

# Significant Audit Risks – Supplementary information for Audit & Governance Committee

February 2017



## 1. Background:

- 1.1 At the Audit & Governance Committee on 20 January 2017, committee members raised a number of questions in relation to the Summary of Significant Risks identified by audit in the Quarter 2 & 3 Internal Audit Progress Report. Following the meeting, it was agreed that further detail would be provided in relation to four of the risks identified, to provide more specific examples of the findings listed, and to assist the Committee in its oversight role.
- 1.2 At the meeting, SWAP also agreed to review the wording of future significant risks, to ensure that the risks captured in progress reports provided greater direction to the reader, in relation to the specific findings.
- 1.3 The three reviews that were the focus of discussions at the January Audit & Governance Committee, were; Use of External Advisors, Safer Recruitment, and Budget Management. Supplementary information in relation to these three reviews has been provided below.

## 2. Supplementary Information:

### 2.1 Use of External Advisors

- 2.1.1 One of the key findings arising from our review of the Use of External Advisors, was the absence of corporate oversight (at officer level) of the use of external advisors. The risk and finding captured as part of the Summary of Significant Risks reported to members was *'There is no strategic oversight of the use of external advisors at a corporate level.'*
- 2.1.2 As part of the detailed findings in the full audit report, we reported that *'External advisor spend across the authority is reported comprehensively within the quarterly 'Head Count and FTE figures and Non-Directly employed contract workforce report' that goes to the Staffing Committee, but not through the Corporate Leadership Team'*. Furthermore, we reported that *'There is currently no designated individual/ department at DCC with responsibility for monitoring external advisor spending at a strategic level.'* At the time of our review (July/ August 2016), we were not made aware of any overall reporting or monitoring of external advisor spend at officer level.
- 2.1.3 Therefore, whilst we acknowledged the quarterly reports to Staffing Committee, we wanted to highlight the absence of oversight and monitoring at officer level. We felt this important, especially due to the fact that, as part of our audit review, we could not provide assurance that figures reported in the quarterly staffing committee report had been collated accurately and were free from error. Given this potential weakness in data quality, we felt that that quarterly report to members was not sufficient to provide the oversight and scrutiny required for an area with spend of approximately £2.5 million per annum.
- 2.1.4 At the January committee meeting the Chief Executive made reference to a monthly report received in relation to External Advisors. At the time of our audit, we were not made aware of this process. A scheduled follow up of this area will hopefully demonstrate that reporting in this area is in place and/ or has been enhanced.

### 2.2 Safer Recruitment

- 2.2.1 A key finding from our review of Safer Recruitment – DBS Checks, was in relation to DBS checks for new employees to the Authority. The risk and finding captured as part of the Summary of Significant Risks reported to members was *'There is no effective control to ensure that a DBS check is undertaken in every appropriate instance prior to employment commencing.'*

- 2.2.2 This finding was flagged, due to the fact that under the current system of Manager self-service, individual managers are responsible for determining whether roles they are recruiting to are under a regulated activity and therefore require a DBS check. Whilst DES will provide guidance in relation to the level for existing posts, new posts will require the recruiting manager to assign the level. Furthermore, assigning the DBS level is not a mandatory field at all stages in the process, presenting the risk that this may be bypassed by a manager.
- 2.2.3 In the detailed testing and findings of our audit review, we found that for 1 out of the 15 Dorset County Council new employees tested and 1 out of the 5 Council partner new employees tested, there was no confirmation on the Appointment Checklist, which is completed by managers, that a DBS check had been undertaken prior to these employees starting work. For the new Dorset County Council employee, the manager subsequently confirmed that the DBS check had been received prior to commencement of employment. For the Council partner employee, no DBS check had been carried out prior to commencement of employment. We also identified that for a Countryside Ranger post that was tested, there was confusion as to whether this post required a DBS check. In DES it was listed as being a regulated activity, but the manager concerned stated that there was no DBS requirement.
- 2.2.4 Therefore, whilst audit recognise that there are certain controls in place to ensure DBS checks are undertaken, we have highlighted that the effectiveness of these controls cannot demonstrate that a DBS check is undertaken in every appropriate instance prior to employment commencing.

### **2.3 Budget Management**

- 2.3.1 At the Audit & Governance Committee on 20 January, committee members highlighted two areas in relation to this review where further information would assist in understanding the extent of the risks reported. This related to the findings *'Budgets are not 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'* and *'There is a lack of clarity around the roles and responsibilities of Committees for scrutinising budgets.'*
- 2.3.2 Our finding highlighting that *'Budgets are not assigned to an appropriate budget holder according to Schemes of Delegation'* related primarily to the Adults & Community Services directorate, where we found examples of officers agreeing lower level packages of care without responsibility for that particular budget. Our detailed findings highlighted that *'Whilst these individual packages of care may be small in monetary terms, there is still a risk of a lack of accountability for the budget. It is important that the schemes of delegation within each Directorate are aligned with the responsibility for budgets.'*
- 2.3.3 In relation to the finding *'There is a lack of clarity around the roles and responsibilities of Committees for scrutinising budgets'*, this finding was reported at the time of the audit fieldwork (July 2016), but has subsequently been fully addressed. Audit & Governance Committee minutes from 8 June 2016 highlighted that *'In response to a question the Chief Financial Officer advised that the Audit and Governance Committee was the primary body to monitor the overall budget position. The Budget Strategy Task and Finish Group helped to drive the future savings programme but had no responsibility to manage the in-year budget and was not a formal committee. If there were particular concerns then the Committee had the ability to call a particular senior manager to account. It could also refer matters to the Overview and Scrutiny Committees if an in depth investigation of the issues was required.'* Audit reported this finding at the time of our report due to the fact that the new arrangements had not yet become embedded, but are now satisfied that clarity has been fully established.

### **3. Future Reporting:**

- 3.1 SWAP will continue to report a summary of significant risks in the quarterly internal audit progress reports. As above however, we will strive to provide sufficient detail to members to assist with understanding the context of the issue, to enable effective scrutiny.
- 3.2 Scheduled follow ups of the three reviews above are also due to take place in early 2017/18. These should provide assurance to members that the areas of significant risk have been sufficiently addressed and mitigated.

#### **South West Audit Partnership**

13 February 2017