



# Dorset County Council

## Internal Audit Annual Opinion Report 2018-19

Internal Audit ■ Risk ■ Special Investigations ■ Consultancy

Unrestricted

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## Executive Summary

**Internal Audit provides an independent and objective opinion on the effectiveness of the Authority's risk management, control and governance processes.**



### Purpose

The Head of Internal Audit should provide a written annual report to those charged with governance to support the authority's Annual Governance Statement (AGS). This report should include the following:

- an opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment
- disclose any qualifications to that opinion, together with the reasons for the qualification
- present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies
- draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement
- compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria
- comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content.



### Background

The Internal Audit service for the former Dorset County Council, now Dorset Council is provided by the SWAP Internal Audit Services. 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. The work of the Authority is guided by the Internal Audit Charter which is reviewed annually. Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work of the service is based on the Annual Plan agreed by Senior Management and this Committee. This report summarises the activity of SWAP for the 2018/19 year.

## Executive Summary

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



### Annual Opinion

I have considered the balance of 2018/19 audit work and outcomes against this environment enhanced by the work of external agencies and am able to offer **Reasonable Assurance** in respect of the areas reviewed during the year, as most were found to be adequately controlled. Generally, risks are well managed, but some areas require the introduction or improvement of internal controls to ensure the achievement of objectives. Whilst I have certain concerns regarding some aspects of the control environment and others that we have not been able to review and therefore not able to assess, I do not consider there to be any areas of significant residual corporate concern.

Over the year SWAP have found Senior Management of the former Dorset County Council to be generally supportive of SWAP findings and responsive to the recommendations made. In addition, there is a good relationship with management whereby they feel they can approach SWAP openly in areas where they perceive potential problems. Generally, the follow up work confirms the responsive nature of management at Dorset County Council in implementing agreed recommendations to mitigate exposure to areas of significant risk. However, there have been instances during the past year where follow up audits have found that insufficient progress has been made in implementing recommendations and further follow up work has been required to be scheduled. It should be noted that it has not been possible to progress four key Children's Services audit reviews during 2018/19, therefore we can only provide limited assurance around the operation of Children's Social Care. The audits that have not been progressed are as follows:

- Fostering
- Effectiveness of Social Care Practice
- Children's Social Care Caseload Management
- Readiness for Ofsted Inspection

We have included all the above audits along with other Children's Social Care audits to be undertaken during the 2019/20 year. It is reassuring to note that we are developing a positive relationship with the new Director for People – Children's and have already commenced a number of Children's Services audit reviews this year.

## Executive Summary

In 2018/19 there are a small number of reviews that have identified significant risks from an internal audit perspective. However, where priority findings have been identified, on the whole these have been appropriately addressed. Any outstanding weaknesses in the governance, risk and control framework will continue to be followed up by Internal Audit. Further details of significant risks identified can be found on pages 4 and 5.

It is recognised that there will be occasions where audit make recommendations to mitigate risk exposure and after consideration of the recommendation, the service decide to accept the risk. In 2018/19 there have been instances where high or medium priority recommendations have not been accepted by services. In addition, there have also been instances where previously agreed recommendations have been highlighted during the follow up process as not being implemented, and the service indicate that these are now risks that are accepted. It is considered important to highlight these instances to the committee in order that further consideration can be given to the recommendation to ensure that the residual risk exposure is in line with the risk appetite of the organisation. Further details on risk accepted recommendations can be found on pages 6 to 8.

# Summary of Audit Work

## Significant Corporate Risks

Identified Significant Corporate Risks should be brought to the attention of senior management and the Audit Committee.

### Definitions of Risk:

#### High

Issues that we consider need to be brought to the attention of senior management and the Audit Committee

#### Medium

Issues which should be addressed by management in their areas of responsibility

#### Low

Issues of a minor nature or best practice where some improvement can be made



## Significant Corporate Risks

For those audits which have reached report stage through the year, we have assessed the following risks as High:

### Review

#### **Disclosure and Barring Service (DBS) Checking**

During 2017/18 SWAP undertook an audit of safer recruitment with a focus on DBS checking. We provided partial assurance at that time and undertook two follow up audits to ensure that our recommendations were fully implemented. During that time, we were regularly reporting to the Audit & Governance Committee on progress made in respect of the Safer Recruitment and DBS checking work. In order to provide the Committee with a comprehensive assurance that clear processes were in place for the identification of those employees and volunteers that must be subject to the DBS checking procedure, we undertook a further full audit of DBS checking in 2018/19. Our concerns around the outcomes of our work and the existing awareness of issues around the DBS checking process were such that it has led us to issue an assurance opinion of 'none' (see definition on Page 9).

Management actions were agreed against each of the recommendations and we were confident that when implemented, these actions would mitigate the immediate and ongoing risks. The exception to this was in regard to volunteers, where officers indicated proposed actions that went some way to address the issue, however SWAP was of the opinion that there was still a significant degree of risk exposure as a result of not maintaining a comprehensive record of volunteers and their DBS statuses. Therefore, at that time the risk was considered accepted (seen Page 6 for further details).

During November 2018 we undertook a follow up audit where we provided a revised assurance opinion of 'reasonable' and looked to reassure stakeholders that significant progress has been made towards the implementation of the recommendations raised.

As such, we no longer considered this to be a significant risk to the Council and commended Human Resources staff and County Leadership Team for the focus given to this important area. We still maintained a degree of concern around the process of ensuring DBS checking of volunteers, although we were reassured by the additional work undertaken by HR to establish the levels of use of volunteers across the Council. In addition, this important area will be included in the audit plan for 2019-20 to ensure that control has not been diminished.

### Review

#### **Use and Management of High Needs Block**

The audit work identified that there were issues with the quality of data within Synergy which may impact on the service's ability to accurately track and project future demand on the High Needs Block (HNB).

If initiatives to reduce reliance on Independent Sector placements are not progressed promptly with estimated savings revisited regularly for feasibility as more detail becomes known, there is a risk that they may not be achievable, resulting in an increase in the cumulative deficit of the HNB budget.

We have recently concluded a follow up audit reviewing the HNB and it should be noted that the overall position of the HNB budget has worsened since the original audit, with the overall deficit increasing to, in excess of, £15m as at the end of 2018/19; however, as with the original review, it is difficult to isolate the extent to which this is due to the local management of the HNB as opposed to the pressures of increased demand, as experienced nationally.

Our follow up review has further identified evidence of improved data quality in the Synergy pupil database and increased prudence in the identification of savings targets within the budget setting process. We also acknowledge that governance has been heightened since the outset of our original review, through the HNB Update Group amongst other forums.

However, we note that work remains to be done to ensure that all expenditure, including that related to Other Local Authority (OLA) children, can be readily reconciled and analysed. We also recognise that the risk underpinning our original recommendation to provide guidance to Dorset schools to ensure that they are confident in their mechanisms for ensuring receipt of funding from OLAs where due has since been reconsidered and accepted (see page 7 for details).

Whilst we would suggest that the significant risks highlighted within our original work have been adequately mitigated, the HNB budget situation remains a concern for the authority generally.

## Summary of Audit Work

### Risks Accepted

Where control weaknesses have been brought to the attention of senior management and a decision is taken by them to accept the risk and not implement audit's recommendation this should be brought to the attention of the Audit Committee



### Risks Accepted

There will be occasions where audit make recommendations to mitigate risk exposure and after consideration of the recommendation, the service decide to accept the risk. In 2018/19 there have been the following instances where high or medium priority recommendations have not been accepted by services:

Audit	Suggested Audit Outcome	Priority Level	Suggested Person Responsible	Manager Comments
<b>DBS Checking</b>	The Service Director Organisational Development ensures that a list of volunteers across the Council is drawn up and arrangements made to check that an appropriate level of DBS clearance has been obtained for volunteers that are working in regulated or financial related activities.	1	Service Director Organisational Development	<p><b>Audit commentary at follow up audit:</b> In relation to the DBS checking of volunteers, we are reassured by the additional work undertaken by HR to establish the levels of use of volunteers across the Council, as well as enhanced guidance/ communication in this area. In addition, benchmarking of DCC's approach to DBS checking of volunteers with other Local Authority's, has demonstrated broadly similar approaches.</p> <p>Therefore, although there remains a degree of risk, DCC have demonstrated that their management of this risk is not unreasonable and has been adequately considered in the context of the existing controls.</p>
<b>Education of Looked After Children</b>	The Virtual School Head engage Capita regarding the possible functionality of SIMS to determine whether the 'Current Date' UDF can be populated automatically upon upload of the PEP to ensure a correct date. The Virtual School Head advised that this is not possible but that alternative methods will be established to ensure the reliability of system data.	2	Virtual School Head	<p>This will not be possible through Capita but peer-to-peer review will be implemented by January 2018 and we anticipate that MOSAIC will allow greater scrutiny by other stakeholders.</p> <p><b>Update at follow up audit:</b> The Virtual School Head has advised that implementing Peer-to-Peer Review at this time would not be feasible. No automated controls have been implemented to ensure reliability of data; the PEP Coordinator is effectively trying to achieve this through personal scrutiny. Ongoing issues with incorrect dates have been cited as a possible 'training issue' with certain members of the Virtual School team.</p> <p>Therefore, the risk of not having formal controls in this area has been accepted at this time.</p>

## Summary of Audit Work

	The Virtual School Head considers introducing a requirement for line management review of at least one PEP per young person per year for the purposes of quality assurance and professional development, to be incorporated within staff one-to-ones. However, the Virtual School Head has advised that this would be impractical to implement due to time constraints. Instead, a peer to peer review program will be instigated.	3	Virtual School Head	<p>This would demand too much time from line managers. Instead, a peer to peer review program will be instigated. It may not be possible to review all 305 cases by the implementation date but the process should be embedded.</p> <p><b>Update at follow up audit:</b> As above, the Virtual School Head advised that implementing Peer-to-Peer Review at this time would not be feasible and therefore the associated risk has been accepted. However, some extent of mitigation is expected from a Quality Assurance process introduced.</p>
<b>High Needs Block</b>	The Sufficiency and Funding Manager to provide guidance to schools to ensure they are confident in their mechanisms for ensuring receipt of funding from Other Local Authorities (OLAs) where due.	2	Sufficiency and Funding Manager	<p><b>The original management response to this audit recommendation:</b> Agreed</p> <p><b>Update at follow up audit:</b> The current relevance of this recommendation has been discussed with the High Needs Block Update Group and the consensus was that schools are adequately prepared to invoice OLAs without further support from the Council at this time. Therefore any residual risk associated with not adopting this recommendation was considered to be accepted.</p>

# Summary of Audit Work

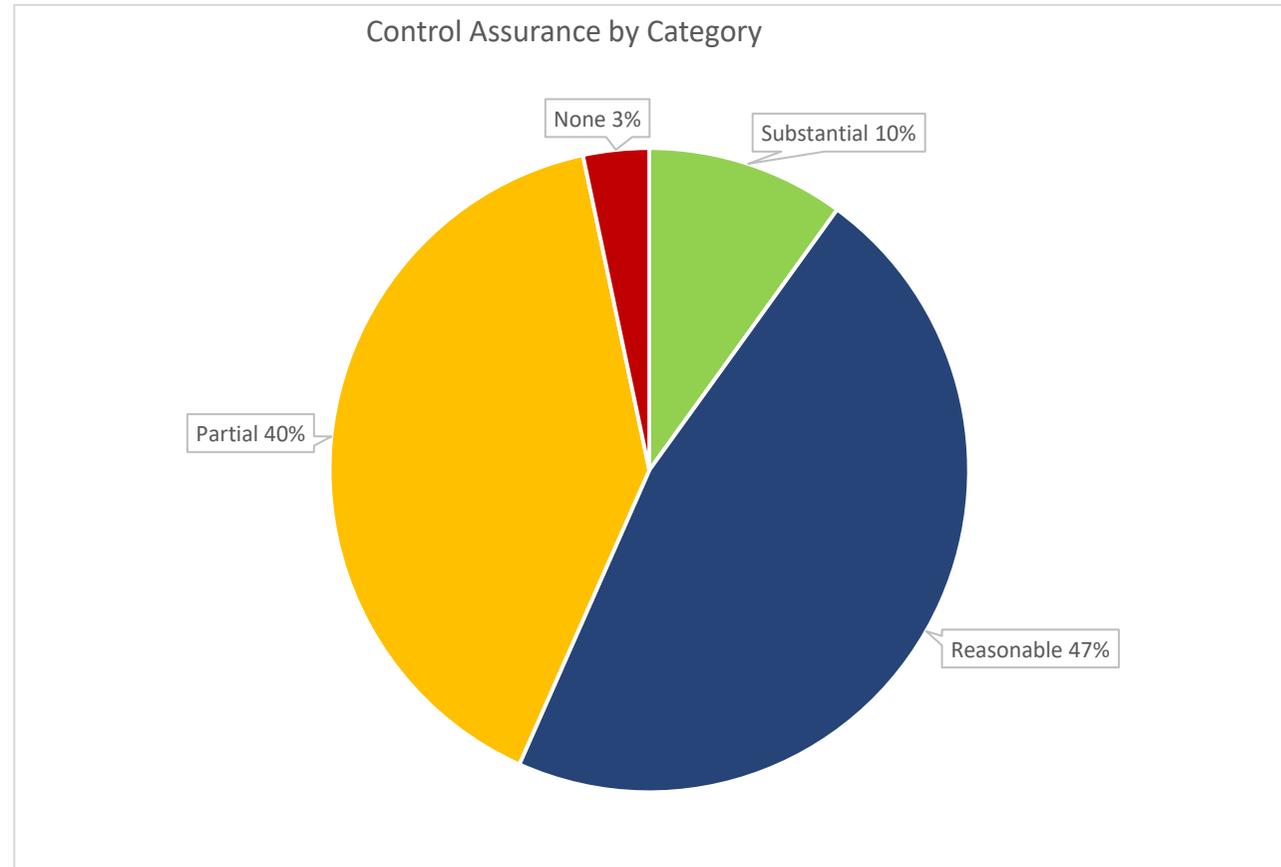
## Summary of Audit Opinions

At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

- **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 risk are not well managed**



## Summary of Audit Opinions



57% of audits in 2018/19 resulted in a substantial or reasonable assurance opinion

### 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

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

This has included the circulation of industry bulletins and fraud prevention alerts wherever possible. We also share the outcomes of any benchmarking undertaken across our SWAP Partner base. SWAP also aim to share the results of emerging areas of risk, or findings from relevant audit reviews undertaken at our Partners, to enable the sharing of best practice and comparison of common findings. Some examples of added value within 2018/19 has been:

The compilation of best practice guides for:

- Budget Management
- Development of a People Plan

We have also provided benchmarking data for:

- Dorset Waste Partnership costs
- Dorset Waste Partnership Enforcement Value for Money
- Green Asset Strategies
- High Needs Block management of balances
- Adults Debt Management approach to policy and structure of teams
- Comparison of Anti-Fraud and corruption policies and strategies

Alongside the above benchmarking SWAP have also provided a proposed working protocol with the new Dorset Council for Fraud and Whistleblowing investigations and National Fraud Initiative work.

As well as the above, we have continued to make available to Dorset County Council (and will continue to do so for Dorset Council) detailed analysis of expenditure through SAP in order to identify potential duplicate payments. This has proved to be a valuable and worthwhile exercise with around £7000 of previously unidentified duplicates highlighted to the Council.

## Plan Performance 2018/19

The Executive Director for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.



### SWAP Performance

SWAP's performance is subject to regular monitoring and review by both the Board and the Member Meetings. The respective outturn performance for Dorset County Council for the 2018/19 year (as at 1 June 2019) are as follows:

Performance Target	Average Performance
<b><u>Audit Plan – Percentage Progress</u></b>	
Final, Draft and Discussion	100%
Fieldwork Completed awaiting report	0%
In progress	0%
Yet to complete	0%
<b><u>Outcomes from Follow Up Audit Work</u></b>	
Percentage of Priority 1&2 recommendations for partial assurance audits, that remain outstanding when the follow up audit is undertaken	47% (37 of 78)
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 is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice Framework 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). Both standards require an Internal and External Assessments (Standard 1300) of the Internal Audit function.

The standards require an External Assessment to be carried out at least every five years. SWAP was found to be in conformance with the International Professional Practices Framework and the Public Sector Internal Auditing Standards (PSIAS). As a result of the External Assessment, a Quality Assessment Improvement Plan (QAIP) is produced. This document is a live document, reviewed regularly by the SWAP Board to ensure continuous improvement.

## Internal Audit Work Plan 2018/19

The schedule below contains a list of audits agreed for inclusion in the Annual Audit Plan 2018/19 and the final outturn for the financial year.

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
Operational	Coach tender investigation and advice work	1	Final	Advice and Guidance	N/A			
Grant Certification	Growth Hub	1	Final	Advice and Guidance	N/A			
Grant Certification	Dorset Families Matter	1	Final	Advice and Guidance	N/A			
Operational	Budget Management	1	Final	Advice and Guidance	N/A			
Operational	Potential Duplicate payments	1	Final	Advice and Guidance	N/A			
Follow up	Learning Disability	1	Final	N/A	1	-	1	-
Follow up	General Data Protection Regulations	1	Final	N/A	27	3	24	-
Operational	Management of Grants	1	Final	Reasonable	3	-	-	3
Operational	Family Partnership Zones	1	Final	Partial	5	-	2	3
Follow up	Family Partnership Zones	1 2019/20	Final	N/A	3	-	1	2

## Internal Audit Work Plan 2018/19

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium		
						Recommendation		
						1	2	3
Operational	Contract Management – Construction and Transport	1	Final	Reasonable	4	-	1	3
Operational	Deferred Payments	1	Final	Partial	5	-	3	2
Follow up	ICT Contract Management	1	Final	N/A	12	1	2	10
Operational	Dorset Care Framework	1	Final	Partial	10	-	8	2
Follow up	Dorset Care Framework	4	Final	N/A	3	-	2	1
Operational	Capital Budget Management	1	Final	Substantial	1	-	-	1
Operational	Mental Health Act	1	Final	Advice and Guidance	N/A			
Follow up	Education of Looked After Children	2	Final	N/A	5	-	4	1
Follow up	Education of Looked After Children	3	Final	N/A	2	-	2	2
Operational	Timescales for Statutory Assessments	2	Final	Partial	5	-	3	2
Follow up	Resilience of ICT Infrastructure	2	Final	N/A	10	-	1	9
Follow up	Children's Services Budget Management	2	Final	N/A	5	-	4	1
Operational	Implementation of Our People Plan	2	Final	Advice and Guidance	1	-	2	-
Operational	DBS checking	1	Final	None	8	5	2	1
Follow up	DBS checking	3	Final	Reasonable	3	-	-	3

## Internal Audit Work Plan 2018/19

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium		
						Recommendation		
						1	2	3
Operational	Dorset Waste Partnership – Value for Money	1	Final	Advice and Guidance	N/A			
Operational	Durlston Country Park	2	Final	Partial	8	2	5	1
Follow up	Durlston Country Park	4	Final	N/A	2	1	1	-
Operational	Whistleblowing	1	Final	Partial	8	-	5	3
Operational	Adult and Community Services Debt Management and Debt Recovery	1	Final	Partial	3	-	3	-
Operational	Assumptions in Budget Planning	1	Final	Reasonable	1	-	1	-
Operational	Deprivation of Liberty	2	Final	Reasonable	2	-	-	2
Operational	Wool Primary School	3	Final	Reasonable	13	-	1	12
Follow up	Tricuro Governance Arrangements – further follow up	3	Final	N/A	0	-	-	-
Operational	Duplicate Payment Run advice work	2	Final	N/A	4	-	-	4
Follow up	Children’s Services Contract Monitoring Arrangements	3	Final	N/A	0	-	-	-
Operational	Achievement of Savings Targets 2018-19	2	Final	Partial	2	-	-	2
Operational	Cyber Security Firewall Management	2	Final	Reasonable	15	-	5	10
Operational	National Fraud Initiative Governance Arrangements	1	Final	Advice and Guidance	N/A			
Follow up	Committee Structure	3	Final	N/A	4	-	4	-

## Internal Audit Work Plan 2018/19

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium		
						Recommendation		
						1	2	3
Follow up	Corporate Working Groups	3	Final	N/A	2	-	1	1
Operational	Key controls - reconciliations	3	Final	Substantial	1	-	-	1
Operational	Duplicate payment reporting	1-4	Final	Advice and Guidance	N/A			
Operational	Fraud Detection	2	Final	Reasonable	4		2	2
Operational	Public Health - Livewell Dorset	2	Final	Advice and Guidance	N/A			
Operational	Contract Overspends	3	Final	Advice and Guidance	N/A			
Operational	Green Assets Strategy	3	Final	Advice and Guidance	N/A	-	3	4
Operational	One Time Vendors	4	Final	Advice and Guidance	N/A			
Operational	Risk Management	4	Final	Advice and Guidance	N/A			
Operational	Supplier Resilience	3	Final	Partial	8	-	3	5
Operational	Data Quality – Mosaic	3	Final	Reasonable	5	-	-	5
Follow up	Timescales for Statutory Assessments	4	Final	N/A	0	-	-	-
Operational	DWP - Enforcement	4	Final	Advice and Guidance				
Operational	Mosaic Post Implementation Review	3	Final	Reasonable	4	-	2	2
Follow up	Adult Community Services Change Programme	4	Final	N/A	0	-	-	-

## Internal Audit Work Plan 2018/19

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major Recommendation ↔ 3 = Medium		
						1	2	3
						Operational	Equality Impact Assessments	4
Operational	Continuing Health Care	3	Final	Reasonable	5	-	2	3
Operational	Public Health Contract Compliance	3	Final	Reasonable	4	-	3	1
Operational	Safeguarding in Dorset Schools	4	Final	Reasonable	4	-	-	4
Operational	WAN Management	4	Draft	Reasonable				
Operational	Pension Fund Investments Transfer	3	Final	Substantial	0	-	-	-
Follow up	High Needs Block	3	Final	N/A	1	-	1	-
<b>Completed work for Shadow Dorset Council</b>								
Operational	Governance of Shaping Dorset Programme	1	Final	Partial	5	-	5	-
Follow up	Governance of Shaping Dorset Programme	1	Final	N/A				
Operational	Governance of Shaping Dorset Programme	2	Final	Partial	7	-	7	-
Gateway Review	Gateway 1 review	3	Final	N/A	7	-	7	-
Gateway Review	Gateway 2 review	4	Final	N/A	8	-	8	-
Gateway Review	Gateway 3 review	4	Final	N/A	7	-	7	-