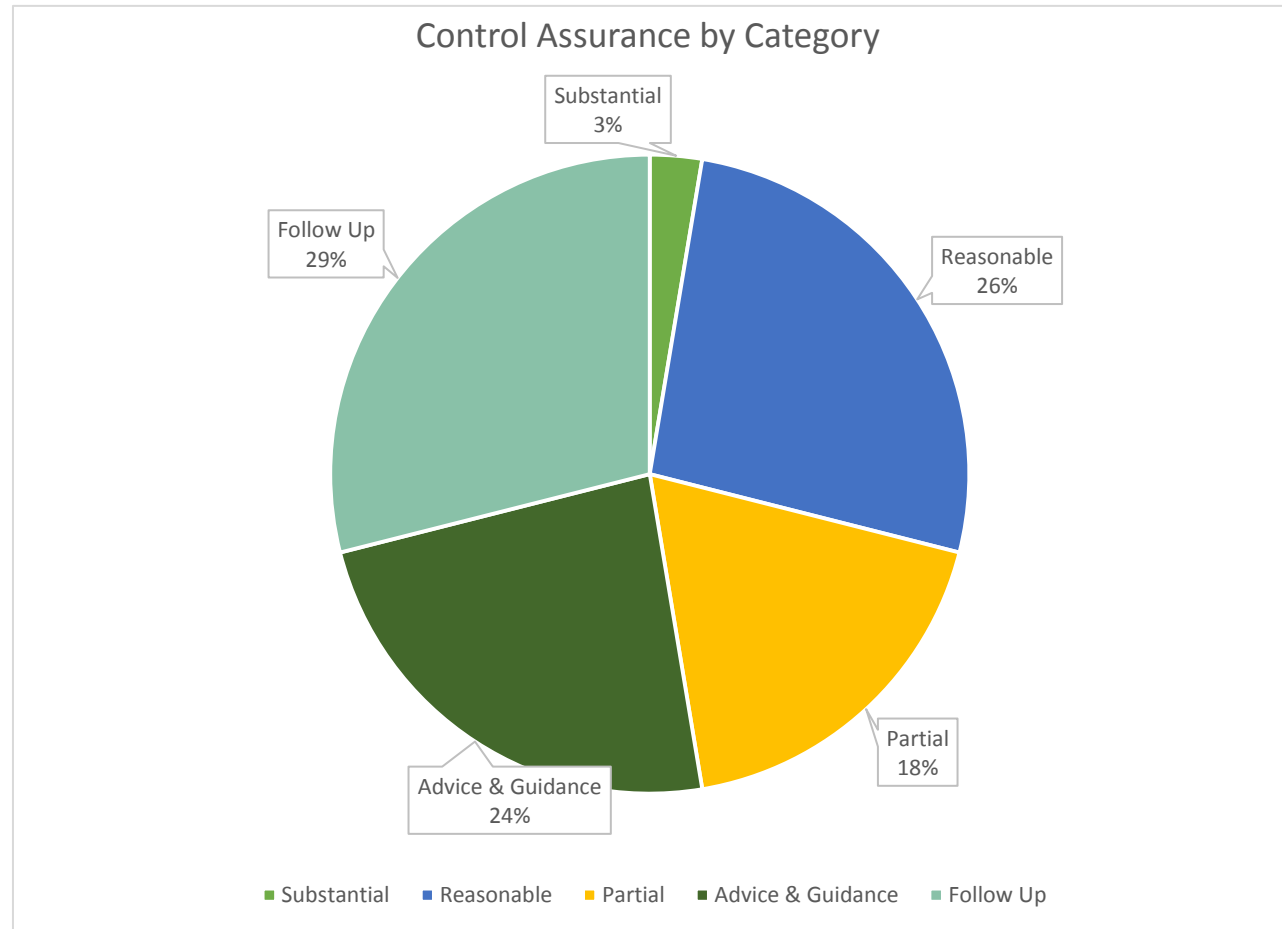
At the conclusion of audit assignment work each review is awarded a "Control Assurance", a summary of the assurance levels is as follows:

- **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 2017/18

Approved Changes:

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



Changes to the Audit Plan

Since the approval of the annual internal audit plan there have been certain changes. This had 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
- Free school meals data matching exercise
- Follow up of Ofsted action plan
- Recruitment and retention of safeguarding staff
- Dedicated Schools Grant

Audits substituted to replace the reviews above and new audits added to plan

- Accounts payable – procedures for changes to supplier bank account details
- Covert surveillance procedures
- Strategic Alliance for children and young people
- Statutory timescales for Children's assessment
- High Cost Placements
- GDPR advisory work
- Safer recruitment further follow up
- Better Care Fund further follow up

Audits deferred to 2018/19

- Scheme of Delegation
- Use of SharePoint
- Compliance with IR35
- Sustainability and Transformation Plan (Adults and Community Directorate)

Internal Audit Plan Progress 2017/18

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.



Added Value

- We have compiled a best practice document on flexible working which has been shared with senior officers in HR.
- We receive fraud notifications from our partners and we regularly share this information to help increase awareness of current fraud activity.
- We have compiled a best practice document on Commercial Contract Management which has been shared with senior procurement officers.
- We have used IDEA software to check the validity of all VAT registration numbers as an additional part of the VAT audit. From this we were able to verify that all VAT numbers used by DCC suppliers were genuine numbers.
- We have used IDEA software to generate reports for DCC on potential duplicate payments for investigation and follow up.
- A survey exercise has been conducted across all SWAP partners to establish the extent to which Ethics and Culture have been developed, communicated and embedded. As a result, a best practice guidance document has been prepared outlining the key findings and areas for consideration. This document has been shared across the authority.
- On 25th May 2018 Dorset County Council will be required to be compliant with the EU General Data Protection Regulations. Concern was expressed that the Council would not be compliant by this date and SWAP was engaged to undertake a gap analysis to identify the work required to become compliant. This work has been extremely well received and should assist the Council to be in a position to either be compliant or working towards compliance on that date.
- We have prepared best practice documents and shared these with DCC maintained schools on the following areas: Minutes of the Governing Body; Fraud in schools; IT controls in schools.

Internal Audit Plan Progress 2017/18

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 24 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 December 2017) are as follows;

Performance Target	Performance
<p><u>Audit Plan – Percentage Progress</u> Final, Draft and Discussion Document In progress Yet to complete</p>	<p>44% 43% 13%</p>
<p><u>Draft Reports</u> Issued within 5 working days Issued within 10 working days</p>	<p>74% 90% (Average Days of 3)</p>
<p><u>Final Reports</u> Issued within 10 working days of discussion of draft report</p>	<p>68% (Average Days of 9)</p>
<p><u>Quality of Audit Work</u> Customer Satisfaction Questionnaire</p>	<p>85%</p>

Internal Audit Plan Progress 2017/18

APPENDIX A

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major Recommendation ← → 1 = Minor				
						5	4	3	2	1
						2016/17 Work				
Governance	Tricuro Governance Arrangements	4	Final	Partial	8	-	5	3	-	-
2017/18 Work at Report Stage										
Follow up	Children in Care	1	Final	N/A		-	-	-	-	-
Operational	Trading Standards	1	Final	Reasonable	6	-	-	6	-	-
Operational	Animal Health & Welfare	1	Final	Reasonable	2	-	-	2	-	-
Operational	Schools IT Controls	1	Final	Reasonable	4	-	2	2	-	-
Follow up	Ethical Governance	1	Final	N/A		-	-	-	-	-
Operational	Mosaic - Data Migration Readiness	1	Final	Advice & Guidance		-	-	-	-	-
Operational	Agency Staff - DWP	1	Final	Reasonable	10	-	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	Final	Reasonable	4	-	-	3	-	-
IT Audit	Resilience of ICT Infrastructure – Service Continuity Plan Arrangements	1	Final	Partial	16	-	3	13	-	-
Follow Up	Debt Management	1	Final	N/A	-	-	-	-	-	-

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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major Recommendation ← → 1 = Minor				
						5	4	3	2	1
						Follow Up	Safer Recruitment <i>(one priority 3 recommendation is new resulting from the follow up work and three are recommendations not implemented from the original audit)</i>	1	Final	N/A
IT Audit	ICT Contract Management	1	Final	Partial	10	-	-	10	-	-
Operational	Education of Looked after Children	2	Final	Partial	6	-	4	2	-	-
Follow up	Direct Payments – Children’s	2	Final	N/A						
Follow up	SEN Decision Making	2	Final	N/A						
Follow up	Towards Adulthood project	2	Final	N/A						
Operational	Pimperne School	2	Final	Reasonable	15	-	3	8	4	-
Operational	Deprivation of Assets – Adults and Community Services	2	Final	Partial	5	-	1	4	-	-
Operational	Control of Credit Notes	2	Final	Reasonable	3	-	2	1	-	-
Follow up	Use of Consultants	2	Final	N/A						
Operational	Covert Surveillance of Social Networking Sites	2	Final	Advice & Guidance						
Operational	Business Continuity	2	Final	Reasonable	9	-	-	9	-	-
Follow up	Agency staff	2	Final	N/A						
Governance	Accounts Payable Fraud Investigation	3	Final	Advice & Guidance						
Follow up	Better Care Fund	3	Final	N/A	-	-	-	-	-	-

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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major ← → 1 = Minor				
						Recommendation				
						5	4	3	2	1
Operational	Financial Reconciliations	3	Final	Substantial	1	-	-	1	-	-
Follow up	Intermediaries Legislation/IR35	3	Final	N/A						
Operational	VAT	3	Final	Reasonable	6	-	-	6	-	-
Operational	General Data Protection Regulations	3	Final	Partial	34	7	26	1	-	-
Operational	Contract Compliance	3	Final	Advice & Guidance						
Operational	Outcomes Based Accountability	3	Final	Reasonable	13	-	-	13	-	-
Governance	Ethics and Culture SWAP Survey	3	Final	Advice & Guidance						
Operational	Commercial Contract Management	3	Final	Advice & Guidance						
Operational	Management & Control of Flexible working	3	Final	Advice and Guidance						
Operational	Budget Management - Children's	1	Draft	Partial	16	4	11	1	-	-
Follow up	Budget Management	3	Draft	N/A						
Operational	Learning Disabilities	3	Discussion							
Operational	Budget Management Adult and Community	3	Discussion							
Governance	Adult and Communities Change Programme	3	Discussion							
Follow up	Section 17 Payments	2	In progress							
Operational	High Cost Placements	3	In progress							

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major ← → 1 = Minor				
						Recommendation				
						5	4	3	2	1
Governance	Local Enterprise Partnership	3	In progress							
Follow up	Oversight of Schools	3	In progress							
Operational	Alignment of Forward Together and Budget Gap	3	In progress							
Operational	Budget Management Environment and Economy	3	In progress							
Operational	Capital Budget Management	3	In progress							
Operational	Payroll – External Customers	3	In progress							
Operational	Review of Corporate Working Groups	3	In progress							
Operational	Technology Strategy (Cloud Computing)	3	In progress							
Operational	Contract Management – Construction and Transport	3	In progress							
Operational	Children’s Services Contract Monitoring Arrangements	3	In progress							
Operational	Early Years Funding	3	In progress							
Operational	Family Partnership Zones	4	In progress							
Operational	Multi-Agency Safeguarding Hub	4	In progress							
Operational	Review of SEND Travel Project Governance	4	In progress							
Operational	New Youth Service Arrangements	4	In progress							
Operational	Review of New Committee Structure	4	In progress							

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major ↔ 1 = Minor				
						Recommendation				
						5	4	3	2	1
Operational	DWP – Vehicle Maintenance	4	In progress							
Operational	Sickness Management	4	In progress							
Operational	Implementation of Our People Plan	4	In progress							
Operational	ICT Key Controls	4	In progress							
Follow up	Safer Recruitment	4	In progress							

A copy of the full audit plan, including details of upcoming planned audit reviews, is available to view [here](#).

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
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.	<p>A follow up review has been completed which identified that only partial progress was found to have been made in completing and embedding the recommendations. A further follow up review will be undertaken before the end of this financial year.</p>
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.	<p>The follow up review has now been completed and good progress was found to have been made in completing and embedding the recommendations. There are no residual significant concerns.</p>

Monitoring of Previously Reported Significant Risks

APPENDIX B

Audit Title	Significant Audit Findings	Dates of Implementing Key Actions Agreed by Service	Progress in Implementing Agreed Actions
<p>Budget Management (Corporate Overview)</p>	<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>	<p>All actions were planned to be completed by the end of April 2017.</p>	<p>A current follow up review is at draft report stage and our work has shown that there are no residual significant concerns.</p> <p>We have undertaken individual budget management audits within each of the Directorates in 2017/18. Each is progressing to report stage and we will be able to provide more detail within our next update report.</p>
<p>Use of External Advisors</p>	<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>	<p>All actions were planned to be completed by end of January 2017.</p>	<p>Our follow up review has found that reasonable progress has been made to complete and embed the recommendations made. There were two priority 4 recommendations that were still in progress at the time of our review and a revised target implementation date has been set for these recommendations to be completed.</p>