

Dorset Council

Proposed 2019-20 Internal Audit Plan and Internal Audit Charter

The Internal Audit Plan: Summary

This internal audit plan represents a summary of the proposed audit coverage that the internal audit team will deliver within the first half of the 2019/20 financial year

Delivery of an internal audit programme of work that provides sufficient and appropriate coverage, will enable SWAP to provide a well-informed and comprehensive year-end annual internal audit opinion.



Introduction and Objective of the Internal Audit Plan

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

Prior to the start of each financial year, SWAP, in conjunction with senior management, put together a proposed plan of audit work. The objective of our planning process and subsequent plans is to put us in a position to provide a well-informed and comprehensive annual audit opinion, based on sufficient and appropriate coverage of key business objectives, associated risks, and risk management processes.

The outcomes of each of the audits in our planned programme of work, will provide officers and Members with assurance that the current risks faced by the Authority in these areas are adequately controlled and managed.

It should be noted that internal audit is only one source of assurance, and the outcomes of internal audit reviews should be considered alongside other sources, as part of the 'three lines of defence' assurance model. Key findings from our internal audit work should also be considered in conjunction with completion of the Authority's Annual Governance Statement.

It is the responsibility of the Authority's Senior Leadership Team (SLT), and the Shadow Executive Committee (in the absence of an Audit Committee for Dorset Council), to determine that the audit coverage contained within the proposed audit plan is sufficient and appropriate in providing independent assurance against the key risks faced by the organisation.

When reviewing the proposed internal audit plan (as set out in Appendix 1), key questions to consider include:

- Are the areas selected for coverage this coming quarter appropriate?
- Does the internal audit plan provide coverage of the organisation's key risks as they are recognised by SLT and the Shadow Executive Committee?
- Is sufficient assurance being received within our annual plan to monitor the organisation's risk profile effectively?

The Internal Audit Plan: Approach

To develop an appropriate risk-based audit plan, SWAP have consulted with members of the Dorset Council Senior Leadership Team, as well as reviewing the consolidated risk register for Dorset Council, in order to obtain an understanding of the organisation's key risks, and initial assurance priorities.

The audit planning process for 2019/20 will be a unique year in that the new Dorset Council will develop and emerge as the year progresses. We will therefore update our internal audit plans quarterly to align with the emerging issues and risks.



Approach to Internal Audit Planning 2019/20

The factors considered in putting together the initial 2019/20 internal audit plan have been set out below:



Due to the pace with which Dorset Council has been created, as well as the fact that the organisation's corporate objectives are yet to be finalised, it is difficult to accurately predict and align internal audit work with longer-term key organisational risks. Our approach to internal audit planning for 2019/20 has therefore also changed to reflect this. Instead of preparing a full twelve-month plan, we will prepare and update quarterly 'Agile', risk-assessed work plans, containing key areas of coverage, to ensure that we are auditing the right areas at the right time.

We will regularly re-visit and adjust our programme of audit work to ensure that it matches the changing risk profile of the organisation's operations, systems and controls. Our 2019/20 audit plan will also include an increased proportion of audit time still to be specifically allocated, in order that the plan can remain flexible to respond to new and emerging risks as and when they are identified.

The Internal Audit Plan: Risk Assessment

A documented risk assessment prior to developing an internal audit plan, ensures that sufficient and appropriate areas are identified for consideration.

As above, it is the responsibility of the Authority's Senior Leadership Team, and the Shadow Executive (*in the interim*) to ensure that, following our risk assessment, the proposed plan contains sufficient and appropriate coverage.



Internal Audit Annual Risk Assessment

Our 2019/20 internal audit programme of work is based on a documented risk assessment, which SWAP will revisit at least quarterly. The input of senior management as well as review of the Authority's risk register will be considered in this process.

Below we have set out a summary of the outcomes of our initial risk assessment for the new Dorset Council:



The Internal Audit Plan: Coverage

Following our SWAP Risk Assessment above, we have set out in Appendix 1 below our proposed areas of coverage for the first quarter.

Going forwards, we will look to align our audit programme of work with the new Authority's Corporate objectives, as well as our core areas of recommended coverage.

Internal audit is only one source of assurance; therefore, where we highlight gaps in our coverage, assurance should be sought from other sources where possible in order to ensure sufficient and appropriate assurances are received.



Internal Audit Coverage in 2019/20

Following our SWAP risk assessment, we have set out below the extent to which the proposed plan presented in Appendix 1 provides coverage of our core areas of recommended coverage. Where we have highlighted limited or no coverage, Senior Management and Members should seek and document assurance from alternative sources, or consider re-focussing internal audit resource to provide coverage of these areas:



Internal audit coverage can never be absolute and responsibility for risk management, governance and internal control arrangements will always remain fully with management. As such, internal audit cannot provide complete assurance over any area, and equally cannot provide any guarantee against material errors, loss or fraud.

The Internal Audit Plan: SWAP

SWAP Internal Audit Services is a public sector, not-for-profit partnership, owned by the public sector partners that it serves. The SWAP Partnership now includes 26 public sector partners, crossing eight Counties, but also providing services throughout the UK.

As a company, SWAP has adopted the following values, which we ask our clients to assess us against following every piece of work that we do:

- Candid
- Relevant
- Inclusive
- Innovative
- Dedicated



Your Internal Audit Service

Audit Resources

The 2019/20 internal audit programme of annual work will be equivalent to 1,900 days. The current internal audit resources available represent a sufficient and appropriate mix of seniority and skill to be effectively deployed to deliver the planned work. The key contacts in respect of your internal audit service for Dorset Council will be:

Rupert Bamberger, Assistant Director – rupert.bamberger@swapaudit.co.uk, 07720 312464

Sally White, Principal Auditor – sally.white@swapaudit.co.uk, 01305 224488

Conformance with Public Sector Internal Audit Standards

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Every three years, SWAP is subject to an External Quality Assessment of Internal Audit Activity. The last of these was carried out in March 2016 which confirmed conformance with the Public Sector Internal Audit Standards.

Conflicts of Interest

We are not aware of any conflicts of interest within Dorset Council that would present an impairment to our independence or objectivity. Furthermore, we are satisfied that we will conform with our IIA Code of Ethics in relation to Integrity, Objectivity, Confidentiality, & Competency.

Consultancy Engagements

As part of our internal audit service, we may accept proposed consultancy engagements, based on the engagement's potential to improve management of risk, add value and improve the organisation's operations. Consultancy work that is accepted, will contribute to our annual opinion and will be included in our plan of work.

Approach to Fraud

Internal audit may assess the adequacy of the arrangements to prevent and detect irregularities, fraud and corruption. We have dedicated counter fraud resource available to undertake specific investigations if required. However, the primary responsibility for preventing and detecting corruption, fraud and irregularities rests with management who should institute adequate systems of internal control, including clear objectives, segregation of duties and proper authorisation procedures.

The Internal Audit Plan: SWAP

Over and above our internal audit service delivery, SWAP will look to add value throughout the year wherever possible. This will include:

- Benchmarking and sharing of best-practice between our public-sector Partners
- Regular newsletters and bulletins containing emerging issues and risks
- Communication of fraud alerts received both regionally and nationally
- Annual Member training sessions

Our Reporting

A summary of internal audit activity will be reported quarterly to the Senior Leadership Team and the Audit Committee (*once established*). This reporting will include any significant risk and control issues (including fraud risks), governance issues and other matters that require the attention of senior management and/or the Audit Committee. We will also report any response from management to a risk we have highlighted that, in our view, may be unacceptable to the organisation.

Internal Audit Performance:

As part of our regular reporting to senior management and the Audit Committee, we will report on internal audit performance. The following performance targets will be used to measure the performance of our audit activity:

Performance Measure	Performance Target
<p style="text-align: center;"><u>Delivery of Annual Internal Audit Plan</u> Completed at Year End</p>	>90%
<p style="text-align: center;"><u>Quality of Audit Work</u> Overall Client Satisfaction <i>(did our audit work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation)</i></p>	>95%
<p style="text-align: center;"><u>Outcomes from Audit Work</u> Value to the Organisation <i>(client view of whether our audit work met or exceeded expectations, in terms of value to their area)</i></p>	>95%

As detailed above there is a need to ensure that for the first year of the new Dorset Council that the internal audit plan is able to flex sufficiently to provide coverage of emerging risks and urgent assurance work. In order to achieve this, we have provided an outline Quarter 1 & 2 plan, with subsequent quarter's plans being prepared in consultation with SLT. Audit work required later in the year that has already been identified has been included in a separate Appendix for completeness, however the quarter of the year when this work will fall due has been made clear. It should be noted that the audit titles and high-level scopes included below are only indicative at this stage for planning our resources. At the start of each audit, an initial discussion will be held to agree the specific terms of reference for the piece of work, which includes the objective and scope for the review.

Link to Core Assurance Area	Areas of Coverage and Brief Rationale	Audit Sponsor/ Senior Management Lead
<p>Corporate Governance <i>Corporate Governance refers to the strategic management practices and values and beliefs by which the Council operates.</i></p>	<p>Election Readiness <i>To provide assurance that processes are in place to ensure the successful delivery of the May elections including the reduction down to a single count venue across a number of days.</i></p> <p>Induction and Training of elected members <i>To provide assurance that the plan of induction and training will ensure appropriate development of skill and knowledge for members of the new Dorset Council.</i></p> <p>Closure of sovereign Councils <i>An allocation of time to undertake specific requested pieces of work as appropriate in connection with the final closure of the six sovereign Councils.</i></p>	<p>Jonathan Mair <i>Corporate Director for Legal and Democratic Services</i></p>
<p>Financial Management <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><i>As systems, processes and procedures are brought together across the course of the year we would want to provide regular core assurance around 'key' financial controls. We would therefore propose to introduce a process of continuous auditing where we would sample transactions across key financial systems to provide regular assurance that control continues to be sound and operating effectively:</i></p> <p>Continuous Audit of Financial Systems: <i>Main Accounting and Bank Reconciliation Creditors/Electronic ordering systems/BACS payments Debtors and debt management Income and Cash receipting Payroll and expenses (if there are plans to consolidate systems)</i></p>	<p>Aidan Dunn <i>Executive Director Corporate Development</i></p>

	<p>Budgetary Control and Monitoring <i>Until structures are fully agreed and implemented there is a risk of lack of accountability with regard to budgetary control and monitoring. This piece of audit work aims to highlight any issues and problems arising early on within the new Council.</i></p> <p>Capital Programme <i>An end to end review of processes pertaining to the capital programme including the role undertaken by the Capital Planning Group.</i></p> <p>Capital Budget <i>A review of the make-up of the capital budget including whether any revenue costs are funded within the capital budget.</i></p> <p>Adult Services – Financial Assessments <i>To provide assurance that financial assessments are accurate and undertaken in a timely manner.</i></p> <p>Adult Services - Deputyship for Service Users <i>Where the Court of Protection has appointed the Council to act on behalf of Service Users to provide assurance that processes and procedures are operating with appropriate control to adequately protect the Service Users interests.</i></p> <p>Duplicate Payment work <i>Use of data analytics software to identify potential duplicate payments for investigation by Accounts Payable staff</i></p> <p>National Fraud Initiative <i>To assist the Council to monitor investigation of matches.</i></p>	
<p>Risk Management <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>Risk Management <i>A review of risk management arrangements becoming embedded across the new Council</i></p>	<p>Jonathan Mair <i>Corporate Director for Legal and Democratic Services</i></p>

<p>Performance Management <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 work <i>An allocation of time to ensure that key audit recommendations made during the last year of the sovereign council's existence have adequately transferred to the new Council and have been or will be actioned.</i></p> <p>Licencing Compliance <i>To provide assurance that there is compliance with licencing requirements</i></p> <p>Effectiveness of Social Care Practice <i>A review of the process of case file audits and the measurement of the impact of these on improvement in social care practice.</i></p> <p>Children's Social Care Caseload Management <i>Following the investment of £1M in 2017-18 to recruit additional Social Workers with the aim of reducing caseloads; to evaluate the success of this initiative and the mechanisms in place to ensure caseloads remain at manageable levels.</i></p> <p>Readiness for Ofsted Inspection <i>To provide assurance on the effectiveness of targeted Ofsted preparation work.</i></p> <p>Public Law Outline <i>A review to assess whether effective use is made of the pre-proceedings Contract of Expectations with Parents and its impact on preventing children from entering full care proceedings.</i></p> <p>Effectiveness and Implementation of Education Health Care Plans (EHCPs) <i>To provide assurance around compliance with EHCPs in schools</i></p> <p>School Audits <i>Based on intelligence from Children's Services to undertake school audits on specific areas of concern as and when required (either as thematic school audits, or individual specific schools)</i></p>	<p>Various</p> <p>Jonathan Mair <i>Corporate Director for Legal and Democratic Services</i></p> <p>Sarah Parker <i>Executive Director for People – Children's</i></p>
<p>Commissioning & Procurement <i>Assessing Procurement & Commissioning activity of a Local</i></p>	<p>Contract Compliance <i>A review of contract compliance including elements such as value for money (VFM), aggregate spend, contract novation and disaggregation of contracts and whether all of these elements are operating effectively across the new Council within the procurement life-cycle.</i></p>	<p>Aidan Dunn <i>Executive Director Corporate Development</i></p>

<p><i>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>Commercial Contract Management <i>To provide assurance that effective commercial contract management is in place and operational across the new Council.</i></p> <p>Compliance with IR35 <i>To provide assurance that there is compliance with IR35 regulations.</i></p> <p>Property Maintenance <i>A review of the new arrangements with a specific review of governance arrangements and the effectiveness in delivering improved services and reduced costs</i></p> <p>Fostering <i>To evaluate the success of using external contractors to increase the number of in-house foster carers considered imperative to the reduction in the numbers of expensive placements for looked after children.</i></p>	<p>John Sellgren <i>Executive Director for Place</i></p> <p>Sarah Parker <i>Executive Director for People – Children’s</i></p>
<p>Information Management <i>Effective Information Management will facilitate and support effective working, better decision-making, improved customer service and business transformation.</i></p>	<p>Disaggregation of records to BCP <i>To provide assurance on the disaggregation of records to BCP or fall-back positions if these have had to be implemented.</i></p> <p>Service Continuity <i>To provide assurance on a joined-up customer journey across a number of service areas that have regular contact with the public/businesses such as Environmental Health, Trading Standards, Licencing and other standalone services such as parking etc; using a variety of methods of testing the journey including mystery shopping.</i></p> <p>GDPR compliance <i>To provide assurance around the level of compliance with GDPR</i></p> <p><i>As ICT systems, processes and procedures are brought together across the course of the year we would want to provide regular core assurance around ‘key’ ICT controls, we would therefore propose to introduce a process of continuous auditing where we would test across key ICT functions to provide regular assurance that control continues to be sound and operating effectively:</i></p>	<p>Whole SLT</p> <p>John Sellgren <i>Executive Director for Place</i></p> <p>Jonathan Mair <i>Corporate Director for Legal and Democratic Services</i></p>

	<p>Continuous Audit of ICT Systems including: <i>Password control</i> <i>User Access Controls</i> <i>Firewall Management</i> <i>Disaster recovery</i> <i>Vulnerability and threat</i></p>	<p>Aidan Dunn <i>Executive Director</i> <i>Corporate Development</i></p>
<p>Programme & Project Management <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>Programme Management – Children’s Services <i>A review of the effectiveness of programme management within Children’s Services</i></p>	<p>Sarah Parker <i>Executive Director for People – Children’s</i></p>
<p>People & Asset Management <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>Communication with staff <i>An assessment of the effectiveness and impact of communications with staff</i></p> <p>Property Asset Management <i>A review of the procedures around the management of property and other assets</i></p>	<p>Matt Prosser <i>Chief Executive</i></p> <p>John Sellgren <i>Executive Director for Place</i></p>
<p>Other</p>	<p>Reactive Fraud Investigations</p> <p>Grant Certifications</p> <p>Contingency for Emerging Risk Areas and Specific Management Requests</p> <p>Ad Hoc Requests for Audit Advice & Guidance</p> <p>Audit Planning and Committee Reporting</p>	<p>Whole SLT</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 Council, and to outline the scope of internal audit work.

Approval

This Charter will be presented for review and approval each year to confirm it remains accurate and up to date.

Provision of Internal Audit Services

The internal audit service is provided by SWAP Internal Audit Services (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 and Section 151 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 agreeing 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 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.

¹ In this instance Management refers to the Senior Leadership Team

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.

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 in Dorset Council (or previous Dorset Authorities) 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, Corporate Director – Legal and Democratic (as well as s151 Officer), and will report to the Audit 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 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 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 Shadow Executive Committee (or Audit Committee once created), for approval, an internal audit plan, setting out the recommended scope of their work in the period.

The 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/ Executive Director. SWAP will report at least four times a year to the Senior Leadership Team and Audit Committee. SWAP will also report a summary of their findings, including any persistent and outstanding issues, to the Audit 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 final detailed report will also be copied to the Head of Internal Audit, Corporate Director – Legal and Democratic, Section 151 Officer, and to other relevant line management.

The Chief Executive of SWAP will submit an annual report to the Audit 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.

March 2019