

Dorset Council

Report of Internal Audit Activity

Plan Progress 2019/20 – November 2019

Executive Summary

The Assistant Director is required to provide an annual opinion to support the Annual Governance Statement.

As part of our plan progress reports, we will provide an ongoing opinion to support the end of year annual opinion.

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

The contacts at SWAP in connection with this report are:

Rupert Bamberger

Assistant Director

Tel: 07720312464

rupert.bamberger@swapaudit.co.uk

Sally White

Principal Auditor

Tel: 01305 224488

sally.white@swapaudit.co.uk



Audit Opinion and Summary of Significant Risks

Audit Opinion:

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

However, since the start of the financial year we have issued a number of Partial opinions on the areas and activities we have been auditing. In Appendix A on pages 7-10, we provide a summary of each partial opinion, in order to provide the committee with further insight.

When we undertake follow up audits, we would ideally hope to find all our recommendations implemented. However this is often not the case, and sometimes for good reason. We monitor and report to members the percentage of high priority (priority 1 and 2) recommendations that are not implemented at the time of our follow up audits, despite the implementation date having passed. The percentage outstanding is currently reasonably high; 75% (6 out of 8).

Where we feel that insufficient progress has been made towards implementing our recommendations, we will agree new implementation dates and schedule a further follow up review to ensure that progress has been made.

Significant Risks:

No Significant Corporate Risks have been identified as part of our 2019/20 audit work across Dorset Council to date.

Internal Audit Plan Progress 2019/20

The Chief Executive Officer for SWAP reports performance on a regular basis to the SWAP Directors and Owners Boards.



SWAP Performance

SWAP performance is subject to regular review by both the Directors and Owners meetings. The respective outturn performance results for Dorset Council for the 2019/20 year (as at 13 November 2019) are as follows:

Performance Target	Performance
<u>Audit Plan – Percentage Progress*</u>	
Completed	34%
Work at Report Stage	6%
Fieldwork	21%
Scoping	13%
Not yet Started	26%
* The above percentages are based on the full year's internal audit work plan – previously reported figures were based only on the six-month plan up to end September	
<u>Quality of Audit Work</u>	
Overall Client Satisfaction <i>(did our work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation)</i>	100%
<u>Outcomes from Follow Up Audit Work</u>	
Percentage of Priority 1&2 recommendations for Partial assurance audits, that remain outstanding when the follow up audit is undertaken	75% (6 of 8)
Value to the Organisation <i>(client view of whether our audit work met or exceeded expectations, in terms of value to their area)</i>	100%

Internal Audit Plan Progress 2019/20

Value Added

'Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.'



Value Added

SWAP strives to add value wherever possible i.e. going beyond the standard expectations and providing something 'more' while adding little or nothing to the cost.

Some recent examples of added value are benchmarking exercises both within our own partner base and also our wider network of Internal Audit colleagues through the County Chief Auditors Network, along with surveys as follows:

- **Fostering** – As part of our review of Fostering we were asked to undertake a benchmarking exercise to identify alternative delivery models that are in place in other authorities. We had an excellent response to our request for information and were able to benchmark against 12 other Councils which indicated that the majority are still providing in-house fostering services with just 3 of the 12 delivering a fully out-sourced service. Further to the benchmarking exercise, a survey was undertaken across all current mainstream and connected persons foster carers. 71 responses were received from a total 171 which has provided the service with foster carers views and opinions on the approval process, the annual review process, support and training provided.
- **Adult Services Financial Assessments** – Again we were asked to undertake benchmarking as part of our audit work to identify staffing levels for assessment teams across other authorities. We were able to benchmark against four other Councils and this demonstrated that team size varied from 4.9 to 20 but in general most teams are not solely deployed on financial assessments but work on other service areas also.
- **To help ensure that Dorset Council was sufficiently prepared for the task of creating a new Information Communication Strategy**, SWAP conducted a survey across all Dorset Council employees (excluding schools). The purpose of this was to gauge their opinions on aspects of current internal communication and preferences. The Communications Team have used these results to formulate the new strategy.

Internal Audit Plan Progress 2019/20

Since April 2017 we have been providing formerly Dorset County Council and now Dorset Council with data on potential duplicate payments extracted from the Council's SAP system which is used to process payments. Our audit work has identified duplicate payments of £36,053 still to be recovered and from the beginning of Quarter 3 2018/19 it has been possible to identify duplicate payments that are solely attributable to SWAPs work (sometimes the duplicates we identify may have already been identified by the Council through their own processes). To date this has amounted to £18,633, although work is still ongoing within the Council to recover these overpayments.

Further to this, we are looking to expand our current regular data analytics work to develop a range of reports similar to the duplicate payment work detailed above that will enable Dorset Council to identify potential fraud and errors within their transaction base. We will keep the committee updated on this work as it progresses.

Internal Audit Plan Progress 2019/20

Approved Changes:

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



Changes to the Audit Plan

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 also includes a small 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.

Being a new Council, it has been 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 prepared a six-month 'Agile', work plan, containing key areas of coverage, to ensure that we are auditing the right areas at the right time. At the Audit Governance Committee on 17th September the second half year audit plan was approved, and work has commenced on delivering this plan.

As a result of being able to bring new work into the plan half-way through the year there have been fewer changes and amendments to the plan and there have been no proposed changes to our plan of work since our last update report. Full details of our current on-going work is detailed in Appendix B on page 11.

The role of SWAP as the internal auditors for Dorset Council is to provide independent assurance that the Council’s risk management, governance and internal control processes are operating effectively. In order for senior management and members to be able to appreciate the implications of the assurance provided within an audit report, SWAP provide an assurance opinion. We have four opinion ratings defined as follows:

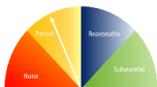
Assurance Definitions	
None	The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Reasonable	Most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Substantial	The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.

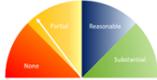
In addition to the assurance definitions above we have also introduced an ‘assurance dial’ which indicates on a range of high medium or low where within the range of that assurance a particular audit assurance sits.

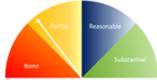


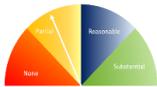
As can be seen in this example the assurance provided is low partial as the dial is sitting on the lower end of the partial scale. It could equally have been a medium partial assurance where the dial sits midway or high partial when it is sitting at the upper end close to the reasonable assurance.

We provide the Committee with details of the overall assurance opinion for all completed audits and they can be seen in the plan progress table in Appendix B on page 12 below. The Committee have indicated that they would like additional insight into Partial audits that have a high number of recommendations and/or could be a cause for concern. We have therefore introduced a new section of our report which provides further information for members on the partial assurance audits completed to date. We have also included the position on the dial, so members are also able to gauge where the audit sits within the partial assurance range.

Audit	Scope and Objective	Opinion	No of Rec	1 =	↔	3 =
				Major		Minor
				Recommendation		
				1	2	3
Dorset Local Enterprise Partnership – Enterprise Zone	To review the current governance arrangements for the Enterprise Zone and to provide clarity to Dorset Council on its remit for governing the funds it holds on behalf of the Dorset Local Enterprise Partnership.	 <p>Medium Partial</p>	5	-	5	-
<p>Summary of Findings</p> <p>The governance structure of the Enterprise Zone Management Board (EZMB), which is a sub-group of the Dorset Local Enterprise Zone (DLEP) is confused. The formal documents that set out the governance structure include the DLEP Local Assurance Framework, the EZMB Terms of Reference (ToR), and the EZMB Memorandum of Understanding (MoU) but there are inconsistencies between these documents regarding the specific accountabilities, decision-making responsibilities and membership of the EZMB. This has resulted in confusion between key stakeholders as to where the decision-making responsibilities lie. A complete review of the governance structure of the EZMB should be carried out to provide clarity and all relevant documentation should be updated as a result.</p> <p>The role of the Dorset Council (DC) as the Accountable Body is clearly set out in the Local Assurance Framework to oversee the proper administration of financial affairs of the DLEP. DC fulfils this role, maintaining separate bank accounts for the DLEP funds but confusion appears to have arisen between the role of Accountable Body and the fact that DC is also the landowner. The governance review also needs to provide clarity regarding these two roles.</p> <p>This report was well received by the Executive Director for Place and there is a high level of confidence that the recommendations contained within the report will be implemented and we are starting a follow up audit to confirm these actions.</p>						

Audit	Scope and Objective	Opinion	No of Rec	Recommendation		
				1 = Major	↔	3 = Minor
				1	2	3
Portesham School	To ensure that the School has adequate controls in place to safeguard against fraudulent or improper use of public money and assets.	 Low Partial	13	-	6	7
<p>Summary of Findings</p> <p>It is recognised that the school have experienced a period of instability. On return from a secondment the Headteacher reported concerns to the Governing Body over the financial management of the voluntary funds, through which income and expenditure relating to many school activities was being processed. The school managed their own investigation and members of staff involved at that time have now left.</p> <p>There are a large number of reimbursements to staff (121 from 1.4.18 to 29.4.19 totalling £12,952.76), where purchases have been made out of their own money, then receipts submitted for reimbursement. Significant errors have been identified with some of these reimbursement including errors in addition and overpayments. Placing orders in advance through the finance system and ordering goods from suppliers will improve control and ensure that budgets can be effectively monitored. The school was unable to locate supporting records for all of the payments selected for testing (8 out of 19 could not be located).</p> <p>Commitment was given to implement the recommendations and we will be undertaking a follow up audit shortly to confirm the actions.</p>						

Audit	Scope and Objective	Opinion	No of Rec	1 =	↔	3 =
				Major		Minor
				Recommendation		
1	2	3				
Homes Dorset	To ensure the governance arrangements over Homes Dorset provide adequate oversight, effective decision making and sufficient levels of scrutiny both from the perspective of Homes Dorset and also Dorset Council as the owner and shareholder.	 <p>Low Partial</p>	10	3	4	3
<p>Summary of Findings</p> <p>The process that was followed in the formation of Homes Dorset Ltd included a number of errors and instances where approval was obtained retrospectively leading to a governance structure that is not as robust as it could be, resulting in Dorset Council as sole shareholder, not retaining a sufficient level of control over the operations of Homes Dorset. It is understood that the business plan, which was drawn up following the formation of the company, has never been presented to West Dorset District Council (WDDC) members prior to local government reorganisation (LGR), or to Dorset Council (DC) post LGR.</p> <p>Recommendations were made around the current Homes Dorset Ltd arrangement in order to strengthen controls including consideration of whether the company should continue in its present form. These recommendations were welcomed by the Executive Director for Place and the Corporate Director for Legal and Democratic. We will undertake a follow up audit in due course however a number of the recommendation implementation dates have not yet passed.</p>						

Audit	Scope and Objective	Opinion	No of Rec	1 =	↔	3 =
				Major		Minor
				Recommendation		
1	2	3				
Policy Convergence	To provide assurance that Dorset Council has a robust plan in place to manage, prioritise and monitor the development, review, harmonisation and approval of all policies required for it to operate effectively, efficiency and legally following the Local Government Reorganisation in April 2019.	 Mid-Partial	6	-	4	2
Summary of Findings						
<p>As part of the legislation that brought the new Dorset Council into existence on 1st April 2019, the Government gave the Council until 31st March 2021 to adopt nine legally required policies. As of August 2019, one of these nine policies has been reviewed and adopted. Therefore, a body of work remains to harmonise, refresh and adopt the remaining eight policies by the prescribed deadline. Currently, a plan may not be in place for all eight of these remaining policies to help ensure they are implemented by the 31st March 2021.</p> <p>In addition to the above eight policies, a significant amount of work is still required to review and either adopt or decommission nearly 200 more policies that, whilst not required by law to be in place by a certain date, should be reviewed as soon as possible as a matter of best practice. There are currently no formal plans in place to manage and monitor the review and adoption of these policies to help ensure implementation by set deadlines. Almost all of these 200 policies will need to be considered and approved by Full Council or Cabinet. The current arrangements in place at approval stage will need to be reviewed in order to ensure they are adequate to mitigate the risk of potential ‘bottlenecks’ occurring at approval stage.</p> <p>As a result of there being no fully implemented staffing structure in place for Dorset Council, Policy Owners / Authors who would ultimately be responsible for ensuring the review and adoption of policies have yet to be assigned. Currently, Policy Owners have been assigned who may have already left the Council, are due to leave or have changed role.</p> <p>A standard policy template, including guidance on how to write a policy that meets legal requirements has been drafted, approved and communicated to relevant officers. However, no formal consideration has been given to ensuring that policies which are reviewed and adopted for Dorset Council are consistent with the agreed format, well written and in line with legislative requirements. In addition, whilst reviewing, adopting, harmonising or decommissioning policies is an important task, the Council should also consider whether further work is required in relation to other documentation not captured by the work undertaken on policies specifically, which may be equally as important (for example, procedural guidance etc.).</p>						

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

- Substantial – Well controlled and risks well managed.
- Reasonable – Adequately controlled and risks reasonably well managed.
- Partial – Systems require control improvements and some key risks are not well managed.
- None – Inadequately controlled and risks are not well managed

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium		
						Recommendation		
						1	2	3
Completed Work								
Operational	Election Readiness	1	Final	Advice and Guidance	N/A			
Operational	Induction and Training of Elected Members	1	Final	Substantial	2	-	-	2
Operational	Dorset Local Enterprise Partnership – Enterprise Zone	1	Final	Partial	5	-	5	-
Grant Certification	Weymouth Port Health Authority – Annual Review	1	Final	Grant Certification	N/A			
Grant Certification	Dorset Gateway LEP	1	Final	Grant Certification	N/A			
Grant Certification	Troubled Families	1	Final	Grant Certification	N/A			
Follow up	Family Partnership Zones	1	Final	N/A	3	-	1	2
Operational	Mountjoy School	1	Final	Advice and Guidance	N/A			
Follow up	Deferred Payments (DCC)	1	Final	N/A	0	-	-	-
Follow up	Sickness Management (DCP)	1	Final	N/A	1	-	1	-
Follow up	Data Handling and Disposal (DCP)	1	Final	N/A	4	-	-	4

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium		
						Recommendation		
						1	2	3
Follow up	Whistleblowing (DCC)	1	Final	N/A	7	-	4	3
Operational	Property Maintenance Framework	1	Final	Reasonable	3	-	1	2
Operational	Portesham School	1	Final	Partial	13	-	6	7
Operational	Recording of the new Dorset Council Budget	1	Final	Advice and Guidance	N/A			
Operational	Homes Dorset	1	Final	Partial	10	3	4	3
Operational	Property Asset Management	2	Final	Advice and Guidance				
Operational	Policy Convergence	2	Final	Partial	6	-	4	2
Follow up	Deprivation of Assets	2	Final	N/A				
Operational	GDPR Compliance	2	Final	Advice and Guidance	N/A			0
Operational	Financial Assessments	1	Final	Reasonable				
Operational	Communication with Staff	2	Final	Advice and Guidance				
Grant Certification	Christchurch Disabled Facilities Grant	3	Final	Grant Certification	N/A			
Grant Certification	Local Enterprise Partnership Interim Grant Review	3	Final	Grant Certification	N/A			

Reporting

Operational	Effectiveness of Social Care Practice	2	Draft					
Operational	Fostering Service	2	Draft					
Operational	Social Care Caseload Management	2	Draft					
Operational	Use of Pupil Premium for Looked after Children	2	Draft					
In Progress								
Operational	Deputyship for Service Users	1	Fieldwork					
Operational	Duplicate Payments	1-4	Ongoing					
Operational	NFI	1-4	Advice and Guidance					
Operational	Public Law Outline	2	Fieldwork					
Operational	IR35 Compliance	2	Fieldwork					
Operational	Capital Programme/budget	2	Fieldwork					
Operational	Budget Monitoring and Reporting to Officers & Members	2	Fieldwork					
Operational	Effectiveness and Implementation of EHCP's	2	Fieldwork					
Key Control	Key Control – Financial Reconciliations	2	Fieldwork					
Operational	Programme Management – Children's	2	Fieldwork					
Operational	Contract Compliance	2	Fieldwork					
Operational	Commercial Contract Management	2	Fieldwork					
Follow up	Further follow up of Whistleblowing	3	Fieldwork					

Follow up	Dorset Local Enterprise Partnership – Enterprise Zone	3	Fieldwork					
Follow up	Portesham School	3	Fieldwork					
Scoping								
Operational	Risk Management	3	Scoping					
Operational	Disaggregation of Records to BCP	3	Scoping					
Operational	Preparations for 2020-21 budget	3	Scoping					
Operational	Review of Reserves	3	Scoping					
Operational	Corporate Performance	3	Scoping					
Operational/Schools	Use of Pupil Premium	3	Scoping					
Operational	Role of the Dorset Manager	3	Scoping					
Operational	Coroners' Service	3	Scoping					
Operational	Achievement of Savings Plans	3	Scoping					

A copy of the agreed first half year audit plan, including details of upcoming planned audit reviews can be seen at page 884 of the agenda report pack of the Audit and Governance Committee of 26th July 2019