Dorset Council

Report of Internal Audit Activity

Progress Report 2021/22 – July 2021

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Unrestricted

Executive Summary

Audit Opinion, Significant Risks, and Audit follow up work

COVID-19 SWAP Staff Redeployment Update:
Since our last update in April, a one day a week SWAP redeployment within Adult Services has now concluded. In addition, the longer term assistance provided by the two staff redeployed to support the business grants team, has now also ended and the SWAP team are able to completely focus on audit activity.

Audit Opinion:
This is our first quarterly update for 2021/22 financial year. Members will recall that we are no longer planning audits based around financial years but are working with a continuous risk assessment and rolling plan approach. As such rather than working with an annual audit plan, which is subject to a high level of uncertainty and change, we are building our plan in conjunction with management as the year progresses.

Our live audit tracker, and specifically the coverage and assurance tab (*extract on page 2 below*), highlights that based on recent reviews completed, whilst generally risks are well managed, we have identified some gaps, weaknesses and areas of non-compliance. However, we have reasonable levels of confidence that the agreed actions will be implemented and as such are able to offer a reasonable opinion.

Since our last progress report in January 2021, we have issued two Limited assurance opinions on the areas and activities we have been auditing but none have been classified as a significant risk. In the Annual Report provided to the April Committee meeting we highlighted that the previously identified significant risks of Home to School Transport and Virtual School had both been adequately mitigated. In Appendix A on pages 6 & 7, we have provided the one-page audit reports for the Limited assurance opinion work, to provide the committee with further insight.

Follow Up of Agreed Audit Actions
As a result of continued low levels of implementation of high-priority audit actions across the Council, SWAP have developed a new process to embed the follow up of actions within directorates themselves, and track this on a live basis. Whilst the new process is very much in its infancy, we hope it will encourage timely completion of actions, which will bring with it strengthened internal control. We aim to provide members with more information about this new process, as well as a status summary of all high-priority audit actions, at the September meeting.

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Unrestricted

Our audit plan coverage assessment is designed to provide an indication of whether we have provided sufficient, independent assurance to monitor the organisation's risk profile effectively.

For those areas where no audit coverage is planned, assurance should be sought from other sources to provide a holistic picture of assurance against key risks.

SWAP Internal Audit Plan Coverage, and a move to Assurance Mapping

Recent internal audit coverage and outcomes are reflected in the chart below. Audit coverage by corporate risk is just one measure of the extent of audit coverage and we would encourage members to review the audit tracker to be able to additionally view coverage by *'Corporate Plan Objectives', 'Core Areas of Recommended Coverage'*, and also by *'SWAP Top 10 Risk Themes'*.

Additionally, we are currently working with the Assurance team to develop a more holistic **Assurance Map,** which will identify and capture other streams of assurance over key risks across the Council. From this and our own coverage assessment we will be able to visually highlight key assurance gaps, but also build a better picture of assurance outcomes to help direct focus and oversight.

Corporate Risk	Audit Coverage	Assurance assessment based on completed internal audit work
CRR 01 – Budget	Good	Limited
CRR 02 – Cyber Attack	Some	Reasonable
CRR 03 – Recruit, Retain, Develop Workforce	None	
CRR 04 – GDPR	Some	Limited
CRR 05 – Emergency Response	None	
CRR 06 – Brexit	None	
CRR 07 – Infrastructure	Some	
CRR 08 – Education	Some	
CRR 09 – Transformation	Some	Limited
CRR 10 – Corporate Knowledge	None	
CRR 11 – Climate Change	None	
CRR 12 – Breach of Statutory Duty	Some	
CRR 13 – Health, Safety, Wellbeing	Some	Limited
CRR 14 – Safeguarding	Good	Limited
CRR 15 – Commissioning	Good	Limited
CRR 16 – Officer/ Member Interface	None	
CRR 17 – School Transport	Adequate	Limited
CRR 18 – Evidence Base	None	
CRR 19 – Partnerships	None	
CRR 20 – Election	None	
CRR 21 – Covid-19 Response	Good	Advisory

Coverage Key	
Good	Good audit coverage completed
Adequate	Adequate audit coverage completed
Some	Some aspects of audit coverage completed
In progress	Some aspects of audit coverage in progress
None	No audit coverage to date

*Audits carried out more than 2 years from current date are not included.
*Audits carried out between 12 and 24 months from current date have a reduced impact on audit coverage.

Assurance Key	
Substantial	Sound system of governance, risk management and controls exist
Reasonable	Generally sound system of governance, risk management and control in place
Limited	Significant gaps, weaknesses or non-compliance were identified
No Assurance	Fundamental gaps, weaknesses or non-compliance identified

*Audits carried out more than 12 months from current date are not included.

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Page 2 of 7

Unrestricted

We will build our audit plan as the year progresses to ensure that we are auditing the right things at the right time

Changes to the Audit Plan

We have traditionally reported to the committee any changes to our audit plan. However, as we are adding work to our plan on a risk-assessed and rolling basis there is much less likelihood that audit work will be removed or changed. Any audits removed or deferred can be viewed within the audit tracker. During quarter 1 of 2021/22 we have undertaken more grant certification work than would normally be expected. This is due to the number of Covid related grant payments that have required certification by the Head of Internal Audit. We have now created a programme of grant certification that enables us to plan this work going forwards.

SWAP Performance Measures

Performance Measure	Performance
Quality of Audit Work **Overall Client Satisfaction** *(Did our work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation)*	**100%**
Value to the Organisation *(Client view of whether our audit work met or exceeded expectations, in terms of value to their area)*	**100%**
Direct financial savings identified as a result of internal audit work since our last report	**£111,000**
Outcomes from Follow Up Audit Work We have previously reported to the Committee the percentage of Priority 1&2 actions for Limited assurance audits, that remain outstanding when the follow up audit is undertaken. We had found that this figure had remained stubbornly high for some time and as a result we are currently transitioning to a new follow up process, which we hope will improve levels of implementation. This process is currently embedding, but we will recommence enhanced performance reporting of this area at the September meeting.	

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Page 3 of 7

Unrestricted

Added Value

'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.'

Added Value

Benchmarking

We have undertaken a range of benchmarking exercises since our last report. We use our own SWAP partner councils for benchmarking, but also utilise a wider national group of the Chief Auditor's Network which has delivered some useful benchmarking data. The exercises undertaken since our last report are:

- Insurance – how Dorset compares to other Councils in terms of self-insurance and in-house handling of claims.
- Duplicate Payments – whether other Councils use bespoke software to identify duplicates in the payment process and if so, how successful this had been.
- Schools Forum –the make-up and constitution of other Council's Forums
- Disclosure and Barring Checks – the approach taken by other councils to ensure that volunteers are DBS checked where appropriate

Covid Grant Certification work

As outlined above we have undertaken a number of Covid related grant certifications across the last quarter. A number of these grants were found to be underspent and as part of our work we have been able to identify further opportunities for utilising the grant money on eligible expenditure, thus ensuring the grant is spent in full and avoiding the potential need to return funding to central government. As a result of this work, we have identified a further **£111k** of eligible spending which could be regarded as a saving to the council.

Covid Business Grants – Data Matching

SWAP has been able to support the council by matching data from the latest round of Covid business grants with the Credit Industry Fraud Avoidance System (CIFAS) in order to identify cases of potential fraud. We have risk-assessed any matches (with no high-risk matches identified) and passed any lower-level matches back to the service to investigate and take action if necessary.

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Page 4 of 7

Unrestricted

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. The four recently revised opinion ratings are defined as follows:

Assurance Definitions	
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

In addition to the assurance definitions above we also provide 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 limited as the dial is sitting on the lower end of the limited scale. It could equally have been a medium limited assurance where the dial sits midway or high limited when it is sitting at the upper end close to the reasonable assurance.

The Committee is able to view a record of all internal audit work on the audit tracker. Please follow this link, click on the files tab and then on the file called Dorset Council Internal Audit Tracker. From the tracker, members are able to view work in progress and all completed work that would have previously been reported to the Committee in a table form. To provide the Committee with additional insight into Limited assurance audits we have been providing a summary of the outcomes. We have however, recently introduced a one-page audit report, which we are now providing in full for Limited assurance audits for members information.

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Page 5 of 7

Unrestricted

Contract Management and Commercialisation– Final Report – April 2021

Dorset Council — **SWAP** INTERNAL AUDIT SERVICES — *Assuring – Improving – Protecting*

Audit Objective — To assess progress made by Dorset Council to deliver value for money from its suppliers through effective contract management.

Assurance Opinion

Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

Number of Actions

Priority	Number
Priority 1	1
Priority 2	6
Priority 3	5
Total	12

Risks Reviewed

Failure to manage contracts effectively potentially leads to:
- Contractors not delivering contract terms
- Contractor performance not being effectively monitored or reviewed
- Contracts being uplifted annually without appropriate challenge

All or any of the above elements of poor contract management can result in poorer value for money.

Assessment

Medium

Key Findings

The Accord database needs to be an accurate and consistent source of key contract information to help drive increased commerciality and value for money across the authority. All Council officers acting as contract managers need to be identified in order that the Accord database can be appropriately updated. This will ensure that communication to contract managers is correctly targeted and effective. A performance dashboard should be developed to identify key gaps in information within the database, along with an escalation process in instances where action is not taken by the business.

The findings from the survey and the more detailed interviews indicate a general understanding amongst contract managers of the important role that they undertake for the Council. However, there is a need to ensure that all contract managers have the appropriate skills, knowledge, information and support and that they understand what is required of them in order to undertake their role effectively. As part of this there is a need to define the split of roles and responsibilities of both contract managers and procurement officers.

Throughout our work, a clear intent has been evident from the Service Manager, Commercial and Procurement, towards moving the Council to a more commercial approach. There are plans in place to set up a Commercial Network to support contract managers, with a Steering Group to define the work of the Commercialisation Transformation Programme. In addition, this will include working with Learning and Development to create a competency framework to further support contract managers.

Audit Scope

The audit included:
- A benchmarking exercise using contacts within the Local Authorities Chief Auditor's Network and the Central Buying Consortium.
- A survey of all contract managers named in the Accord contract management database was undertaken.
- More detailed interviews with selected respondents.
- Analysis of Accord and spend data to establish effective use of the database.
- Review of the proposed Commercialisation Transformation Programme.

Review of contract terms was limited to inclusion of specific KPI's and annual uplift terms.

Added Value Summary

In addition to the standard audit report, SWAP have provided additional data analysis around the assigned spend (which can be used to inform action 12), analysed results of the questionnaire to contract managers (including access to the Power BI report) and benchmarking across the Local Authority Chief Auditor Network and the Central Buying Consortium. This additional information can be used to shape the work of the Steering Group and Commercial Network going forwards.

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

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Page 6 of 7

Unrestricted

Management of Fraud & Reporting – Final Report – April 2021

Dorset Council

SWAP
INTERNAL AUDIT SERVICES
Assuring – Improving – Protecting

Audit Objective

To provide assurance that the processes for referring, assessing, investigating and managing potential allegations of fraud is clear and accessible to staff, stakeholders and members of the public.

Assurance Opinion

Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

Number of Actions

Priority	Number
Priority 1	0
Priority 2	4
Priority 3	2
Total	6

Risk Reviewed

Allegations of potential fraud are not referred to, assessed, investigated and managed appropriately resulting in financial and reputational damage and legal recourse.

Assessment

Medium

Key Findings

A number of platforms exist for reporting and monitoring fraud across the Authority. However, the arrangements require enhancement to ensure reported fraud is captured and then monitored effectively and consistently. This will allow a central oversight of reported fraud, resulting in better management, reporting and learning throughout the Authority.

The majority of agreed actions from our 2018 audit of the council's whistleblowing arrangements remain outstanding. This area has been subject to three follow up audits since the original action plan was put in place and whilst actions are progressing, they have not yet been completed. A small working group has been established to progress these actions and needs to meet more frequently to address outstanding areas. Risks in relation to the arrangements in place to raise awareness, prevent and detect fraud therefore remain unmitigated.

Adequate fraud awareness training has not been made available to officers or members. There is also no allocated member level champion for fraud. In the absence of sufficient awareness and oversight with regards to suspected or actual fraud, fraud may go unreported or may not be adequately acted upon. There is also likely to be the absence of proactive fraud work helping to drive understanding of risk in this area.

There are evidential gaps in the awareness of both Fraud and Whistleblowing processes across the council. Although there are central points of access for fraud information and guidance, these are not currently easily accessible or advertised effectively to officers, members and contractors. Some positive work has been completed to address this, with further work planned.

Scope

The review has considered if:

- There are clear and known mechanisms on how to report fraud including a Fraud Response Procedure that provides direction on how referrals are dealt with.
- Officers and Members have received guidance and training on how to direct a fraud referral.
- The Anti-Fraud and Corruption Strategy directs to how to make a referral and the route.
- All fraud referrals are captured on a central information system that records the action taken including risk assessment.
- All fraud referrals are monitored, and summary reports are submitted to management and Members.

A follow up of the 2018 Whistleblowing Review has been carried out alongside this review due to the cross over and link of key areas.

Other Relevant Information

Due to the number of outstanding Whistleblowing actions and key findings from the Management of Fraud & Reporting review, the decision was made to combine the two pieces of work and re-issue a new audit opinion with new audit actions to help focus and address the key areas that are outstanding. Details of actions can be found in Appendix 1.

A summary of a cross comparison exercise carried out is attached in Appendix 2.

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INTERNAL AUDIT SERVICES
Assuring – Improving – Protecting

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Page 7 of 7

Unrestricted