

# Wiltshire Council

## Proposed 2019-20 Internal Audit Plan and Internal Audit Charter

# The Internal Audit Plan: Summary

The internal audit plan represents a summary of the proposed audit coverage that the internal audit team will deliver throughout the 2019/20 financial year.

Delivery of an internal audit programme of work that provides sufficient and appropriate coverage, will enable us 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 plan 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 senior management 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 AGS.

**It is the responsibility of the Authority's Corporate Leadership Team, and the Audit Committee, 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:

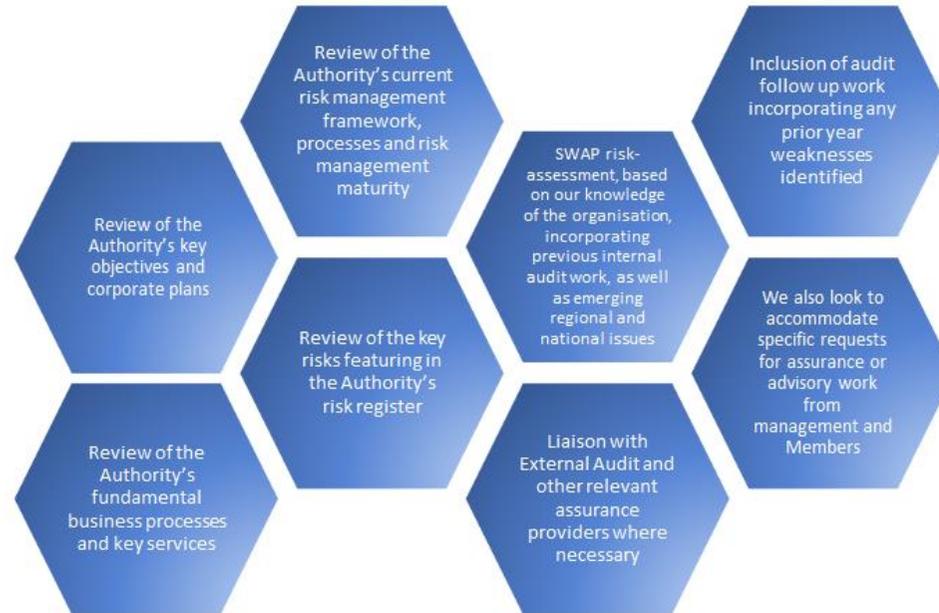
- Are the areas selected for coverage this coming year appropriate?
- Does the internal audit plan cover the organisation's key risks as they are recognised by the Corporate Leadership Team and Audit Committee?
- Is sufficient assurance being received within our annual plan to monitor the organisation's risk profile effectively?

# The Internal Audit Plan: Approach

To develop an appropriate risk-based audit plan, SWAP have consulted with senior management, as well as reviewing key documentation, in order to obtain an understanding of the organisation's strategies, key business objectives, associated risks, and risk management processes.

## Approach to Internal Audit Planning 2019/20

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



**[Due to the pace of change within Local Authorities, it is becoming increasingly difficult to accurately predict longer-term key organisational risks. Our approach to internal audit planning has therefore also changed to reflect this. Instead of preparing a full twelve-month plan, we will prepare 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 therefore reflects an increased contingency allocation, 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 Leadership Team, and the Audit Committee 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 regularly, but at least annually. 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 the risk assessment for Wiltshire Council:



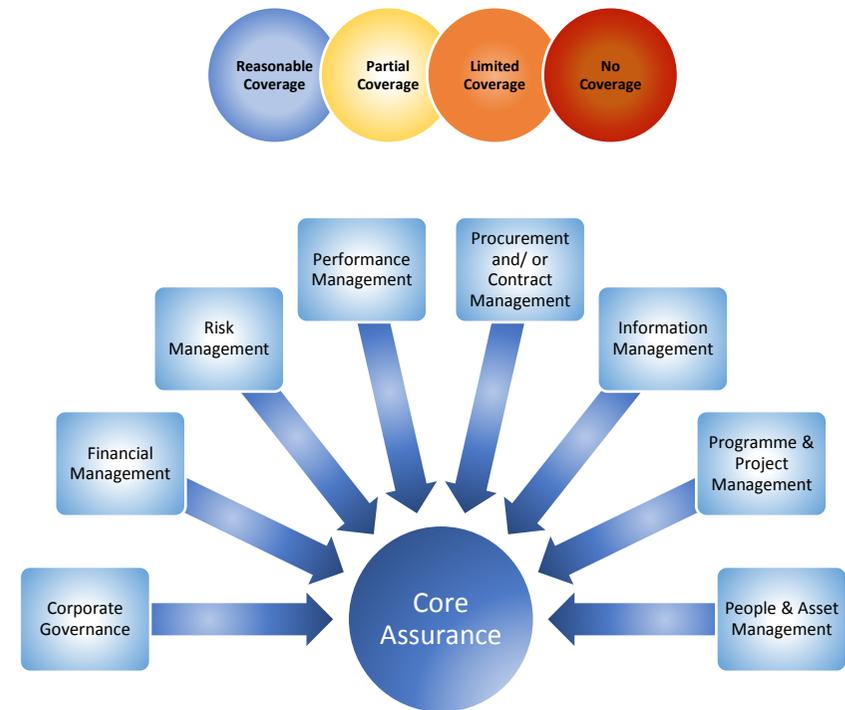
# The Internal Audit Plan: Coverage

Following our SWAP Risk Assessment above, we have set out how the proposed 19/20 plan presented in Appendix 1 provides coverage of the Authority's key corporate outcomes, as well as our core areas of recommended coverage.

Internal audit is only one source of assurance; therefore, where we have highlighted 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 the Authority's key corporate objectives, as well as our core areas of recommended coverage. Where we have highlighted limited or no coverage, Senior Management and Audit Committee 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 work will be equivalent to 1800 days, including counter fraud and corruption work. 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 Wiltshire Council are:

**David Hill, Director – [David.Hill@SWAPaudit.co.uk](mailto:David.Hill@SWAPaudit.co.uk), 07595711087**

**Charlotte Wilson, Principal Auditor – [Charlotte.Wilson@SWAPaudit.co.uk](mailto:Charlotte.Wilson@SWAPaudit.co.uk), 07732688505**

### 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 Wiltshire 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

# 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**

management who should institute adequate systems of internal control, including clear objectives, segregation of duties and proper authorisation procedures.

**Our Reporting**

A summary of internal audit activity will be reported quarterly to senior management and the Audit Committee. 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
<b><u>Delivery of Annual Internal Audit Plan</u></b> Completed at year end	>90%
<b><u>Quality of Audit Work</u></b> 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>	>95%
<b><u>Outcomes from Audit Work</u></b> Value to the Organisation <i>(client view of whether our audit work met or exceeded expectations, in terms of value to their area)</i>	>95%

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 Corporate Outcome/ Corporate Risk Register or Healthy Organisation Theme	Areas of Coverage and Brief Rationale	Audit Sponsor/ Senior Management Lead
	<b>Key Control Audits</b>	<b>TOTAL DAYS: 200</b>
<p><b>Financial Management</b> <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><b>Key Financial Controls</b> <i>All key financial systems are subject to cyclical audits to review key controls as a minimum and to provide assurance on effectiveness of controls</i> <i>Main Accounting and Bank Reconciliation</i> <i>Accounts Payable/Electronic ordering systems/BACS payments</i> <i>Accounts Receivable</i> <i>Payroll and expenses</i> <i>Council Tax &amp; Business Rates</i> <i>Housing &amp; Council Tax Benefits</i> <i>Housing Rents</i></p> <p><b>New Finance System Implementation Support</b> <i>Adhoc advice to support the implementation of the new financial system</i></p>	<p><b>Director Finance &amp; Procurement – Becky Hellard</b></p> <p><b>Director Finance &amp; Procurement – Becky Hellard</b></p>
	<b>Governance Audits</b>	<b>TOTAL DAYS: 125</b>
<p><b>Corporate Governance</b> <i>Corporate Governance refers to the strategic management practices and values and beliefs by which the Council operates</i></p>	<p><b>Financial Regulations and Contract Standing Orders Compliance</b> <i>Financial Regulations and Contract Standing Orders are a key part of financial governance and have recently been updated. This audit is to assess compliance by Officers and Members</i></p> <p><b>Council Oversight of Maintained Schools</b> <i>An audit to ascertain what internal controls are operating over maintained schools</i></p>	<p><b>Director Finance &amp; Procurement – Becky Hellard</b></p> <p><b>Director Education &amp; Skills – Helean Hughes</b></p>

	<p><b>Healthy Organisation</b>  <i>Drawing on the concept of Combined Assurance, the Healthy Organisation review is carried out jointly by Senior Management and Internal Audit together. It is a Health Check on 8 essential corporate functions which underpin day to day operational activities derived from work by the West of England Chief Internal Auditors Group and drawing on CIPFA and IIA material</i></p> <p><b>Partnership Governance</b>  <i>Working in partnership &amp; collaboration with other organisations has become increasingly important, to ensure a joined-up approach to service delivery, to maximise the use of resources and to help deliver key aims and objectives. This audit will be split into two phases, firstly identifying and risk assessing all partnerships across the Authority. This will be followed by a review of a selection of high-risk partnerships to assess the effectiveness of the framework established to govern these partnership arrangements</i></p>	<p><b>Director Finance &amp; Procurement – Becky Hellard</b></p> <p><i>Director Legal &amp; Democratic Services – Ian Gibbons</i></p>
	<p><b>IT Audits</b> <span style="float: right;"><b>TOTAL DAYS:</b></span></p>	<p><b>155</b></p>
<p><b>Risk Management</b>  <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><b>ICT Business Continuity</b>  <i>Disaster Recovery processes have been invoked recently due to a UPS failure in one of the data centres resulting in a loss of services and business areas within the authority having to refer to their Service Business Continuity plans. There was an indication that business areas still relied heavily on the restoration of ICT to maintain their own BCPs. This review will test the controls in place between the business area and ICT</i></p>	<p><b>Director Digital Transformation &amp; ICT – Paul Day</b></p>
<p><b>Commissioning &amp; Procurement</b>  <i>Assessing Procurement &amp; 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><b>WAN Procurement Approach</b>  <i>The authority is due to replace the contract for the Wide Area Network. Technologies for delivery of a WAN have changed significantly so this review will ensure that the authority have considered cost, resilience and future proofing</i></p>	<p><b>Director Digital Transformation &amp; ICT – Paul Day</b></p>

<p><b>Information Management</b>  <i>Effective Information Management will facilitate and support effective working, better decision-making, improved customer service and business transformation</i></p>	<p><b>Data Centre Operations</b>  <i>The authority operates in a hybrid environment between 2 data centres and cloud provision. There have been recently failures in the data centres that have resulted in a loss of business continuity. This review will assess the adequacy of the environmental and physical controls for the 2 data centres</i></p> <p><b>ICT &amp; Digital Strategy</b>  <i>The new ICT and Digital Strategy has been presented to and approved by the Scrutiny Committee. It is due to be presented to Cabinet on 26th March 2019. This review will consider the controls in place to ensure it remains managed and realistic</i></p> <p><b>High Level Cyber Security</b>  <i>At present, the authority is not PSN compliant and the wider strategy and policy frameworks need maturing. This would indicate specific control issues regarding ICT vulnerability and subsequent cyber security require awareness and improvement</i></p> <p><b>Management of Hybrid Cloud Operations</b>  <i>Once the review for the data centre has been complete, we can then form an opinion on the controls in place regarding the management of the cloud element. These two reviews combined may influence future decisions of either a hybrid or full cloud environment</i></p> <p><b>GDPR Compliance</b>  <i>An audit to assess the level of ongoing compliance with GDPR. This follows on from the GDPR Readiness work completed in 2018/2019</i></p>	<p><b>Director Digital Transformation &amp; ICT – Paul Day</b></p> <p><b>Director Corporate Functions &amp; Digital – Robin Townsend</b></p>
<p><b>Programme &amp; Project Management</b>  <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><b>Agile ICT Audit Project Assurance including Get Well</b>  <i>At present, the last major investment in the ICT Enterprise was in 2009 so at present, many parts of the infrastructure require a major refresh. This is being facilitated by a requirement for £13m of Capital of which £7.5m will be set aside for the “Get Well” programme which will be facilitated by various projects to upgrade infrastructure, communications, operating systems including the move to Windows 10 and ICT Service Management Processes. The timeline for the “Get Well” programme is currently 18 – 24 months. These days are available as part of an ongoing risk advisory at key part of the programme</i></p>	<p><b>Director Digital Transformation &amp; ICT – Paul Day</b></p>

	<b>Service Reviews</b>	<b>TOTAL DAYS:</b>	<b>490</b>
<p><b>Financial Management</b>  <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><b>Pension Fund Investments Transfer</b>  <i>The pension fund investment management has been transferred to Brunel Investments Partnership. An audit review was undertaken in 2018/19 of the readiness for the transfer of assets. This audit is to conduct an annual check on the funds transfer to Brunel to ensure the project remains on track delivering the expected outcomes</i></p>		<p><b>Director Finance &amp; Procurement – Becky Hellard</b></p>
	<p><b>Corporate Debt Management</b>  <i>A review to identify the most efficient way of collecting debt for each income stream as well as how bad debts are collected once the standard routes are exhausted. Phase 1 will focus on the identification of the various income streams and every potential debt. Phase 2 of this work will identify the most efficient way of collecting debt for each income stream as well as the collection of bad debts once standard routes are exhausted.</i></p>		<p><b>Director Finance &amp; Procurement – Becky Hellard</b></p>
	<p><b>Medium Term Financial Strategy</b>  <i>A review of the effectiveness of the medium-term financial plan including the realisation of financial benefits and how embedded these are in the plan</i></p>		<p><b>Director Finance &amp; Procurement – Becky Hellard</b></p>
	<p><b>Adult Services - Deputyship for Service Users</b>  <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><b>Director Access &amp; Reablement – Emma Legg</b></p>
	<p><b>Deprivation of Assets</b>  <i>To provide assurance that Service Users have not deprived themselves of assets prior to the financial assessment</i></p>		<p><b>Director Access &amp; Reablement – Emma Legg</b></p>
	<p><b>Financial Assessments</b>  <i>To review the controls operating over financial assessments and personal budgets for adult social care to ensure effectively supported by evidence of capital and savings to determine level of contributions</i></p>		<p><b>Director Access &amp; Reablement – Emma Legg</b></p>

	<p><b>Commercial Trading</b>  <i>A review of Traded Services with Schools has been carried out in 2018/19. This audit will review the controls operating including to set, collect and manage fees and trading accounts across the Council as a whole with a focus on ensuring traded services are appropriately costed and corporate savings targets achieved</i></p> <p><b>High Needs Block</b>  <i>A review to ensure adequate strategic and operational management of the High Needs Block funding</i></p> <p><b>Direct Payments</b>  <i>This audit will review the controls operating and compliance with statutory requirements of the Health &amp; Social Care Act 2002 and to ensure direct payments not misused by service users. The audit will include the use of data analytics where appropriate to identify any themes or recurrent control weakness</i></p>	<p><b>Director HR &amp; OD – Jo Pitt</b></p> <p><b>Director Education &amp; Skills – Helean Hughes</b></p> <p><b>Director Access &amp; Reablement – Emma Legg</b></p>
<p><b>Commissioning &amp; Procurement</b>  <i>Assessing Procurement &amp; 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><b>Contract Management</b>  <i>A review of the end to end process of commissioning, procurement and contract management to provide assurance that the Council’s contracts are being actively and effectively managed.</i></p> <p><b>Adoption</b>  <i>A regional adoption agency is due to go live imminently. This audit will examine the Council’s relationship and expenditure controls</i></p> <p><b>Travel and Expense Claims Cloud Based System</b>  <i>A new cloud-based system has been tested by Payroll &amp; Fleet. An RFQ is currently being drafted to procure the new application. This is to review the specification and controls to be implemented to ensure an adequate and robust system is implemented. A follow up of the previous staff travel and expense audit is also to be included</i></p> <p><b>Waste Management Contract</b>  <i>The service is due to move to one integrated contract with a single provider, the value of which will be in excess of £30m per annum. This audit is to review the contract management arrangements to ensure the continued provision of agreed contracted services.</i></p>	<p><b>Director Finance &amp; Procurement – Becky Hellard</b></p> <p><b>Director Families &amp; Children – Lucy Townsend</b></p> <p><b>Director HR &amp; OD – Jo Pitt</b></p> <p><b>Director Waste &amp; Environment – Tracy Carter</b></p>

	<p><b>Housing Repairs</b>  <i>Housing Repairs represents a major area of Housing service expenditure, approximately £5.4M per annum (revenue). The responsive repairs partnering contract terminated at the end of March 2019 and the majority of repairs and voids have been brought back in house. This audit is to provide support with this change as well as advice on the control environment.</i></p> <p><b>Public Health Contract Compliance</b>  <i>Public Health provides a number of health-related services to the public that are commissioned through external suppliers. This audit is to ensure that services are procured in accordance with policy and procedures and are not subject to legal challenge and to confirm that contracted services are delivered in accordance with the terms and conditions of the contract and the desired outcome achieved.</i></p>	<p><b>Director Housing &amp; Commercial – Simon Hendey</b></p> <p><b>Director Public Health &amp; Protection – Tracy Daszkiewicz</b></p>
<p><b>Programme &amp; Project Management</b>  <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><b>Programme Management</b>  <i>This review is to examine the programme management approach to ensure projects are adequately managed and monitored to deliver the required outcomes in line with the new business case framework as well as demonstrating clear links to services plans and Council objectives</i></p> <p><b>Adult Social Care Transformation Stream</b>  <i>The Transformation Streams are key in supporting the delivery of the Council’s Business Plan priorities. This audit will review the programme management of the Transformation Stream to assess progress and ensure expected outcomes are being delivered</i></p> <p><b>SEN Children’s Transition to Adult Services</b>  <i>Currently, children will move to Adult Services at the age of 25. Wiltshire Council is considering a whole life plan. This piece of work will assess the arrangements in place for this transition</i></p> <p><b>Transformation Delivery – Lessons Learnt</b>  <i>There have been a number of recent incidents where councils have failed to secure the expected benefits and revenue savings from ambitious transformation programmes and depleted reserves to compensate. This will review the lessons learnt from such cases and provide assurance around the various transformation streams</i></p>	<p><b>Director Corporate Functions &amp; Digital – Robin Townsend</b></p> <p><b>Various</b></p> <p><b>Director Families &amp; Children – Lucy Townsend</b></p> <p><b>Various</b></p>



	<b>Follow Up Audits</b>	<b>TOTAL DAYS:</b>	<b>32</b>
<p><b>Performance Management</b>  <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><b>Follow Up Work</b>  <i>Follow up of prior year 'Partial' audits and the implementation status of agreed actions</i></p>		<b>Various</b>
	<b>Counter Fraud &amp; Corruption</b>	<b>TOTAL DAYS:</b>	<b>360</b>
	<p><b>Proactive Fraud Investigations</b>  <i>Linked to risks in Protecting the Public Purse</i></p> <p><b>Reactive Fraud Investigations</b>  <i>To undertake ad hoc unplanned investigations as agreed</i></p> <p><b>National Fraud Initiative</b>  <i>To assist the Council to monitor investigation of matches</i></p> <p><b>Organisational Fraud Awareness</b>  <i>Fraud awareness is key across the Council in responding to fraud and corruption and developing a strong anti-fraud culture and deterrent. This will be by seeking to raise awareness of the risk of fraud and corruption amongst officers, residents and Members to maximise protection of the Council's assets and reputation. SWAP will raise awareness through for example use of the Intranet, e-learning, workshops and alerts to in particular to key groups of officers</i></p> <p><b>Data Analytics Exercises</b>  <i>The use of data analytics to examine 100% of data transactions is an effective tool in identifying fraud and error</i></p>		

	<p><b>Fraud Intelligence Hub</b>  <i>In 2016 the CIPFA Counter Fraud Centre, together with BAE developed a Counter Fraud Hub for London using advanced analytical software. This has yielded significant results in the matching of data across London Councils and identifying fraud. They are now looking at expanding outside London and developing pilots. The Council's S151 Officer has already registered interest in the Council being a pilot and for this piece of work and SWAP will take this forward</i></p>	
	<p><b>Other</b></p>	<p><b>TOTAL DAYS: 283</b></p>
	<p><b>Grant Certifications</b>  <i>Troubled Families</i>  <i>Public Health Grant</i>  <i>Growth Hub</i>  <i>Local Authority Bus Subsidy</i></p> <p><b>Contingency for Emerging Risk Areas and Specific Management Requests</b></p> <p><b>Ad Hoc Requests for Audit Advice &amp; Guidance</b></p> <p><b>Audit Planning and Committee Reporting</b></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 13<sup>th</sup> March 2017 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

#### **Management<sup>1</sup>**

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.

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<sup>1</sup> In this instance Management refers to the Corporate 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 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 2019***



# Head of Internal Audit Engagement

Challenges facing the Head of Internal Audit in a challenging Local Government.



## The Role of the HoIA and engagement with our Partners & Clients

*\*Note – CIPFA has produced draft guidance on the Head of Internal Audit (HIA) Principles. The document covers 5 Key Principles for the HIA and some of the content of this document has been gleaned from that.*

Local Government finds itself in an unprecedented time of financial pressure, increasing challenges and transformation. As a result, the HIA faces the challenge of meeting the higher expectations from their organisations to help them look forward and navigate their way through the ever-changing risk environment.

Whilst the HIA is not responsible for the production of the Annual Governance Statement (AGS), the annual opinion of the HIA should support the organisation's AGS by providing adequate assurance on risk management and the effectiveness of the control environment.

It is of course the Senior Leadership Team's responsibility to ensure the organisation is achieving its objectives and that there is good governance and an effective framework for managing risk and internal control. The HIA's Annual Opinion offers independent assurance that that is the case; to do that effectively, the HIA's Opinion must be 'evidence based' with a sound knowledge and understanding of organisations risks.

To enable the HIA's Opinion to be truly evidence based, it has to begin with an Annual Plan which focusses on the major and strategic risks faced by the organisation. The plan must be flexible to respond to new risks, not the following year, but, as they emerge. In order to achieve this the HIA must have their 'finger on the pulse' of the organisation and have the full support and engagement of the Senior Leadership Team for the organisation they serve.

The CIPFA document referred to above states that there should be an establishment of "*clear lines of reporting to the leadership team and to the audit committee.*"

For SWAP Partners, the role of HIA is filled by the site Assistant Director. They are responsible for the development of the Annual Audit Plan and for offering an Assurance Opinion at the end of the year. Whilst the process for planning and reporting to the Audit Committee seems to be reasonably sound\*\*, there could be some improvement in the on-going communication between the HIA and the Senior Leadership and Departmental Management Teams.

In an unstable world, the risks facing organisations is rapidly changing more than ever. In order to provide their assurance, the HIA must become aware of these pressures and be involved at an early stage so that their annual plan can be flexed accordingly to meet these emerging risks and add true value to the organisation. Failure to achieve that will result in a risk that annual plan will be adhered to and delivered but will not support an 'evidence based' annual opinion from the HIA; reducing the confidence the organisation can have in the assurance offered.

We therefore propose that the HIA (or their Senior Representative) should meet with the Senior Leadership and Departmental Management Teams on a quarterly basis in line with the following timetable:

<b>MONTH</b>	<b>Meeting Purpose</b>
JANUARY	Review progress against the annual plan and discuss the development of the following year plan.
MARCH	Review progress against the annual plan and agree the following year plan for approval by the Audit Committee.
JULY	Review progress against the annual plan and discuss new and emerging risks. Determine if the current plan needs to be 'flexed' accordingly.
OCTOBER	Review progress against the annual plan and discuss new and emerging risks. Determine if the current plan needs to be 'flexed' accordingly.

Such meetings would not of course preclude ad-hoc urgent requests to flex the plan to meet immediate needs.

**We recommend that SWAP Client Officers submit this proposal to their respective Senior Leadership Teams for agreement and implementation effective from January 2019.**

*\*\*SWAP is currently in the process of reviewing its planning processes to ensure it is robust and fit for purpose in providing an 'evidence based' opinion.*