



**Dorset Councils Partnership**



**SWAP**  
**INTERNAL AUDIT SERVICES**  
Assuring – Improving – Protecting

# Dorset Councils Partnership

Report of Internal Audit Activity

Plan Progress 2018/19 – March 2019

Internal Audit ■ Risk ■ Special Investigations ■ Consultancy

## 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.



### Audit Opinion and Summary of Significant Risks

#### **Audit Opinion:**

Audit reviews since our last report to Committee, highlight that overall, risks are reasonably well managed with the systems of internal control working effectively.

#### **Significant Risks:**

In the 2018/19 final audit reports issued to date, there have been no Significant Corporate Risks identified in our work.

Since our last report to Committee, no further audits have received a 'Partial' level of assurance and our usual schedule reporting the outcomes of our audit assignments can be found at **Appendix 1**.

#### **Outstanding Recommendations:**

Our usual schedule of outstanding higher priority audit recommendations has been prepared and is reported in **Appendix 3**. This includes an update on any Priority 1 & 2 recommendation due for implementation prior to 4 March 2019, that remain outstanding.

As this is the last meeting of the Joint Advisory Accounts and Audit Committee, recommendations still outstanding will be rolled forward for consideration by the new Dorset Council to ensure that outstanding risks have been suitably mitigated or addressed.

## Internal Audit Plan Progress 2018/19

The Executive Director 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 26 Partners as well as many other subsidiary bodies. SWAP performance is subject to regular monitoring review by both the Board and the Member Meetings. The respective performance results for the Dorset Councils Partnership for 2018/19 to date (as at 14<sup>th</sup> March 2018), are:

Performance Measure	Performance
<p><b><u>Delivery of Annual Audit Plan</u></b></p> <p>Completed 96%</p> <p>Work at Report Stage 4%</p> <p>Fieldwork 0%</p> <p>Not Yet Started 0%</p>	
<p><b><u>Quality of Audit Work</u></b></p> <p>Overall Client Satisfaction 100%</p> <p><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> <p>Percentage of SWAP staff qualified or working towards a qualification 100%</p>	
<p><b><u>Outcomes from Audit Work</u></b></p> <p>Percentage of Priority 1 &amp; 2 recommendations identified by SWAP, that remain outstanding past their implementation date 59% (10 out of 17)</p> <p>Value to the Organisation 100%</p> <p><i>(client view of whether our audit work met or exceeded expectations, in terms of value to their area)</i></p>	

## Internal Audit Plan Progress 2018/2019

Audit	Scope and Objective	Opinion	No of Rec	1 = Major	↔	3 = Minor
<p>We keep our audit plans under regular review so as to ensure that we are auditing the right things at the right time.</p>	<p>➔ Changes to the 2018/19 Audit Plan</p> <p>The audit plan for 2018/19 is detailed in <b>Appendix 2</b>. Since the previous Committee, there have been no changes to the plan.</p> <p>Throughout the financial year, SWAP has also been commissioned by the Shaping Dorset Council (SDC) Programme Board to provide high-level reviews of the SDC programme governance, as well as a recent gateway review of the programme. The following reviews have been completed to date:</p> <ul style="list-style-type: none"> <li>▪ <a href="#">SDC Programme – Programme Governance Review (26.07.18)</a></li> <li>▪ <a href="#">SDC Programme – Programme Governance Follow Up (13.08.18)</a></li> <li>▪ <a href="#">SDC Programme - Programme Governance Review (1.10.18)</a></li> <li>▪ <a href="#">SDC Programme – Gateway 1 Review (29.10.18)</a></li> <li>▪ <a href="#">SDC Programme – Gateway 2 Review (25.01.19)</a></li> </ul>					

Audit	Scope and Objective	Opinion	No of Rec	1 =	↔	3 =
				Major		Minor
				Recommendation		
1	2	3				
<p><b>Summary of Findings - Follow Up</b></p> <p>Testing has revealed that service processes are functioning well, with no recommendations raised. It is pleasing to note that the outstanding recommendation from 2016/17 has now been implemented following an update from the Head of Revenues and Benefits. The recommendation is detailed below:</p> <p><i>'We recommend that the Head of Revenues and Benefits undertakes investigations into the functionality within Academy, or an alternative system, to allow Inspection Officers to communicate the status of new builds prior to them being assigned a property reference.'</i></p> <p>The Head of Revenues and Benefits confirmed that the Total Mobile software has now been implemented, with access being given to all three councils. Further licences have been purchased to allow officers to utilise the software for both Council Tax and NDR. Capita, the software provider, are scheduled to deliver training to the team in March 2019, where an additional configuration session will also be completed. Once these stages have been completed, the Head of Revenues and Benefits has confirmed that the process should be rolled out and in use by the end of April 2019.</p>	To provide assurance that agreed actions to mitigate against risk exposure identified within the 2017/18 Partial opinion report have been implemented.	Follow Up	11		1	10
<b>Housing Benefits</b>	To ensure that the Housing Benefit function is being managed effectively and the controls are both effective in their design and their implementation.	Substantial	0			
<p><b>Summary of Findings</b></p> <p>It is pleasing to note that no significant findings have been identified as part of this review.</p> <p>Audit testing has confirmed that the Benefits Team are working effectively, with claims being managed as per procedure. The team are managing the introduction of Universal Credits (UC), which has changed individual benefits for the majority of claimants. The team have also recognised that some current initiatives are no longer as effective as when they were first implemented. For example, Risk Based Verification (RBV), this is no longer as effective with streamlining the application process following the introduction of UC, therefore the team have given notice to Capita, service provider, that from April 2019 the RBV function will no longer be required.</p>						

Audit	Scope and Objective	Opinion	No of Rec	1 =	↔	3 =
				Major		Minor
				Recommendation		
1	2	3				
<p><b>Corporate Debt – Follow Up</b></p> <p>There has been an element of work done to address certain recommendations with three out of the 14 able to be marked as complete, however there are a significant number of recommendations that have not been fully addressed or fully accepted. It has been indicated that the time pressures relating to Local Government Reorganisation (LGR) work and the necessary changes, and process alignments that will arise out of this work, are the reasons behind the recommendations not being fully addressed at this stage.</p> <p>The service has therefore accepted the risks in the short to medium-term by not implementing a number of the recommendations raised but have indicated that these will be addressed as part of LGR and the new Dorset Council. However, due to other priorities of the Shaping Dorset Councils Programme Team, we are unable to confirm a timescale for when these recommendations will be picked up by the Dorset Council. As such, no revised target implementation dates have been provided for any the outstanding recommendations.</p> <p>A further review of ICT Vulnerability is likely to be included within a future audit plan for the new Dorset Council to ensure that the new authority has adequate arrangements in place to mitigate vulnerabilities. This will include a review of any areas of weakness identified at DCP to ensure that the new Dorset Council’s controls surrounding ICT vulnerability address these weaknesses.</p>			1			1

# Outcome of Audit Assignments

# APPENDIX 1

Audit	Scope and Objective	Opinion	No of Rec	1 =	↔	3 =
				Major		Minor
				Recommendation		
1	2	3				
<p><b>Property Services Statutory Responsibilities – Further Follow Up</b></p>	<p>To provide assurance that agreed actions to mitigate against risk exposure identified within the 2017/18 Part 4 annual report have been implemented.</p>	<p>Follow Up</p>	<p>5</p>		<p>5</p>	
<p>Significant progress has been made with the implementation of the 7 raised recommendations with five recommendations being completed. The team are actively managing and recording debts with the relevant clients (services) to ensure recovery process are in place. The sixth recommendation has been formally agreed as ‘risk accepted’ due to the ongoing business changes related to the Local Government Reorganisation (LGR).</p> <p>Two Business Support Officers have been appointed to the Legal Services Team, increasing the available resources. This has enabled the team to ensure that debts being referred to Legal are processed in a timely manner, with evidence seen of communications between Legal Services and relevant service area regarding actions to be taken.</p> <p>The Financial Performance Manager was tasked with obtaining costings for the potential of an additional module within Civica Financials to allow for a more automated process for the Legal Services Team, such as the issue of standard debt recovery letters. Following discussion and looking forward with LGR, both the Corporate Manager – Legal Services and Head of Financial Services have agreed to accept the risk associated with the recommendation in the time ahead of April 2019, with a review being completed once system and service transfers have been completed as part of the new Dorset Council.</p>						

Audit	Scope and Objective	Opinion	No of Rec	1 =	↔	3 =
				Major		Minor
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1	2	3				
<p>two priority 4 and one priority 3. Therefore, due to these being seven priority 4 recommendations outstanding, it was agreed a second follow up review would be completed in Quarter 4 of the financial year.</p> <p><b>Financial Reconciliations</b></p>	<p>To provide assurance that the Authority has processes in place to identify inaccurate or fraudulent transactions through regular reconciliations.</p>	<p>Reasonable</p>	<p>2</p>			<p>2</p>
<p>Progress has been made towards the implementation of outstanding recommendations following the initial follow up review. The effects of the upcoming Local Government Reorganisation (LGR) has impacted the implementation of a small number of recommendations due to data transfers and the departure of the Building and Facilities Manager. Evidence to demonstrate complete implementation of two recommendations was not provided during the fieldwork stage and as such these recommendations have been marked as in progress. It should also be noted that two recommendations were noted as complete via client self-assessment as part of the December 2018 Joint Advisory Accounts and Audit Committee, but upon further inspection as part of this review this was found to not be the case. Updates have been provided on the current position of the recommendations along with new target implementation dates.</p> <p>It has been confirmed as part of LGR, that Technology Forge (TF) will be the main record management system used within the new Dorset Council, therefore the team have focused their attention on ensuring all asset records are up to date and prepared for the data transfer from the Dorset Council’s Partnership (DCP) TF system to the Dorset County Council’s (DCC) TF system. Further to this, there has been a loss in key staff ahead of LGR, along with the uncertainty regarding the Property Services structure within the new council, the revised target implementation dates for the outstanding recommendations have been agreed for September 2019 to reflect this and allow the team operational time to implement the outstanding recommendations following the transfer to the new council.</p> <p>It is pleasing to note that all North Dorset District Council (NDDC) assets are now on TF, with the corresponding inspection records being on the centralised Y:Drive system.</p>						



## Summary of Findings

Financial reconciliations are being carried out in a satisfactory manner, with all processes being fully aligned across the Dorset Council's Partnership (DCP) of North Dorset District Council (NDDC), West Dorset District Council (WDDC) and Weymouth and Portland Borough Council (WPBC). As part of the review, audit have highlighted two areas of improvement to assist with improving the efficiency of the reconciliation processes.

It is pleasing to note that the outstanding recommendation from the 2017/18 SWAP review, '*We recommend that the Financial Resources Manager ensures WDDC and WPBC suspense accounts are reviewed and all historic non-identifiable postings are written off to enable suspense accounts to be monitored at the general ledger level and negate the need for separate spreadsheet*' has been implemented, however concerns have been raised as part of this review, regarding the number of outstanding suspense items starting to accumulate during the current year. It is best practice for items older than three months to be cleared to prevent the accumulation of items that have not been posted and subsequently not included in figures for budget monitoring. Following the positive work completed to write-off historical items a recommendation has been raised to capture the need for regular reviews and allocation of items three months and older to prevent the accumulation of long-term postings occurring again.

A second recommendation has been raised regarding the streamlining and simplifying of the monthly bank reconciliations across the three authorities. The current process is extremely complex, with the content of the reconciliations being heavily reliant on a number of spreadsheets and formulas. The content of the spreadsheets is either manually input or transferred from other spreadsheets. Audit sought to obtain source data to clarify the calculations performed by the formulas, but this was a lengthy and difficult process, which it is believed could be simplified.

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Recommendation		
						1 = Major	↔	3 = Minor
						1	2	3
<b>Work Completed</b>								
Assurance Work	Port Health Authority WPBC – Annual Review of Accounts	Q1	Completed	Certification	N/A			
Follow Up	Rough Sleepers	Q1	Completed	Follow Up	-			
Follow Up	Property Services Statutory Responsibilities	Q1	Completed	Follow Up	8		7	1
Follow Up	IR 35 Compliance	Q1	Completed	Follow Up	3			3
Follow Up	Corporate Complaints	Q1	Completed	Follow Up	3			3
Operational	Health & Safety	Q1	Completed	Reasonable	2		2	
Advisory	Bed and Breakfast VAT Charges	Q2	Completed	Advisory	N/A			
Operational	Long Term Empty Homes	Q2	Completed	Reasonable	4			4
Operational	Data Handling and Disposal Arrangements	Q2	Completed	Partial	6		1	5
Operational	Business Continuity	Q2	Completed	Reasonable	1		1	
Operational	Sickness Management	Q2	Completed	Partial	2		2	
Operational	Data Quality of Performance Information	Q2	Completed	Reasonable	1		1	
Special Investigation	Investigation 2	Q2	Completed	N/A	2			
ICT	Data Centre – Physical & Environmental Controls	Q2	Completed	Partial	16		5	11
Follow Up	Corporate Debt Recovery	Q3	Completed	Follow up	1			1

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 =	↔	3 =
						Major		Minor
						Recommendation		
Key Control	Financial Reconciliations	Q3	Completed	Reasonable	2			2
Operational	Assets and Finance Integration Project Outcomes	Q3	Completed	Advisory				
Special Investigation	Investigation 3	Q3	Completed	N/A				
Key Control	Council Tax	Q3	Completed	Substantial				
Key Control	NDR	Q3	Completed	Substantial				
Key Control	Housing Benefit	Q3	Completed	Substantial				
Further Follow Up	Property Services Statutory Responsibilities	Q3	Completed	Follow Up	5		5	
Follow Up	ICT Vulnerability	Q3	Completed	Follow Up	11		1	10
<b>Reporting Stage</b>								
Special Investigation	Investigation 1	Q2	Draft Report					
<b>Shaping Dorset Council Work Completed</b>								
Governance	Programme Governance Review – 26.07.18	Q2	Completed	Partial	6			
Follow Up	Programme Governance Follow Up Review – 13.08.18	Q2	Completed	N/A	-			
Governance	Programme Governance Review – 01.10.18	Q2	Completed	Partial	7			
Gateway Review	Programme Gateway 1 Review – 29.10.18	Q3	Completed	N/A	7			
Gateway Review	Programme Gateway 2 Review – 25.01.19	Q4	Completed	N/A	8			