



Audit and Governance Committee

Date: Monday, 17 July 2023
Time: 10.00 am
Venue: Council Chamber, County Hall, Dorchester, DT1 1XJ

Members (Quorum: 3)

Richard Biggs (Chairman), Susan Cocking (Vice-Chairman), Rod Adkins, Belinda Bawden, Simon Christopher, Barry Goringe, David Gray, Robin Legg, Bill Trite and Pauline Batstone

Chief Executive: Matt Prosser, County Hall, Dorchester, Dorset DT1 1XJ

For more information about this agenda please contact Democratic Services
Meeting Contact john.miles@dorsetcouncil.gov.uk

Members of the public are welcome to attend this meeting, apart from any items listed in the exempt part of this agenda.

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Agenda

Item		Pages
1.	APOLOGIES	
	To receive any apologies for absence.	
2.	MINUTES	5 - 8
	To confirm the minutes of the meeting held on 12 th June 2023.	
3.	DECLARATIONS OF INTEREST	
	To disclose any pecuniary, other registrable or non-registrable interest as set out in the adopted Code of Conduct. In making their decision councillors are asked to state the agenda item, the nature of the interest and any action they propose to take as part of their declaration.	
	If required, further advice should be sought from the Monitoring Officer in advance of the meeting.	

4. PUBLIC PARTICIPATION

To receive questions or statements on the business of the committee from town and parish councils and members of the public.

When submitting a question please indicate who the question is for and include your name, address and contact details. Questions and statements received in line with the council's rules for public participation will be published as a supplement to the agenda.

The deadline for submission of the full text of a question or statement is 8.30am on 12th July 2023.

5. MINUTES OF THE AUDIT & GOVERNANCE SUB-COMMITTEE

To note the minutes of the Audit & Governance Hearing Sub-committee (if any meetings have been held).

6. ANNUAL INFORMATION GOVERNANCE REPORT 9 - 22

To receive a report by Marc Eyre, Service Manager for Assurance.

7. RISK MANAGEMENT UPDATE 23 - 34

To receive a report by Marc Eyre, Service Manager for Assurance.

8. REPORT OF INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2023/24- JUNE 2023 35 - 46

To receive a report by Sally White, Assistant Director SWAP.

9. UPDATE REPORT TO THE AUDIT AND GOVERNANCE COMMITTEE ON THE 2020/21 AUDIT 47 - 98

To receive a report by Ian Howse, Deloitte.

10. WORK PROGRAMME 99 - 100

To consider the work programme for the Committee.

11. URGENT ITEMS

To consider any items of business which the Chairman has had prior notification and considers to be urgent pursuant to section 100B (4) b) of the Local Government Act 1972. The reason for the urgency shall be recorded in the minutes.

12. EXEMPT BUSINESS

To move the exclusion of the press and the public for the following item in view of the likely disclosure of exempt information within the

meaning of paragraph 3 of schedule 12 A to the Local Government Act 1972 (as amended).

The public and the press will be asked to leave the meeting whilst the item of business is considered.

There are no exempt items scheduled for this meeting.

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AUDIT AND GOVERNANCE COMMITTEE

MINUTES OF MEETING HELD ON MONDAY 12 JUNE 2023

Present: Cllrs Richard Biggs (Chairman), Susan Cocking (Vice-Chairman), Belinda Bawden, Simon Christopher, Barry Goringe and David Gray

Present remotely: Cllrs Robin Legg

Also present remotely: Ian Howse

Officers present (for all or part of the meeting):

Sean Cremer (Corporate Director for Finance and Commercial), Susan Dallison (Democratic Services Team Leader), Aidan Dunn (Executive Director - Corporate Development S151), Marc Eyre (Service Manager for Assurance), Jonathan Mair (Director of Legal and Democratic and Monitoring Officer), John Miles (Democratic Services Officer Apprentice) and Peter Hopkins (Corporate Director - Assets and Property).

Officers present remotely (for all or part of the meeting):

Angela Hooper (Principal Auditor SWAP) and Sally White (Assistant Director SWAP).

1. **Apologies**

There were no apologies for absences.

2. **Minutes**

The minutes of the meeting held on 17th April 2023 were confirmed and signed.

3. **Declarations of Interest**

No declarations of disclosable pecuniary interests were made at the meeting.

4. **Public Participation**

There was no public participation.

5. **Minutes of the Audit & Governance Sub-committee**

There were no Sub-committee minutes to note.

6. Update on Preparation of the Statement of Accounts for 2022/23 and the External Audit for 2020/21 and 2021/22 Statement of Accounts

The Corporate Director for Finance and Commercial introduced the report to update the committee on the delay of the preparation of the 2022/23 final accounts. The committee was informed that the 2022/23 statement of accounts were due to be completed in draft form for publication by the 31st of May 2023 which was 2 months earlier than the last few years and the submission is now overdue. Nationally, 74% of the opinions from 2021/2022 were still outstanding of the 21st March 2023.

There were three issues still outstanding for preparation of the accounts and the finance team were dealing with multiple financial year close downs for 2020/21, 2021/2022 and working on 2022-2023. The budget monitoring for the current financial year 2023/24 had just started and the team was working on setting the budget for 2024/25. The finance team were under a lot of pressure, dealing with 5 financial years at the same time.

The contractor who was assigned to undertake the valuations for 2022/23 was behind schedule in its valuation of circa 350 assets. Deloitte advised that due to delays on prior year end accounts, they were unable to commence 2022-23 audits.

In January 2023, CIPFA offered a temporary solution which changed the notes to the accounts to report the gross accumulated depreciation. The council was currently working with Deloitte to review the appreciation values of our infrastructure assets which delayed the 2021/2022 and 2022/2023 accounts.

Cllrs asked questions such as, capacity issues, the additional contractor capacity, issues that had not been resolved, asset values and the practical significance.

In response to the questions about capacity issues, the Corporate Director for Assets and Property informed that two additional external contractors had been employed and an internal resources staff to balance the load and were releasing capacity to deal with the council's work. The Section 151 officer made the committee aware that they were able to buy in finance capacity to deal with these issues, but would not necessarily resolve the situation due to the delays around the valuation.

Ian Howse from Deloitte responded to Cllr Legg's question regarding the practicality of infrastructure asset valuation and over what period infrastructure assets were devalued. Lots of work was being conducted concerning the useful asset lives over which infrastructure assets were depreciated and valued and this resulted in the 2020/21 accounts being delayed.

Ian Howse highlighted that it was very important that the committee understood that these were national issues and agreed that these accounts needed to be completed. The committee was told that the draft accounts will be published in July.

Decision

The report was noted.

7. Annual Fraud and Whistleblowing Report

The Service Manager for Assurance introduced the report which followed on from a recommendation that was in a Southwest Audit Partnership report of increasing visibility on fraud management.

The committee was made aware that as of the progress made last year all the actions that were outstanding had mainly been completed. The areas outstanding were to provide more focused training for high-risk areas above and beyond the E learning that was currently available.

SWAP had previously carried out a baseline report on fraud management arrangements, which showed at the first review that although there were mechanisms and processes in place, these were not fully completed or embedded. 25 themes showed as amber out of 27. A follow-up review was taken in December 2022 which showed a significant improvement of 16 themes showing as green. The 11 amber areas form part of improvement measures for this year and involved improving communication channels.

The 2019 SWAP report noted the need for a member champion on fraud prevention, and the report proposed that this role transfers to the chair of the Audit and Governance Committee which was supported. Out of the 7 issues reported for the fraud and whistleblowing activities there was 1 case still under investigation and the other were not upheld.

Cllr Trite commented on the background papers under the section, anti-fraud, bribery, and corruption strategy, 'we operate a zero-tolerance culture of fraud corruption'. He added that it should be corrected to 'we operate a zero-tolerance policy towards fraud and corruption and requested that this should be checked'.

The term whistleblowing was discussed, and the definition will be considered for the next report.

Decision

The report was noted.

8. Update from the Monitoring Officer on the Constitution

The monitoring officer updated the committee on the consequential changes to the constitution.

Article 6.13 of the constitution required the executive leader to maintain an up-to-date list of the responsibilities of others that exercise executive powers on his behalf. This list can be found in the annex to article 6 of the Constitution and will

be updated to reflect the reshuffle that the leader recently made to the cabinet and to reflect the changes to portfolio holders' positions.

Under the Local Government Act 2000 the Leader appoints members of the cabinet and designates their portfolios. The monitoring Officer reported on a change to the Constitution to clarify that in the event of a portfolio holder being absent then the Leader of the council can exercise the powers of that portfolio holder.

Noted.

9. **Work Programme**

To add the 2021/21-2022 accounts and an update on the external audit of accounts to the July and September Work Programme.

10. **Urgent items**

There were no urgent items.

11. **Exempt Business**

There was no exempt business.

Duration of meeting: 10.00 - 10.52 am

Chairman

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Audit and Governance Committee

17 July 2023

Annual Information Governance Report

For Review and Consultation

Portfolio Holder: Cllr S Flower, Leader of the Council

Executive Director: J Mair, Director of Legal & Democratic

Report Author: Marc Eyre
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Report Author: James Fisher
Job Title: Data Protection Officer
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Report Status: Public

Brief Summary: This is the first Annual Information Governance Report and sets out the progress made during 2022/23 in further embedding information governance. In particular the report highlights the role of the new Strategic Information Governance Board (SIGB) and its supporting operational working groups.

A self assessment has been undertaken using the Information Commissioners Office's (ICO) Accountability Framework. This maps current practices, policies and processes against the expectation of the ICO. The output of the self assessment presents a challenging agenda for the SIGB, but also recognises that a number of improvement measures are already underway, with ongoing projects relating to records management, the information asset register and managing information requests. The output from the self-assessment will be used to develop a risk based and prioritised work programme for the SIGB.

Recommendation: To note the 2022/23 activity and focus for 2023/24.

Reason for Recommendation: To ensure that information governance is embedded and effective across Dorset Council.

1 Information Governance Structures at Dorset Council

- 1.1 This is the first Annual Information Governance Report, to be presented to both Senior Leadership Team and to the Audit and Governance Committee. The aim of the report is threefold: i) to provide an update on information governance activity; ii) to provide assurance that arrangements are fit for purpose; and iii) identify areas of improvement and focus for the forthcoming year.
- 1.2 Information governance at Dorset Council can be broadly split into three main areas: i) information compliance (including data protection, information requests and regulation of investigatory powers); ii) information security (including cyber threats); and iii) information management.
- 1.3 The report is supported by the Data Protection Officer (DPO). Whilst employed by the Council (and working to the Service Manager for Assurance), the UK General Data Protection Regulations require that the DPO is independent, an expert in data protection, adequately resourced, and reports to the highest management level. This link is provided by the Assurance Service reporting to the Director for Legal and Democratic, who acts as the Senior Information Risk Owner (SIRO) and the conduit with the Senior Leadership Team (SLT).
- 1.4 The SIRO role is mandatory for public sector organisations and is responsible for implementing and managing information risks within the organisation.
- 1.5 The Leader of the Council holds the portfolio that includes information governance.
- 1.6 During the lead up to unitary status, an Information Governance Board was established as part of the Shaping Dorset Council programme, to ensure that appropriate information governance arrangements existed from day one. It was chaired by the SIRO.
- 1.7 The Cyber 360 Review undertaken during 2022 included a number of findings relating to the Board's set up:

- That the role and remit of the Information Governance Board should be reviewed, including roles, lines of responsibility, approval paths, accountability, the management of resources, membership and frequency; and
- Dorset Council Management consider how lessons are identified and learnt in their review of the current governance arrangements and the scope of the Information Governance Board.

1.8 The Information Governance Board set up a task and finish group to respond to these findings. In particular, the Board had found the extent of business it faced challenging, with a wide remit that covered both operational and strategic issues. A report was considered and approved by SLT on 22 September 2022 which agreed the following:

- The Board would be disbanded and replaced by a Strategic Information Governance Board (SIGB), chaired by the SIRO with representatives from all Directorates that sit on their respective management teams. Professional advice to the SIGB to be provided by a range of officers (DPO, Caldicott Guardian, information management, cyber security, business intelligence, legal, human resources; and the transformation programme);
- Operational issues will be delegated to a number of working groups, with escalation to the SIGB as appropriate. The working group chairs will sit on the SIGB;
- The SIGB has authority to approve information governance policies, practices and standards developed by the operational groups;
- The SIGB has authority to accept risk or enable appropriate controls to bring the risk down to an acceptable level. Escalation to SLT would be at the SIRO's discretion. Directorate representatives would ensure key messages are shared with Directorate Management Teams; and
- The SIRO will report to SLT on information governance on an exception basis, but at least once annually via the annual Information Governance report. This report will also be presented to Audit and Governance Committee.

- 1.9 The standing operational working groups for the SIGB are set out below. These groups will commission separate task and finish groups to undertake particular focussed work as necessary.
- 1.10 Operational Information Governance Group
Chaired by the Service Manager for Assurance, as the name suggests this Group has responsibility for operational information governance matters. This includes i) review and development of policies, processes and standards; ii) response to adverse performance; iii) monitoring of service information governance risks; and iv) monitoring the roadmap of legislative change.
- 1.11 Organisational Compliance and Risk Learning Group
This is chaired by the Service Manager for Business Intelligence and Performance with a remit for debriefing information related risk events that occur so that learnings can be agreed and cascaded/communicated. The Group will also have a lead role in identifying and commissioning audits on information governance activities.
- 1.12 Cyber Security Technical Group
Chaired by the Cyber Security and ICT Continuity Lead this group provides the operational capabilities for cyber security and ICT within the Council, in addition to the response and recovery to an incident.
- 1.13 Digital Applications Governance Group
This is chaired by a Programme Manager in the Transformation, Innovation and Digital Service. The group monitors the roadmap of Microsoft applications, alongside other system developments. It reviews business requests for accepting applications into the Council's ICT infrastructure, with an analysis of risk (data protection / cyber security / information risk) vs business opportunity.

2 Information Governance Activity During 2022/23

- 2.1 The key development during the last financial year was establishing the SIGB and its supporting working groups, which provides a really solid platform for assurance over information governance and challenge/testing of risk acceptance. All of the groups are now operational.
- 2.2 The Records Management project has a number of strands that will modernise the service's operations, most prominently to manage digital records. The "Simplifying Records Management for the Future" project will design an accessible, simplified approach to managing digital files on

shared drives and in M365. Other workstreams are bringing paper records destructions and transfer backlogs up to date and establishing robust systems and processes. This includes improving the in-house system for day-to-day RMU operations and populating the Information Asset Register (IAR). The IAR tool will be launched alongside wider education on information ownership, to develop the essential Information Asset Owner role which provides assurance to the SIRO.

- 2.3 The findings of the Cyber 360 peer review were released in June 2022. This recognised that Dorset Council has in place a strong cyber security culture and very good general approach to cyber security. It identified evidence of capable leadership from SLT, demonstrated by high levels of personal engagement, robust relationships with IT and an enduring commitment to the appropriate funding of cyber security. A number of recommendations were identified, which are being tracked by the SIGB.
- 2.4 A Data and Business Intelligence Strategy was approved by Cabinet on 28 February 2023 setting out the council's ambition to place the use of data and intelligence at the core of decision-making and policy development. This strategy will inform the next phases of the council's development of information governance policies, processes and procedures, aiming to achieve systemic improvements to how information is collected, used and stored and the quality of our data. Strong data management and data quality are important to developing data analytic capabilities that allow the council to gain genuine insights from its data and make stronger predictions.
- 2.5 A risk assessment process has been developed and in use to assess risks and business benefits of any new applications prior to them being included within the Council's ICT infrastructure, reducing the risk of data loss/misuse or a cyber security incident.

3 **Performance and Risk**

- 3.1 A range of performance indicators are monitored in respect of the Council's information compliance arrangements. These are not replicated in full here, but top level "whole Council" figures have been included.
- 3.2 Freedom of Information
During 2022/23, whole Council performance for Freedom of Information Requests responded to within timescales was recorded as Amber for 10 of the 12 months (three of which were very close to the 90% target), with December 23 and February 23 showing as Red (but still above 75%

compliance). The Information Compliance Team continue to provide regular management information to Directorates to improve their compliance rates.

3.3 Subject Access Requests (SARs)

Historically Dorset Council, and previously Dorset County Council, has struggled to comply with SAR timescales received in relation to children's social care. The number of SARs received has increased by approximately 24% every year. Whilst still falling generally below the 90% target, significant improvements have been made within the last twelve months. Childrens Services established a dedicated SARs team, and these transferred to Assurance in January 2022 to provide better alignment with other information compliance skillsets. As a result of this dedicated resource, and a review of processes and practices, the backlog of cases have now been largely processed.

3.4 SARs vary in complexity – it is a small number of very complex care leaver requests that largely drive the Red reporting. With the significant backlog now removed, it is envisaged that the performance will improve, but realistically responding to the most complex cases within timescales will remain a challenge. Cases above team capacity and/or deemed very complex are generally outsourced to an external provider, which has improved performance. A redaction software project is underway to look to improve process efficiency further.

3.5 Data Breaches

During 2022/23 four breaches were deemed significant enough to be escalated to the ICO, including details of the actions taken by the Council. In all four cases the ICO was content with the actions taken. This number is a reduction from five and six escalations in the preceding two years.

3.6 There were 168 confirmed breaches reported to the DPO in the last twelve months, in addition to 81 near misses. This compares to 136 and 142 confirmed breaches in the preceding two years. By far the largest cause of actual and/or potential breaches related to use of email (66%). Measures being taken to reduce this risk include greater control over the use of email distribution groups, improved visibility of the 'bcc' field within Outlook and data protection training to staff and councillors specifically covering the use of email.

3.7 Mandatory Data Protection Training

As at end of March 2023 mandatory data protection training compliance

was showing at 67%, measuring positively against 35% at the same point in 2022. However it remains significantly below 100%. The Operational Information Governance Group are looking at this further, including an analysis of higher risk roles that have not undertaken the training, which is being reported through to Directorates. The data has been compared with compliance rates for the mandatory cyber training, which highlights similar non-compliance with particular job groupings. 14% of individuals causing a data breach were found not to have completed the mandatory training in the last twelve months. This will remain a key area of focus for the operational group during 2023/24.

3.8 The Council’s risk register identifies 17 risks with an information governance focus, four of which are identified as “High” or “Extreme” as set out in the table below:

Risk	Risk Ranking	Management Response	Risk Owner
286 - Loss of ICT service or data through a cyber-attack	Extreme	<p>Vulnerability Management - The implementation of vulnerability management technologies has reduced by 82% since the introduction of vulnerability management technology.</p> <p>The council’s identity management (multifactor, conditional access and account permission) has been reviewed with the support of specialist technology. A considerable number of vulnerabilities have been removed from the council identity management technologies. An external review of this technology is also being scoped.</p>	Head of ICT Operations
348 - There is a business continuity risk from delayed ICT	Extreme	Scoping for the first exercise since LGR is being scoped. Controlled power down is no longer required so this exercise	Head of ICT Operations

Risk	Risk Ranking	Management Response	Risk Owner
recovery after a disruption such as a power failure.		will test core infrastructure services. Core services are the foundation of the recovery process and include the recovery procedure will be tested as part of the exercise to ensure it is fit for purpose.	
671 - Failure to issue DC email addresses to remote workers (passenger assistant and drivers) could result in a data breach under GDPR	High	Currently remote workers use their personal email addresses. There is a risk of a data breach as sensitive information may be sent to these personal addresses, which are often shared with other family members in the household. Remote workers also cannot access DC systems such as Learning Hub, Staff Intranet etc. therefore they cannot complete Corporate mandatory training, do not receive staff benefits, corporate emails (Employee news) etc. A project is underway to identify a solution, including a process of service redesign.	Head of Dorset Travel
393 - Inadequate "data protection by design and default" culture and processes	High	Work is necessary to embed a culture of Data Protection Impact Assessments for any transformational change proposals. A task and finish group has been established to look at developing a wider "Impact Assessment" tool, which would also embrace climate change and equalities impacts. This may need the	Service Manager for Assurance

Risk	Risk Ranking	Management Response	Risk Owner
		assistance of service based change champions to assist services with lower risk assessments. Higher risk impacts will be escalated to the Operational Information Governance group.	

3.9 Audit

South West Audit Partnership undertook an audit on “Data Quality and Information Governance” in the last quarter of 2022/23. The resultant level of assurance was noted as “limited”. The report noted that positive progress has been made with the introduction of the SIGB and the approval of the Data and Business Intelligence Strategy. However, three “Priority Two” recommendations were made in respect of:

- Transfer of sensitive information to remote working staff cohort (see risk 671 above);
- Accuracy of Key Performance Indicator data recorded manually;
- Lack of a data sharing policy or framework and supporting library of agreements

3.10 The actions arising from this audit will be reflected within the SIGB action plan.

4 **Focus for 2023/24 – The ICO Accountability Framework**

4.1 The Government has proposed reform changes to the existing data protection legislation. The key focus is around reducing barriers to responsible innovation and mitigating the burdens on organisations whilst continuing to improve outcomes for people. These changes are not envisaged to significantly reduce impacts on public sector organisations, who by very nature of their statutory functions would be deemed to be carrying out high risk processing of personal data.

4.2 ICO accountability framework

The ICO has established an [Accountability Framework](#) toolkit that enables

organisations to self assess the extent that current policies and processes meet their expectations. This provides a useful means of measuring the maturity of a relatively new Council's information governance arrangements, and build on this to provide a prioritised and risk based work programme for the SIGB and its working groups. This can be monitored alongside other information related compliance frameworks, such as the NHS Data Security and Protection Toolkit. The Framework is broken down into the following ten categories:

- i) Leadership and oversight;
- ii) Policies and Procedures;
- iii) Training and Awareness;
- iv) Individuals Rights;
- v) Transparency;
- vi) Records of Processing and Lawful Basis;
- vii) Contracts and Data Sharing;
- viii) Risks and Data Protection Impact Assessments;
- ix) Records Management and Security; and
- x) Breach Response and Monitoring

4.3 The self assessment for Dorset Council is summarised within the graph below. Where noted as "blank", this recognises that the self assessment has not yet been completed:

Breakdown of 'Current status' of all categories

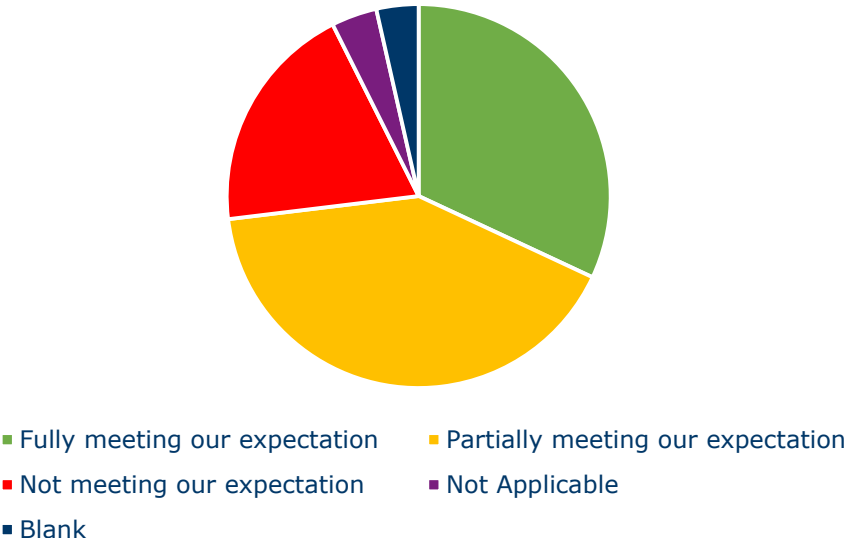


Fig1 – Proportion of assessment criteria where Dorset Council meets ICO expectations

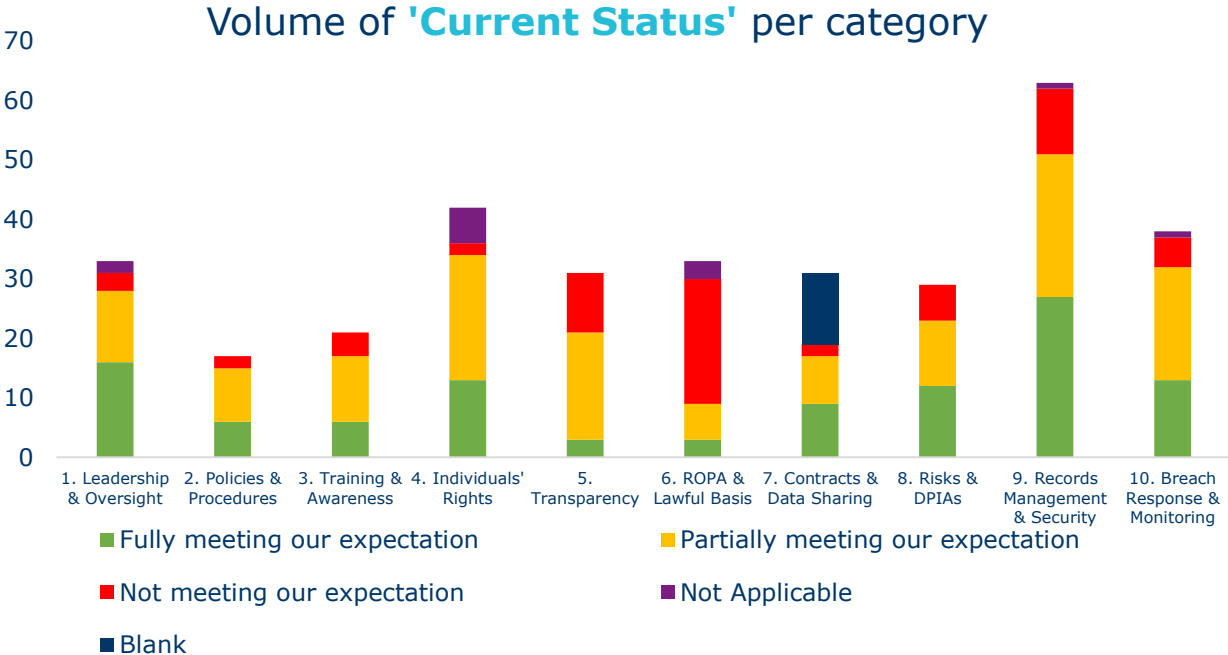


Fig 2 – Proportion of assessment criteria where Dorset Council meets ICO expectations, per category.

- 4.4 Whilst the self assessment identifies that the Council is either fully or partially meeting the ICO's expectations for 73% of the question set, there remains work to do to fully meet criteria. In general, the Council scores higher for physical controls, but less well in terms of the application and embeddedness of processes necessary to support strong information governance practices. The priority focus for the Operational Information Governance Group for early 2023/24 will be to develop a risk based prioritised action plan for adoption by the SIGB. This is a challenging agenda, which is likely to determine additional resourcing needs. Delivery is likely to sit with a small number of professional officers, such as that of the Data Protection Officer and the Cyber Security and ICT Continuity Lead, which may present resourcing implications to deliver improvement within acceptable timescales. Particular findings are noted below.
- 4.5 **Leadership and Oversight** – The set up of the Strategic Information Governance Board and its associated operational groups provide a positive framework for information governance, with clearly defined roles and escalation to SLT. Further work is necessary to raise awareness around information governance. There are resource shortfalls for what is a challenging agenda to fully meet ICO expectations.
- 4.6 **Policies and Procedures** – A set of policies were established for Day One of Dorset Council but have not yet been reviewed and updated to ensure that they remain fit for purpose. The Operation Group will be establishing a priority order, incorporating also non-GDPR related policies, such as Regulation of Investigatory Powers and Freedom of Information. Data protection considerations into policy change more generally are not fully embedded.
- 4.7 **Training and Awareness** – Data protection and cyber security training are mandatory for all staff and councillors. However compliance rates are not currently at the required level. Higher risk staff roles should be subject to a more “job specific” training, once a training matrix has been established.
- 4.8 **Individual Rights** - This relates to an individual's right to access to information about them, the right to rectification, erasure and restriction of processing. Good progress has been made in improving compliance rates for subject access requests, but further work is required. This includes an ongoing redaction software project.

- 4.9 **Transparency** - This category covers the content and effectiveness of privacy notices – a requirement under UK GDPR setting out how a person’s information is held and used. Further work is necessary to complete the Information Asset Register so that we can ensure the completeness and accuracy of privacy notices. Further work is required to understand the extent privacy notices are embedded into business processes. There is also a need to ensure that privacy notice wording is in clear and plain language.
- 4.10 **Records of Processing and Lawful Basis** – The information asset registers developed by predecessor councils have not yet been replaced by a Dorset Council register. A project is underway to progress this, but until the work is completed this category is largely showing as red.
- 4.11 **Contracts and Data Sharing** – A SWAP audit released in April 2023 found that the Council does not currently have a data sharing policy or framework, and that there is limited oversight of existing data sharing agreements. This will be a priority action for the Operational Information Governance Group.
- 4.12 **Risks and Data Protection Impact Assessments (DPIA)** – 4.10 above noted that work is underway to develop a Dorset Council information asset register. This will also act as a means of identifying significant information risks. “Data protection by design and default” is a key element of ensuring that service delivery change reflects a review of data protection implications. The Council has a process for impact assessments, but it is not sufficiently embedded. There will be a resource implication associated with responding to DPIA findings, and we need to be mindful of anticipated legislative change.
- 4.13 **Records Management and Security** – This category examines how we manage and secure both paper and electronic information. A records management project is currently underway which will respond to the majority of gaps identified.
- 4.14 **Breach Response and Management** – There are clear processes for managing breaches. The creation of the Organisational Compliance and Risk Learning Group will ensure that learning from breaches is more effectively identified and communicated. The Group will also respond to the auditing recommendations set out within this category.
- 4.15 Although outside of the ICO Accountability Framework work, as subject to a different regulator, the Council’s policy for use of the Regulation of

Investigatory Powers (RIPA) is currently being reviewed and will be presented to a later meeting of this Committee for approval. RIPA is legislation governing the use of covert techniques by public authorities.

5 Financial Implications

There are no direct financial implications from this report. However, the General Data Protection Regulations set out that the Data Protection Officer must be provided with sufficient resources to perform their role. The ongoing work of the Strategic Information Governance Board may identify areas where additional resourcing is required.

6 Natural Environment, Climate & Ecology Implications

None

7 Well-being and Health Implications

None

8 Other Implications

None

9 Risk Assessment

9.1 HAVING CONSIDERED: the risks associated with this decision; the level of risk has been identified as:

Current Risk: Medium

Residual Risk: Medium

10 Equalities Impact Assessment

Information Governance policies have been subject to Equalities Impact Assessments

11 Appendices

None

12 Background Papers

None

Audit and Governance Committee

17 July 2023

Risk Management Update

For Review and Consultation

Portfolio Holder: Cllr S Flower, Leader of the Council

Executive Director: J Mair, Corporate Director, Legal & Democratic

Report Author: Marc Eyre
Title: Service Manager for Assurance
Tel: 01305 224358
Email: marc.eyre@dorsetcouncil.gov.uk

Report Status: Public

Brief Summary: The continual development and promotion of risk management will ensure that Dorset Council remains well placed to demonstrate that objective and informed decisions are taken. The Senior Leadership Team own strategic risk management, with an agreed risk management framework and appetite statement both of which set out the Councils commitment. The aim is to help provide further early warning signals and to provide a revised set of management information that may be better suited to the nature of the risk.

Recommendation: That Audit and Governance Committee note the key risks identified in the corporate and service risk registers, with escalation to Scrutiny Committees where appropriate.

Reason for Recommendation: To ensure that the Council's risk management methodologies remain current, proportionate, and effective in enabling risk informed decisions to be made.

1. **Report**

- 1.1 A [PowerBI dashboard](#) has been developed by colleagues within the Business and Intelligence team that helps to present improved graphical focus and accessible information surrounding risk management across directorates and teams.
- 1.2 There are ten strategic risk themes informed by operational service level risks owned by Heads of Service and Service Managers.

Current Risk Themes	
Communities	Political & Leadership
Compliance	Safeguarding
Digital & Technology	Service Delivery
Finance	Transformation
Health, Safety & Wellbeing	Workforce

- 1.3 Councillors can view the full schedule of risks by theme from [this link](#).
- 1.4 Both the People and Health Scrutiny Committee and Place and Resources Scrutiny Committee consider the detail of individual risks. The role of Audit and Governance Committee is to satisfy itself over the adequacy of the risk management framework.
- 1.5 As reported at the October 2022 Committee meeting, an action plan has been developed to respond to recommendations from the South West Audit Partnership review of the Council’s risk management arrangements. This report recognised that the Council has developed and refined a functional system of risk management between officers and elected members, and that stakeholders cited the support provided positively. However, it was recognised that further work was necessary to embed risk management across services, which presented resourcing challenges.
- 1.6 Following a review of resourcing it was agreed to move the risk function from the Assurance Service to Business Intelligence and Performance team, to both more closely align with performance management and to enable the existing business partner model to function as the conduit with Directorates. A recruitment process is underway, following which the

transfer of function will take effect. At such time, the response to the key actions identified within the SWAP report will commence. This includes:

- A review of the Council's risk appetite;
- Review and roll out of training for risk owners;
- Enable a process of peer challenge of risk scoring;
- Ensure a consistent process of review and challenge across all Directorates.

2. Financial Implications

No budget implications specifically, although unmanaged risks may pose a threat to the Council's financial stability. Identified risk improvement measures may also have direct budget implications, each of which need to be subject to a cost/benefit analysis prior to implementation.

3. Climate Implications

None specifically, however the risk register itself identifies several climate related risks.

4. Well-being and Health Implications

Health, safety, and wellbeing is identified as one of our corporate risk themes.

5. Other Implications

None

6. Risk Assessment

Having considered the risks associated with this decision; the level of risk has been identified as:

Current Risk: HIGH

Residual Risk: HIGH

The risk level is identified as High as Appendix A provides an update on those High-level risks which are currently identified within the Council's risk register.

7. Equalities Impact Assessment

None specifically, however the risk register itself identifies several equality related risks.

8. Appendices

Appendix A - Summary of Extreme Risks

9. Background Paper

None

Audit and Governance Committee

17 July 2023



Risk Management Exception - Quarterly Update Report

Extreme Risks

29 June 2023

Each risk will be assessed twice: once in terms of inherent risk and in terms of residual risk.

- To assess inherent risk, the impact and probability must be considered in the absence of any controls: what is the level of risk before controls are considered, what is the susceptibility of the Council to risk, in the first instance? Inherent risk assessment is intended to demonstrate the purpose and effect of control and mitigating actions – it will show the exposure if control, and mitigating actions fail.
- An assessment of residual risk then follows and considers the control and mitigating actions identified. Where there is no change in the assessed risk score between inherent and residual, this is indicative of a lack of, or ineffective controls or circumstances where the council is limited in the action it can take.

Impact	Catastrophic	5	10	15	20	25
	Major	4	8	12	16	20
	Moderate	3	6	9	12	15
	Slight	2	4	6	8	10
	Limited	1	2	3	4	5
		Very Unlikely	Unlikely	Possible	Likely	Certain
Likelihood						

Assessing Likelihood (Probability)

In assessing probability, the following 1 to 5 scoring system is to be followed:

Likelihood (Probability)	Certain Score 5	Reasonable to expect that the event WILL happen, recur, possibly or frequently
	Likely Score 4	Event is MORE THAN LIKELY to occur. Will Probably happen, recur, but is not a persisting issue.
	Possible Score 3	LITTLE LIKELIHOOD of event occurring. It might happen or recur occasionally.
	Unlikely Score 2	Event NOT EXPECTED. Do not expect it to happen or recur, but it is possible that it might do so.
	Very Unlikely Score 1	EXCEPTIONAL event. This will probably never happen or recur.

Assessing Impact (Severity)

In assessing Impact, the following 1 to 5 scoring system is to be followed:

Impact (Severity)	Catastrophic Score 5	Multiple deaths of employees or those in the Council's care; Inability to function effectively, Council-wide; Will lead to resignation of Chief Executive and/or Leader; Corporate Manslaughter charges; Service delivery must be taken over by Central Government; Front page news story in National Press; Financial loss over £10m
	Major Score 4	Suspicious death in Council's care; Major disruption to Council's critical services for more than 48hrs; Noticeable impact achieving strategic objectives; Will lead to resignation of Senior Officers and/or Cabinet Member; Adverse coverage in National press/Front page news locally; Financial loss £5m-£10m
	Moderate Score 3	Serious Injury to employees or those in the Council's care; Disruption to one critical Council Service for more than 48hrs; Will lead to resignation of Head of Service/Project Manager; Adverse coverage in local press; Financial loss £1m-£5m
	Slight Score 2	Minor Injury to employees or those in the Council's care; Manageable disruption to services; Disciplinary action against employee; Financial loss £100k-£1m
	Limited Score 1	Day-to-day operational problems; Financial loss less than £100k

Level of Risk	EXTREME (20-25)	Risks at this level sit above our tolerance and form the biggest risks. Risks at this level sit above the tolerance of the Council and are of such magnitude that they form the Council's biggest risks. The Council is not willing to take risks at this level and action should be taken immediately to manage the risk.	IMMEDIATE ACTION AND REPORTING TO SLT
	HIGH-LEVEL (12-16)	The Council is not willing to take risks at this level and action should be taken immediately. These risks are within the upper limit of risk appetite. While these risks can be tolerated, controls should be identified to bring the risk down to a more manageable level where possible.	IMMEDIATE ACTION
	MEDIUM (5-10)	While these risks can be tolerated, controls should be identified to bring the risk down to a more manageable level. These risks sit on the borders of the Council's risk appetite and so while they do not pose an immediate threat, they are still risking that should remain under review. If the impact or likelihood increases, then risk owners should seek to manage the increase.	REVIEW CURRENT CONTROLS
	LOW (1-5)	These risks sit on the borders of the Council's risk appetite and so while they do not pose an immediate threat, they are still risking that should remain under review. These are low level risks that could impede or hinder achievement of objectives. Due to the low level, it is unlikely that additional controls will be identified to respond to the risk. Minor level risks with little consequence but not to be overlooked completely.	LIMITED ACTION BUT REVIEW

Risk assessment using probability and impact scoring can be subjective. The change in the overall risk profile demonstrates how action is taken to manage risks, to ensure the completeness of the risk register and to capture emerging risks. Note the deadline to update risks was 16 December 2022.

- The full Services Risk Register can be viewed from this link [HERE](#)
- And the PowerBI risk dashboard from [HERE](#)

RISK SUMMARY – As at 29 June 2023

Impact	Likelihood					
	Very unlikely	Unlikely	Possible	Likely	Certain	
Catastrophic	0	6	4	4	5	9 No of Extreme Risks
Major	5	47	21	21	0	58 No of High Risks
Moderate	12	48	88	11	1	
Slight	0	85	11	7	2	209 No of Medium Risks
Limited	1	1	0	1	0	
						106 No of Low Risks
						10% Overdue Review

People Directorate for [Adults and Housing](#)

Impact	Likelihood				
	Very unlikely	Unlikely	Possible	Likely	Certain
Catastrophic	0	0	0	0	0
Major	0	1	3	3	0
Moderate	1	10	9	2	0
Slight	0	8	0	2	0
Limited	0	0	0	0	0

(Blank)
Overdue Review

Adults and Housing Extreme Risks - None

People Directorate for [Children’s Services](#)

Impact	Likelihood				
	Very unlikely	Unlikely	Possible	Likely	Certain
Catastrophic	0	1	1	1	0
Major	0	3	4	1	0
Moderate	0	2	3	1	0
Slight	0	4	2	2	0
Limited	0	1	0	0	0

15%
Overdue Review

Children’s Services Extreme Risks

[Schools & Learning](#)

- Risk 272 - Failure to stabilise the budget for the High Needs Block

Public Health

		Likelihood				
		Very unlikely	Unlikely	Possible	Likely	Certain
Impact	Catastrophic	0	0	1	0	0
	Major	0	0	0	0	0
	Moderate	0	0	7	1	0
	Slight	0	0	0	1	0
	Limited	0	0	0	0	0

20%
Overdue Review

Public Health Extreme Risks - None

Corporate Services

		Likelihood				
		Very unlikely	Unlikely	Possible	Likely	Certain
Impact	Catastrophic	0	0	2	2	0
	Major	1	16	6	4	0
	Moderate	3	7	43	6	0
	Slight	0	42	3	3	0
	Limited	1	0	0	0	0

9%
Overdue Review

Corporate Services Extreme Risks

ICT Operations

- Risk 286 - Loss of ICT service or data through a cyber-attack
- Risk 348 - There is a business continuity risk from delayed ICT recovery after a disruption such as a power failure

Place Directorate

		Likelihood				
		Very unlikely	Unlikely	Possible	Likely	Certain
Impact	Catastrophic	0	5	1	1	5
	Major	4	27	8	12	0
	Moderate	8	29	33	2	1
	Slight	0	31	6	0	2
	Limited	0	0	0	1	0

12%

Overdue Review

Place Extreme Risks

Assets & Regeneration

- Risk 572 - Asbestos inspection compliance Health and Safety compliance and recording
- Risk 656 – Fire Risk Assessments
- Risk 138 - Breach of health and safety at an occupied premise
- Risk 571 - Corporate Landlord model not being fully implemented by the Council and all services.
- Risks 703 – Radon Management

Place Based Services – COMMERCIAL WASTE & STRATEGY

- Risk 381 - Cost of contracted services (HRCs operation, transportation) increases when retendered

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Dorset Council

Report of Internal Audit Activity

Progress Report 2023/24 – June 2023

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Agenda Item 8

Executive Summary

As part of our update reports, we will provide an ongoing opinion to support our 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.

The contacts at SWAP in connection with this report are:

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SWAP is an internal audit partnership covering 26 organisations. Dorset Council is a part-owner of SWAP, and we provide the internal audit service to the Council.



Audit Opinion, Significant Risks, and Audit Follow Up Work

Audit Opinion:

This is our first update report for 2023/24 financial year.

Our live [Internal Audit Rolling Plan](#) and specifically the coverage and assurance tab (*which can be found on the first tab of the Rolling Plan or on page 3 below*), reflects the outcomes of recent reviews completed. Based on these recent reviews, we recognise that generally risks are well managed. We have identified some gaps, weaknesses and areas of non-compliance however, we have reasonable to high 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 April 2023, we have issued **three Limited** assurance opinions on the areas and activities we have been auditing. Further details on this can be found on pages 7 to 9 below.

Significant Corporate Risks

Update on Response to Climate Emergency

Since our last update report, we have undertaken a follow up of the agreed actions and have been working with the Corporate Director, Transformation, Innovation and Digital. We can report that all actions are at least in progress, with two completed. One action is overdue but should be closed off by the end of July. A report detailing our work can be found on page 10. Due to the nature of these actions, long implementation dates were agreed, so the majority of them are not due until 2024/25 and the service will need more time to demonstrate completion. Therefore, we will maintain contact with the Corporate Director and will undertake another formal follow up in early 2024.

Update on Premises related Health and Safety

Since our last report, we have undertaken a formal follow up and can report that whilst only two of the nine agreed actions are complete, good progress has been made towards implementing all actions and this work should be completed by the end of December 2023. A report on the outcome of our follow up work can be found on page 11 and we will undertake a further follow up at the end of November 2023.

Executive Summary

For further details see:
<https://www.swapaudit.co.uk/>

Follow Up of Agreed Audit Actions

The number of outstanding audit actions has dropped from 10 reported as at 17/04/23 to 7 as at 29/06/23. This demonstrates that good progress continues to be made in ensuring that audit actions are implemented by services in a timely manner. The usual performance graphs on implementation of audit actions can be found on page 4 below and as always, further details on outstanding actions can be found by viewing the follow up **Action Tracker** which is stored in the same location as our Rolling Plan and can be viewed by clicking on [this link](#).

Internal Audit Plan Progress 2023/24

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

The table below, captures our audit coverage, mapped against the Authority’s corporate risk themes. Furthermore, we have then overlayed the audit assurance outcomes of those risk areas that we have reviewed. As you will see we have provided some level of recent audit work across all the areas of the corporate risk themes. It is possible on our [Internal Audit Rolling Plan](#) document to also view coverage of our recent audit work mapped by Core Areas of Recommended Assurance, SWAP Top 10 Risk Themes, and Corporate Plan Objectives (please ensure that you download the document in the ‘desktop app’ which will open the document in Excel).

Risk Theme	Coverage	Assurance assessment based on completed internal audit work
CR01 - Finance	Good	Reasonable
CR02 - Compliance	Good	Reasonable
CR03 - Health, Safety & Wellbeing	Adequate	Limited
CR04 - Communities	Good	Limited
CR05 - Digital & Technology	Good	Substantial
CR06 - Safeguarding	Adequate	Reasonable
CR07 - Transformation	Some	Limited
CR08 - Workforce	Good	Limited
CR09 - Political & Leadership	Some	Limited
CR10 - Service Delivery	Good	Non-Assurance audit work

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
Reasonable	Generally sound system of governance, risk
Limited	Significant gaps, weaknesses or non-
No Assurance	Fundamental gaps, weaknesses or non-

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

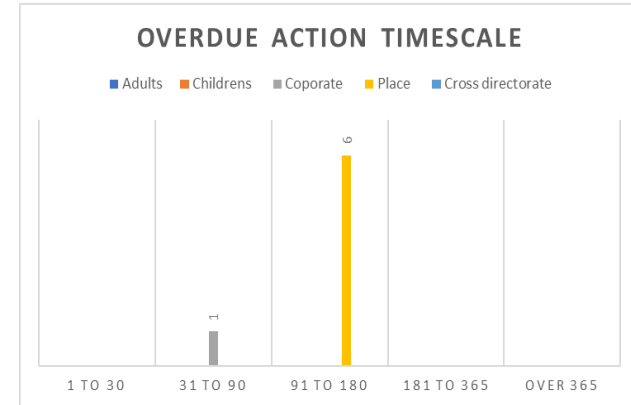
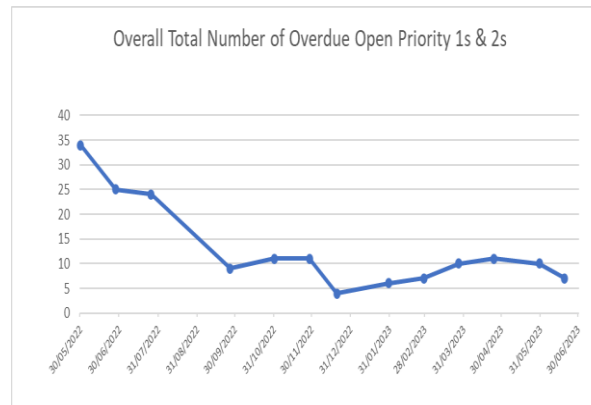
Internal Audit Plan Progress 2023/24

We review our performance to ensure that our work meets our clients' expectations and that we are delivering value to the organisation.

SWAP Performance Measures

Performance Measure	Performance
<p>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></p>	100%
<p>Value to the Organisation <i>(Client view of whether our audit work met or exceeded expectations, in terms of value to their area)</i></p>	100%

Outcomes from Follow Up Audit Work



Long overdue actions could have revised implementation dates, however our metric is measured from the original agreed date.

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

Cifas

The use of the Cifas data sharing service continues to bring benefits. Since our last update all Adults service users at the financial assessments stage and Homelessness applicants are now being run through the database to identify any matches. In addition, Cifas have provided training on the use of facial matching which could be used where individuals are required to provide identification, such as homelessness applicants. We are progressing Adults micro providers, Financial Agents and Power of Attorneys, and housing register applications. Future areas that we would like to expand into include Children’s Services and Licensing. Previously agreed areas continue to be run through the database with matches being identified and action taken where necessary.

Data Analytics

Data analytics, which has been used to inform audit findings and to provide additional insight has been undertaken for the Manager Self-Serve, Fostering Panel Processes, Homelessness Front Door Services and Accounts Payable Continuous Audits.

Newsletters and updates

SWAP regularly produces a newsletter and other relevant updates for partners such as fraud bulletins, which provide information on topical issues of interest.

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 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.

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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 [Rolling Plan](#). Please follow this link, click on the files tab and then on the file called **Internal Audit Rolling Plan**. From the document, 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 we include our one-page audit report in full for Limited assurance audits.

Data Quality & Information Governance – Final Report – May 2023



Audit Objective To review the controls in place for managing the quality of data held by the Council and the governance surrounding the management of data.

Assurance Opinion	Number of Actions	Risks Reviewed	Assessment
<p>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.</p>	Priority 1	0	Medium
	Priority 2	3	
	Priority 3	3	Medium
	Total	6	
		<p>1. Decisions are made using poor quality data leading to poor outcomes for residents and lack of value for money for the Council.</p> <p>2. Insufficient governance around the roles and responsibilities for the management of data lead to potential data breaches resulting in reputational damage and potential fines.</p>	

Key Findings	Audit Scope
<p>The findings below should be read in the context that the Data & BI Strategy has recently been approved by cabinet. Management demonstrated awareness of the challenges faced by the council and the need to become a more data driven organisation. Much work has already been done to refresh the Strategic Information Governance board however, we feel the points below should be considered when management are implementing the Data & BI Strategy.</p>	<p>The scope of the audit included a review of the following:</p> <ul style="list-style-type: none"> Processes in place for checking the quality of data held within systems How data is used in the Performance Leadership Dashboard Controls around data sharing agreements Whether roles and responsibilities for the management and storing of data are clearly defined How lessons are learned from data breaches or near misses Management oversight, including actions taken when it is known that data may not be accurate <p>Scope exclusion – we did not review organisational compliance with GDPR.</p>
<p>The audit identified a cohort of c.800 staff without a Microsoft licence or Dorset Council email access, some of whom have access to sensitive information, and may be accessing information via their personal email accounts and WhatsApp. This results in the Council having limited influence or oversight over how the data is stored, used and shared once it is on a personal device.</p>	
<p>Each month the Performance Leadership Dashboard is manually updated using information captured in the “master spreadsheet”. There are only limited checks performed by Business Partners to validate the quality and accuracy of data captured in the spreadsheet. We also noted KPI “targets” had often not been defined or documented, and there was a lack of clarity regarding how the RAG status is determined for key metrics. The manual nature of the process means it could be prone to error.</p>	
<p>Dorset Council does not have a data sharing policy or framework, and there is limited oversight of existing data sharing agreements. Management do not have a holistic view of all data sharing agreements with external partners. This presents a risk, particularly with historic data sharing agreements because there is limited consideration of whether they remain relevant, compliant with legislation (such as GDPR) and appropriate to the needs of the Council.</p>	

Next Steps
 Upon completion of the audit fieldwork we briefed senior management on our findings. In total the audit identified six issues where we believe further action is required to improve the control environment and have formed a detailed action plan.

Unrestricted Full details of our audit testing are available upon request. Our audit assurance framework and definitions can be found here (www.swapaudit.co.uk/audit-framework-and-definitions)
 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



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.

Homelessness - Front Door Service – Final Report – May 2023



Audit Objective To provide assurance on the prevention of homelessness front door services.

Assurance Opinion		Number of Actions		Risks Reviewed	Assessment
<p>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.</p>		Priority	Number	The Council does not comply with its statutory responsibilities leading to an increase in homelessness resulting in a poor impact on the health and wellbeing of Dorset residents, increase in financial burden on the Council and associated potential reputational damage.	Medium
		Priority 1	0		
		Priority 2	4		
		Priority 3	6		
		Total	10		

Key Findings	
	A concept of the Homelessness Act 1996 is the creation of Personal Housing Plans (PHP's), a collaborative document containing specific actions for applicants and the Council. Sample testing showed that actions for the Council were not always captured or clearly specified. The service should ensure that the PHP's are completed to the expected standards capturing all the actions that need to be completed.
	The Service Lead has been in place since May 2022 and has introduced a toolkit to improve standards of working practices. However, gaps and inconsistencies in data quality in Huume still remain so additional training and monitoring of performance should be used to ensure expected standards are maintained.
	Sample testing demonstrated that sufficient evidence to support decisions, together with additional notes was not always obtained in every case and staff should be reminded of the expectations required. Any notes to further support the decision made should also be included in every application.
	The case management system (Huume) is flexible and has reporting and dashboard capabilities. This should be used to the Council's advantage to provide insights to where continuous improvements can be made.
	The service has made improvements in complying with the 56-day statutory deadline since the beginning of 2022 when Huume was adopted. Evidence of this improvement can be found in Appendix 2 where we have detailed some of our data analysis.

Audit Scope
We have reviewed the following: <ul style="list-style-type: none"> • The timeliness of the completion of housing assessments and personalised housing plans • The provision of advice • How eligibility for assistance is determined • How the duties to prevent and/or relieve homelessness are fulfilled • How reviews of decisions made about entitlements to assistance are completed • How fraudulent applications are detected • Record keeping and how the service keeps track of cases • Upwards reporting and oversight by senior management Data analysis of records has been undertaken to provide additional insight.

Other Relevant Information

Actions have been agreed with management and are detailed in an action plan. There has been a significant amount of work happening in the Homelessness service since the appointment of a new service lead in May 2022 and improvements have been continuous during the audit. It must also be noted that there has been a large turnover of officers in the service which explains some of the data quality issues identified.

Full details of our audit testing are available upon request. Our audit assurance framework and definitions can be found here (www.swapaudit.co.uk/audit-framework-and-definitions)

Unrestricted 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



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.

Effectiveness of Manager Self Service – Final Report – June 2023



Audit Objective

To provide assurance that the Council has arrangements in place to ensure that managers are undertaking expected Manager Self Service tasks accurately and on a timely basis.

Assurance Opinion		Number of Actions		Risk Reviewed	Assessment
	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.	Priority	Number	Failure to undertake necessary tasks through Manager Self Service leading to inaccurate and incomplete records on which decisions may be based impacting staff working terms and conditions which may lead to financial loss and reputational risk.	Medium
		Priority 1	0		
		Priority 2	6		
		Priority 3	1		
		Total	7		

Key Findings	
	There is a lack of adequate controls within the system allowing staff and managers to circumvent the procedures which results in non-compliance with policy and regulations.
	ICT are unable to obtain transactional reports from DES/SAP to help maintain an overview of the tasks that managers should be undertaking through Manager Self Service (MSS).
	This audit has identified issues which suggests a lack of use of the tools available or a lack of understanding or awareness by the managers of their MSS role and responsibilities.
	High time off in lieu (TOIL) balances which remain should be managed to a more acceptable level. The work schedule rule is not always accurate in DES and these should be amended so accurate monitoring can take place.
	There is a wide range of guidance to assist managers to undertake the required tasks within MSS, but the survey has indicated that there is a lack of awareness of these.
	Mandatory Cyber training is not currently included within the HR dashboard.

Audit Scope
The audit reviewed the following: - <ul style="list-style-type: none"> MSS tasks were identified and HR data was requested for analysis to detect 'red flags' within the system. Assessment of the MSS tasks that managers are undertaking across the Council to identify areas of inconsistencies. A review of the support and guidance for managers to enable them to undertake all of their required duties. Monitoring arrangements to ensure all managers are operating to the expected standard.

Added Value
<ul style="list-style-type: none"> A survey around the use of DES for MSS was sent to 80 managers across the four Directorates. 49 responses were received which have been summarised and shared with the Head of Human Resources. The general indication is that managers do not find MSS intuitive with some managing records for leave and flexi outside of the system. The results from the data analytics carried out by SWAP for flexi and time off in lieu has been shared with the Head of Human Resources.

Unrestricted Full details of our audit testing are available upon request. Our audit assurance framework and definitions can be found here (www.swapaudit.co.uk/audit-framework-and-definitions) 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



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.

Response to Climate Emergency Follow Up – Final Report - June 2023



Follow Up Audit Objective

To provide assurance that agreed actions to mitigate against risk exposure identified within the 2022/23 Limited opinion audit of the Response to Climate Emergency report have been implemented.

Follow Up Progress Summary				
Priority	Complete	In Progress	Not Started	Summary
Priority 1	0	2	0	2
Priority 2	2	4	0	6
Priority 3	0	0	0	0
Total	2	6	0	8

Follow Up Assessment


The original audit was completed and reported in January 2023 and received a Limited assurance opinion. The follow up audit has found that six of the actions are in progress, although only one of these is overdue and has a revised timescale. Five of the actions are not due to be implemented until 2024 and 2025. Key findings have been summarised below.

Follow Up Scope

Testing has been performed in relation to all priority 1 and 2 actions and supporting evidence obtained to support implementation of actions.

Key Findings

It is very positive to be able to report that whilst a number of actions are not due to be implemented until 2024 and 2025 some progress has been made against all agreed actions with two actions now marked as complete.

 Training is currently being rolled out to Council staff and there is improved collaboration through the establishment of the Dorset Public Sector Decarbonisation Group. The approval of the climate and ecological decision-making tool should enable climate and ecological considerations to be at the forefront of decision-making once it becomes embedded. Work is ongoing to improve the quality of and access to data and additional resources and funding are being sourced which should assist with completion of the implementation of all the agreed actions.

Further Follow Up Required

Further details of actions can be found in an action plan. A second follow up will be undertaken during the early part of 2024 with potential subsequent follow ups undertaken as necessary to enable the service to demonstrate implementation towards completion of the actions which are due to be implemented by 30th April 2025.

A summary of the key findings from our review will be presented to the Audit and Governance Committee on 17th July 2023. Progress of outstanding actions will be reported to Audit and Governance Committee during 2024 and 2025.

Unrestricted

Full details of our audit testing/ working papers are available upon request. Our audit assurance framework and definitions can be found here www.swapaudit.co.uk/audit-framework-and-definitions



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.

Premises Health and Safety Follow Up Review – Final Report - June 2023



Follow Up Audit Objective

To provide assurance that agreed actions to mitigate against risk exposure identified within the 2022/23 Limited opinion audit of Premises Related Health and Safety report have been implemented.

Follow Up Progress Summary

Priority	Complete	In Progress	Not Started	Summary
Priority 1	1	1	0	2
Priority 2	1	5	0	6
Priority 3	0	1	0	1
Total	2	7	0	9

Follow Up Assessment

The original audit was completed and reported in September 2022 and received a Limited assurance opinion. This follow up audit has found that seven of the actions are still in progress. This report details the status of the outstanding actions. Key findings have been summarised below.

Follow Up Scope

Testing has been performed in relation to all priority 1 and 2 actions and supporting evidence obtained to support implementation of actions.

Key Findings



Assets & Regeneration have made good progress starting to implement the audit actions. Work completed and in progress is summarised below: -

- Cabinet approved the Corporate Landlord approach in 2020, but little progress had been made. Public Intelligence have been appointed to assist the Council in implementing the Corporate Landlord model, with the library service being the first to be rolled out and a plan to be fully implemented by April 2024.
- A new Health and Safety Compliance Board has been formed which is chaired by the Executive Director for Place.
- A compliance project is underway with over 100 surveys completed in the areas of asbestos and water safety (legionella). The focus at the moment is in ensuring the Council's 'high-risk' assets are deemed to be safe, legal and compliant. Buildings deemed as high risk are those that are occupied, such as schools, care homes, public facing buildings and buildings where staff are based. A new Asbestos Management Policy is in place.
- Excellent progress has been made in converging all asset information onto the Council's central asset & property database, Tech Forge. The system will be going 'live' in August 2023 although a significant amount of data still needs to be cleansed.
- A new set of Key Performance Indicators has been developed which will be reported to the new Health and Safety Compliance Board
- A process has been put in place which includes communication with tenants etc to ensure annual compliance is being carried out.
- A contractor has been provided with a schedule of sites for the Portable Appliance Testing (PAT) with arrangements for 'out of hours' access. This is due to be completed across all sites with an annual schedule in place by the end of December 2023.
- There is a requirement for a record of all of the Premises Responsible Person (PRP) to be recorded against each asset. A review of around 600 leases is being undertaken and the surveying team has temporarily assigned a responsible person to the asset base. This work is due to be concluded by September 2023.

Further Follow Up Required

Further details of actions can be found in an action plan with outstanding actions due to be implemented by 31st December 2023. A summary of the key findings from our review will be presented to the Audit and Governance Committee on 17th July 2023. Going forward, further follow up work will be carried out during November to review the progress of the seven outstanding actions which will be reported to Audit and Governance Committee in January 2024.

Unrestricted

Full details of our audit testing/ working papers are available upon request. Our audit assurance framework and definitions can be found here (www.swapaudit.co.uk/audit-framework-and-definitions)



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.



Dorset Council

Update Report to the Audit and Governance Committee on the 2020/21 audit

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Introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

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I have pleasure in presenting our updated ISA 260 report to the Audit and Governance Committee for Dorset Council (the Council) for the 2020/21 audit. The scope of our audit was set out within our planning report presented to the Committee in September 2021.

Status of our Statement of Accounts audit

Our audit is substantially complete subject to completion of the following principal matters:

- Infrastructure assets,
- Updated disclosure work;
- Correction of prior period errors;
- Completion of final quality reviews and quality checks and clearance of the points raised, this includes all of the significant risk areas;
- Reviews of updated financial statements;
- Conclusion of our consultation on the NNDR provision for the current year;
- Clarification of the impact on local councils of the NAO qualification in relation to Covid-19 income fraud at a Departmental level.
- Receipt of signed management representation letter; and
- Our review of events since 31 March 2021 through to signing.

We will provide an oral update on the status of these matters at the meeting of the Audit and Governance Committee, and will issue a final version of this report when everything is complete.

Status of our Value for Money audit

We have not identified to date any risks of significant weakness in arrangements to secure economy, efficiency and effectiveness in the use of resources. We have noted sufficient progress in addressing the issues in Children's Services raised by regulators to remove the qualification on the Council's arrangements which we raised in 2019/20.

We have no matters to report by exception in our financial statement audit opinion.

Our opinion will state that work is on-going and we will provide our final view on the Council's arrangements in our Auditor's Annual Report, which will be completed within three months of the date of the issue of the audit opinion in line with the timeframe specified in the National Audit Office Auditor Guidance note 3.

Introduction

The key messages in this report (continued)

Conclusions from our testing	<ul style="list-style-type: none">• The key judgements in the audit process related to:<ul style="list-style-type: none">• Valuation of property assets;• Completeness of accrued expenditure;• Valuation of the pension scheme liability; and• Recognition of Covid-19 grant income.• We have made some recommendations for improvement to controls from page 20.• Based on the current status of our audit work, we envisage issuing a modified audit opinion, covering the impact of the prior year qualification on the opening balances, with no reference to any matters in respect of the Council’s arrangements to secure economy, efficiency and effectiveness in the use of resources, or the Annual Governance Statement. The opinion will also include an emphasis of matter drawing attention to the material uncertainty in relation to the valuation of the Council's assets raised by the Council's valuer and disclosed in note 57 (i) (b) to the accounts.
Narrative Report & Annual Governance Statement	<ul style="list-style-type: none">• We have reviewed the Council’s Annual Report & Annual Governance Statement to consider whether it is misleading or inconsistent with other information known to us from our audit work.• The Annual Governance Statement complies with the Delivering Good Governance guidance issued by CIPFA/SOLACE.• We have no matters to raise with you in respect of the Narrative Report.
Duties as public auditor	<ul style="list-style-type: none">• We did not receive any formal queries or objections from local electors this year. We have had some correspondence from members of the public which we are currently considering.• We have not identified any matters that would require us to issue a public interest report. We have not had to exercise any other audit powers under the Local Audit and Accountability Act 2014.
Inspection Period	<ul style="list-style-type: none">• We identified that when the Council first published their accounts for inspection, they had not included the pension fund accounts. We have obtained legal advice that concluded that the full accounts, including the pension fund accounts, would need to be reopened for an inspection period. The Council has held an inspection period from 27 March to 11 May 2023 to address this.

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Ian Howse
Audit Partner

Significant Risks and Areas of Audit Focus

Dashboard



Risk	Material	Fraud risk	Approach to controls testing	Controls testing conclusion	Page no.
Significant risks					
Recognition of COVID-19 grant income				Recommendations raised	7
Completeness of accrued expenditure				Satisfactory	9
Valuation of property assets				Recommendations raised	10
Management override of controls				Recommendation raised	11
Pension liability valuation				Satisfactory	13

Controls approach adopted

- Assess design & implementation
- Test operating effectiveness of relevant controls
- Involvement of IT specialists




Significant Risks and Areas of Audit Focus

Dashboard

Risk	Material	Fraud risk	Approach to controls testing	Controls testing conclusion	Comments	Page no.
Areas of Audit Focus						
Infrastructure Assets			NA	NA	Testing ongoing	15

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Controls approach adopted

-  Assess design & implementation
-  Test operating effectiveness of relevant controls
-  Involvement of IT specialists

Significant audit risks

Recognition of Covid-19 grant income

Risk identified

ISA 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.

We have assessed the income streams of the Council, the complexity of the recognition principles and the extent of any estimates used, and concluded that, with the exception of the funding received in 2020/21 in response to the Covid-19 pandemic, there is no significant risk of revenue fraud.

During 2020/21, the Council has received additional funding in relation to Covid-19 grants of £303.8m across 55 grants.

We have pinpointed the significant risk to the completeness and accuracy of the funding recognised in the Council's financial statements and the completeness and accuracy of the agency arrangement disclosures, where the Council has acted as an agent on behalf of Central Government in administering Covid-19 grants.

The key judgements for management are assessing:

- Any conditions associated with the Covid-19 grants; and
- Whether the Council is acting as a principal or agent in administering the Covid-19 schemes, and how this is subsequently recognised in both the Comprehensive Income and Expenditure Statement and Balance Sheet.

The NAO have raised a qualification in relation to Covid-19 income fraud at a Departmental level. It is not yet clear what impact this has for local councils.

Deloitte response and challenge

We have completed the following procedures:

- Assessed the design and implementation of the controls in relation to the accounting treatment of all Covid-19 related funding;
- We reviewed management's paper on the accounting treatment of each significant grant claim and challenged the appropriateness of the approach adopted;
- We reviewed management's schedule of Covid-19 related grants and compared it to a central list of Covid-19 grants prepared by the Deloitte Local Government team
- Tested a sample of funding for Covid-19 grants and confirmed these have been recognised in accordance with any conditions applicable, including appropriate recognition in both the Comprehensive Income and Expenditure Statement and Balance Sheet; and
- Considered the adequacy of disclosures in the financial statements, including accounting policies and where relevant critical accounting judgement and key sources of estimation uncertainty disclosures.

Significant audit risks (continued)

Recognition of Covid-19 grant income (continued)

Conclusion

We have raised a control finding in relation to management's accounting paper on this technical accounting treatment. This is control finding 11 on page 26 of this report.

We have also identified a trivial misstatement in relation to the treatment of Covid-19 grants for an understatement of grant income by £0.5m and an understatement of grant expenditure by £0.5m.

The work in this area is subject to reviews and we will update you on our final conclusions in our final report to the Audit Committee.

Significant audit risks (continued)

Completeness of Accrued expenditure

Risk identified Under UK auditing standards, there is a presumed risk in respect of revenue recognition due to fraud. We have focussed this risk, on the fraud risk in respect of the completeness of expenditure, particularly in relation to year-end accruals.

There is an inherent fraud risk associated with the under-recording of expenditure in order for the Council to report a more favourable year-end position.

Deloitte response and challenge

We have obtained an understanding and tested the design and implementation of the key controls in place to ensure the completeness of accruals.

We performed a recalculation of a sample of accruals; and

We performed focused testing in relation to the completeness of accruals through testing of post-year end invoices received and payments made.

Conclusion We have not found any evidence of fraud or error in the completeness of accrued expenditure and have not raised any control finding, based on the work completed. However, this work is still subject to final reviews. .

Significant audit risks (continued)

Valuation of property assets (combines risk 1 and 2 from our plan)

Risk identified The Council is required to hold property assets within Property, Plant and Equipment at valuation. The valuations are by nature significant estimates which are based on specialist and management assumptions and which can be subject to material changes in value.

The Council held £457m of property assets at 31 March 2021, a downward movement of £1.2m, when compared to 31 March 2020.

The Council updates the valuation of its properties using a rolling revaluation programme. In 2020/21, it engaged valuers to carry out the following valuation exercise:

- Perform a full valuation of other properties due for valuation under the Council's 5 year rolling programme of valuations. The effective date of this valuation was 1 January 2021.

The risks identified in the plan related to the possibility of material differences between the market value at 1 January and 31 March and that judgements on the assumptions are not reasonable based on market evidence.

**Deloitte
Response and
challenge
Page 56**

We have tested the design and implementation of key controls in place around how the Council assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation;

We have tested the design and implementation of key controls in place to prevent/identify any errors made in processing the valuation accounting entries;

We have reviewed and challenged the Council's assessment of whether there have been any material changes at the year end in the values of assets revalued as at 1 January 2021;

We have reviewed and challenged the Council's assessment of whether there have been any material changes in the value of assets not revalued in the current year;

We have utilised our internal property specialists to support the audit team's assessment as to whether there have been any material changes in property values;

We have selected a sample of revalued assets to determine whether the correct accounting entries have been made;

We have reviewed the presentation of revaluation movements, and the disclosures included in the Statement of Accounts; and

We have tested inputs to the valuation such as gross internal areas.

Conclusion We have raised a number of control findings (see pages 20 - 24) to bring to the attention of the Audit and Governance Committee. We have identified an unadjusted misstatement which resulted in an overstatement of the car parks' valuation by £5.6m and a correction for historic impairments which had not been reversed when the increase in valuation was processed which resulted in a misstatement (unadjusted) of £1.7m. There were a number of misstatements below our trivial level which we have aggregated on page 40. Final reviews of this work are ongoing.

Significant audit risks (continued)

Management override of controls

Risk identified Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Although management is responsible for safeguarding the assets of the Council, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Statement of Accounts.

**Deloitte
response and
challenge**

We have considered the overall sensitivity of judgements made in preparation of the Statement of Accounts, and note that:

- The Council's budget reports throughout the year were projecting overspends in operational areas. This was closely monitored and whilst projecting overspends, the underlying reasons were well understood; and
- Senior management's remuneration is not tied to particular financial results.

We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

Journals

- We have tested the design and implementation of controls in relation to journals.
- We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.
- We have used Spotlight data analytics tools to test a sample of journals, based upon identification of items of potential audit interest. Our analysis has covered all journals posted in the year.

Significant transactions

- We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Significant audit risks (continued)

Management override of controls

**Deloitte
response and
challenge**

Accounting estimates

- We have performed design and implementation testing of the controls over key accounting estimates and judgements.
- The key judgements in the financial statements are those selected as significant audit risks: completeness of accruals, treatment of Covid-19 grants, valuation of the Council's property, and the pension liability, as discussed elsewhere in this report.
- We reviewed accounting estimates for biases that could result in material misstatements due to fraud.
- We tested accounting estimates and judgements, focusing on the areas of greatest judgement and value. Our procedures included comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources.

Conclusion

We identified one journal from our testing that was raised and reviewed by the same individual, see insights raised on page 27. We did not find any evidence of fraud from our testing, however, as with other significant risk areas final reviews are ongoing.

Significant audit risks (continued)

Pension liability valuation







Risk identified	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Dorset Pension Fund, which is part of the Local Government Pension Scheme. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's Balance Sheet. Per the draft financial statements at 31 March 2021, this totalled £988 million. As a result of this being an estimated balance there is a risk that inappropriate inputs and assumptions are used, which could result in the pension liability valuation being materially misstated.</p>
Deloitte response and challenge	<p>We have completed the following procedures:</p> <ul style="list-style-type: none">• We obtained a copy of the actuarial report for the Council produced by Barnett Waddingham, the scheme actuary, and agreed the report to the Statement of Accounts pension disclosures.• We reviewed the disclosures made in the Statement of Accounts against the requirements of the Code.• We liaised with the audit team of Dorset Pension Fund to obtain assurances over the information supplied to the actuary in relation to the Council.• We assessed the independence and expertise of the actuary supporting the basis of reliance upon their work.• We reviewed and challenged the assumptions made by Barnett Waddingham, including benchmarking as shown in the table on the following page.• We assessed the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund financial statements.
Goodwin Judgement	<p>The Goodwin judgement relates to sex discrimination as a result to changes that were made to pension rights for same sex married couples and relates to a tribunal ruling that was made on the 20th June 2020. For accounting at 31 March 2021, we note that the Council's pensions accounting in respect of LGPS makes no allowance for the Goodwin ruling.</p> <p>Our pension specialists have estimated the impact of the Goodwin Case which could be in the order of 0.2% of the defined benefit obligation which is approximately £4.5m and is not considered to be material. An unadjusted misstatement has been raised, see page 40.</p>
Conclusion	<p>The pension fund auditor has informed us of a £24.7m understatement in the pooled investment vehicle balance, of which we have calculated the Council's share of £9.1m. Aside from this and the unadjusted misstatement with respect to the impact of the Goodwin case, which are set out on page 40, we have no issues to report, subject to the completion of final reviews.</p>

Significant audit risks (continued)




Pension Liability Valuation

Review of assumptions used by the actuary

As part of our testing, we reviewed the assumptions used by the actuary and have set out below our assessment of the assumptions used in the IAS19 valuation.

Assumption	Council	Benchmark	Deloitte Assessment
Discount rate (% p.a.)	2.00%	2.00 - 2.25%	
Retail Price Index (RPI) Inflation rate (% p.a.)			
Break-even	3.45%	3.40-3.55%	
RP	0.25%	0.00-0.30%	
Consumer Price Index (CPI) Inflation rate (% p.a.)	2.80%	2.50-2.90%	
Salary increase (% p.a.) (over RPI inflation)	3.80%	Employer specific	
Pension increase in payment (% p.a.)	2.80%	2.80%	
Pension increase in deferment (% p.a.)	2.80%	2.80%	

Assessment key

-  In reasonable range
-  Towards limit of reasonable range
-  Optimistic or Prudent

Areas of Focus

Infrastructure Assets

Risk identified

The following concerns were raised by local authority auditors in relation to the treatment of infrastructure assets in the local authority statement of accounts:

- Derecognition of components – concerns were raised that local authorities were not derecognising infrastructure assets after they had been replaced by additions. This was due to the derecognition provisions of the Code being difficult for local authorities to apply for infrastructure assets, as authorities do not have detailed records of infrastructure asset components in place.
- Gross book value and accumulated depreciation – as a result of local authorities not disposing of infrastructure asset components when they were replaced, the gross book value and accumulated depreciation balances included in the property, plant and equipment disclosure notes for infrastructure assets are overstated. This is because components that are no longer in use are still included in both balances.
- Infrastructure asset disaggregation – concerns were raised that the records held by some local authorities do not sufficiently disaggregate the infrastructure asset balance within the authorities fixed asset register, so as to allow both the authority and auditors, to understand the actual types of infrastructure assets held by the authority. For example, it was noted that a number of authorities nationally include one line entitled “infrastructure assets” in the fixed asset register, with no further information available regarding what is included in the balance.
- Useful economic lives – it was identified that authorities often have limited support for the useful economic lives used in relation to infrastructure assets.

These issues were all raised with CIPFA and the Department for Levelling Up, Housing and Communities (DLUHC). Following a series of discussions at national technical groups and several consultations that were overseen by CIPFA and DLUHC, the following has now been issued:

- Statutory Instrument (SI) – The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022, was laid before Parliament on 30 November 2022 and came into force on 25 December 2022. The main purpose of the statutory instrument is to allow local authorities to make the assumption that any infrastructure asset additions recognised are replacing components that have been fully depreciated. The SI is applicable to all financial years up to 2024/25, where the audit certificate for the authority is still open.
- CIPFA Code update – Update to Code and Specifications for Future Codes for Infrastructure Assets – this came into effect on 29 November 2022. The main purpose of the Code update is to remove the requirement for authorities to disclose gross book value and accumulated depreciation balances for infrastructure assets.
- CIPFA Bulletin 12 – Accounting for Infrastructure Assets – Temporary Solution – this was released on 11 January 2023. The CIPFA Bulletin aims to provide example disclosures and examples of how both the Statutory Instrument and the Code update impact on the accounting for infrastructure assets.

Areas of Focus (continued)

Infrastructure Assets (continued)

Deloitte response and challenge

Derecognition of components

- We have made inquiries of management to understand whether they will opt to apply the SI and have made the assumption that the carrying amount of any assets that have been replaced was nil.
- We have reviewed the Statement of Accounts for Dorset Council to check the necessary disclosures have been made as advised in the CIPFA Bulletin 12.

Gross Book Value and Accumulated Depreciation

- We have reviewed the Statement of Accounts for Dorset Council to check the necessary disclosures have been made as advised in the CIPFA Bulletin 12.

Infrastructure Asset Disaggregation

- We reviewed and challenged the disaggregation of infrastructure assets in the authority's fixed asset register.

Useful economic lives

- We reviewed and challenged the useful economic lives applied to infrastructure assets by the Authority, considering the guidance set out in the CIPFA Bulletin.
 - We considered the impact on the in-year depreciation charge of useful economic lives used by the Authority.
-

Areas of Focus (continued)

Infrastructure Assets (continued)

Conclusion

Derecognition of components

- We confirmed that the Authority has opted to apply the SI and have made the assumption that the carrying amount of any assets that have been replaced was nil.
- We have reviewed the Statement of Accounts for Dorset Council and can confirm that the disclosure has been made.

Gross Book Value and Accumulated Depreciation

- We have reviewed the Statement of Accounts for Dorset Council and can confirm that the disclosure has been made.

Infrastructure Asset Disaggregation

- We identified that of the £423m of infrastructure assets, the Council's FAR disaggregates this into 28 asset lines, plus the PFI asset which is held separately from the FAR. The description of these 28 lines indicated that each of these lines relates to a separate category of infrastructure assets (e.g., Highways – roads, drainage, coastal defences, etc.) but these were not explicit. We challenged the Council to provide clear categorisations for each of the asset lines. The Council provided this for all but 2 asset lines (totalling £743k), these assets having been inherited from the previous district Councils on 1 April 2019 and the underlying records and support to be able to accurately classify these lines was not available

Useful economic lives

We identified the following issues from the procedures performed:

- The UELs previously used by the Council (generally 5% reducing balance method - equivalent to 20 year UEL on the NBV from 1 April 2020) were not supportable. Based on the evidence provided and the UKRLG UEL range, the audit team has assessed an expected UEL for each of the assets and challenged management to review the UELs it is applying. Management have provided an updated consideration of the UELs and their application. This only impacts on 2020/21 as per paragraph 30M.2 of the Statutory Instrument, local authorities are not required to make any prior year adjustment to the statement of accounts in relation to infrastructure asset balances.

Final assessments and reviews are ongoing.

Value for money

Our work is on-going and will be reported in our Auditor's Annual Report

Value for Money requirements

We are required to consider the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources. Under the revised requirements of the Code of Audit Practice 2020 and related Auditor Guidance Note 03 ('AGN03'), we are required to:

- Perform work to understand the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources against each of the three reporting criteria (financial sustainability, governance, and improving economy, efficiency and effectiveness);
 - Undertake a risk assessment to identify whether there are any risks of significant weaknesses in arrangements;
 - If any risks of significant weaknesses are identified, perform procedures to determine whether there is in fact a significant weakness in arrangements, and if so to make recommendations for improvement;
 - Issue a narrative commentary in the Auditor's Annual Report, setting out the work undertaken in respect of the reporting criteria and our findings, including any explanation needed in respect of judgements or local context for findings. If significant weaknesses are identified, the weaknesses and recommendations will be included in the reporting, together with follow-up of previous recommendations and whether they have been implemented. Where relevant, we may include reporting on any other matters arising we consider relevant to Value for Money arrangements, which might include emerging risks or issues arising; and
- Where significant weaknesses are identified, report this by exception within our financial statement audit opinion.
-

Status of our work

Our Value for Money work is on-going, and will be reported in our Auditor's Annual Report, which will be issued within the three month timeframe from the date of signing as specified under the National Audit Office Auditor Guidance Note 3.

The principal areas of work remaining are follow-up interviews to support our Value for Money (VfM) commentary.

Value for money

We have not identified any significant weaknesses to date

Work performed to obtain an understanding of the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources

As part of our risk assessment, we have reviewed the summary of Value for Money arrangements prepared by the Council, reviewed supporting documentation on arrangements.

In addition, we have:

- reviewed of the Council's draft Annual Governance Statement;
- reviewed internal audit reports through the year and the Head of Internal Audit Opinion
- considered issues identified through our other audit and assurance work;
- considered the Council's financial performance and management throughout 2020/21; and
- The latest OFSTED Report and other correspondence from regulators.

Page 65 We have also obtained an understanding of:
The changes in governance processes as a result of Covid-19; and
The changes to control processes as a result of Covid-19 including the impact on the Council's budget.

Specific areas we have considered in our work include the Council's ongoing response to issues raised by regulators in previous years relating to Children's services, which led to a qualification of our VFM opinion in 2019/20.

Findings of our work to date

We have not identified to date any risks of significant weakness in arrangements to secure economy, efficiency and effectiveness in the use of resources.

We have noted sufficient progress in addressing the issues in Children's Services raised by regulators to remove the qualification on the Council's arrangements which we raised in 2019/20.

We have no matters to report by exception in our financial statement audit opinion.

Our opinion will state that work is on-going and we will provide our final view on the Council's arrangements in our Auditor's Annual Report.

Your control environment and findings

Control deficiencies and areas for management focus

	Observation	Year first communicated	Deloitte recommendation	Management response and remediation plan
Property Valuations/PPE				
Page 66	<p>1 Additions provided for internal valuation/impairment review out of date. The Council's Operational Asset Surveyor was provided a listing of additions to consider as part of their review of the movement in asset values for assets not valued in year. The information provided related to additions made in 2019/20 and not 2020/21. The correction had no impact on the impairment review overall.</p>	2021	It is recommended that up to date information should be provided to inform asset valuations and reviews of asset values.	Future processes will ensure that the Assets & Property and Finance teams have information on additions for future property asset valuations. There will be version control of detail for 2021/22, with the process overseen by the Service Manager Finance (Corporate).
	<p>Consistency of property references. From our testing of the valuer's report through to the accounting entries posted, we have identified that the references used by the property team (UPRN), who provided information to the valuer, do not directly correspond to the references of the assets within the general ledger. As such in some instances assets did not map through into the general ledger, in others one asset UPRN relates to multiple assets in the general ledger and conversely multiple asset UPRNS mapped to single assets in the general ledger.</p>	2021	Each asset should have a single consistent reference that clearly identifies which asset ties through the information held within the property systems and the general ledger.	A reconciliation of property asset records held in the Assets & Property and Finance teams is being worked through for 2021/22 closedown, referencing a consistent Unique Property Reference Number (UPRN) for each property asset. Service Manager Finance (Corporate)
	<p>3 PPE Note reconciliation and review. The lack of the above control has resulted in disclosure misstatements in the PPE note</p>	2021	The PPE Note should be clearly reconciled to the underlying information, such as the asset history sheet from the ledger, the PFI asset listing, and leased asset listing. The reconciliation should then be reviewed by a more senior member of the finance team.	Process will be reviewed and updated for 2021/22 accounts, e.g., links to reports extracted from SAP. Service Manager Finance (Corporate)

Your control environment and findings (continued)

Control deficiencies and areas for management focus

	Year first communicated	Deloitte recommendation	Management response and remediation plan
<p>4 Coordination between Dorset Council's finance and property team.</p> <p>Throughout our work over revaluations, we identified that there were several instances where the coordination and communication between the finance and property teams was lacking, resulting in assets selected for revaluation by the property team that did not require valuation as they were not held on the balance sheet at the date of revaluation:</p> <ul style="list-style-type: none"> Tudor Arcade - catering and retail - this asset has been leased out on a finance lease since 1986 and as such is not included as a property asset on the Council's balance sheet requiring revaluation but rather appropriately accounted for as a lease receivable decreasing over the period of the 127 year lease. Ferrett Green public conveniences - this asset was transferred to the town Council as part of the aggregation/disaggregation in 2019 and had been appropriately removed from the Council's asset listing in the financial system. 	2021	Increased coordination between finance (capital accountant) and property to ensure the assets valued are appropriate.	<p>Data from legacy systems for predecessor councils is being brought together into a single consolidated property asset database, which should improve this position.</p> <p>Service Manager, Asset Management</p>
<p>5 Revaluation entries in the general ledger are not reconciled.</p> <p>We have identified several instances where revaluation entries have been calculated by Dorset Council but have then not been posted to the general ledger - e.g. upwards revaluations reversing historic impairments on buildings and one instance where entries were missed. The impact of this is £1.7m unadjusted under-statement of property valuations.</p>	2021	It is recommended that the Council reconcile revaluation entries in the general ledger.	<p>Noted. Management will ensure reconciliation of valuations into the general ledger is carried out as from closing the 2021/22 accounts</p> <p>Service Manager Finance (Corporate)</p>

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Your control environment and findings (continued)

Control deficiencies and areas for management focus

Observation	Year first communicated	Deloitte recommendation	Management response and remediation plan
<p>6 Farm Asset Valuations posted at the wrong date. The farm asset valuations have been posted as at 01/04/2020 rather than the 31/03/2021. This has resulted in PPE being understated at year end, depreciation charges on farm assets being misstated (overstated), and the revaluation reserve for these assets being understated. Though these misstatements are not material, there is a clear disconnect from the work undertaken by the internal valuer and the accounting entries posted into the general ledger. The error has arisen due to the valuation information provided by the internal valuer being unclear and the template not having been updated. The most recent values are under the header "AV 2020" with other columns such as "increase 01/04/19 - 01/04/20". These should all have been updated to clarify when the valuations take place. We confirmed as part of our DRE assessment of the valuations that the values in the report are as at 31/03/2021. The errors are included in the aggregation of below trivial misstatements shown on page 40.</p>	<p>2021</p>	<p>Information produced by the internal valuer should be clearer. There should be increased communication and cooperation between property services and finance in preparing and completing the valuations. The valuation should be posted into the ledger effective at the date the properties have been valued.</p>	<p>Noted, one off error. Processes updated to avoid happening again in future. Service Manager Finance (Corporate)</p>

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Your control environment and findings (continued)

Control deficiencies and areas for management focus

Observation	Year first communicated	Deloitte recommendation	Management response and remediation plan
<p>7 Reconciliation of revaluation entries back to the external valuer's report.</p> <p>We identified that in 2020/21 the key contact with the valuers was the Operational Asset Surveyor. On receipt of the valuation report the Operational Asset Surveyor prepared a working paper documenting the valuations of the assets and removing the assets which had not been valued (e.g. where the valuation of one asset covered both assets stated such as North Quay - offices and car park).</p> <p>The Capital Accountant prepared the revaluation workings and accounting entries from the working paper and information provided by the Operational Asset Surveyor. These entries were not reconciled back to the original valuation report and information from the external valuers. As a result one asset was overstated as it was assumed that part of the asset had not been valued and was retained at its prior year valuation. This resulted in an unadjusted error of £588k.</p>	2021	It is recommended that the Council reconciles revaluation entries back to the external valuer's report.	<p>Finance and Assets & Property teams will work more closely together to improve, cross check and validate the valuation report, with better version control as part of revised processes.</p> <p>Service Manager Finance (Corporate)</p>

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Your control environment and findings (continued)

Control deficiencies and areas for management focus

Observation	Year first communicated	Deloitte recommendation	Management response and remediation plan
<p>8 The finance function should be involved in determining the assets to be valued</p> <p>We have noted from our testing that the determination and selection of assets to be valued in 2020/21 was the role of the property team at the Council.</p> <p>From our testing we have identified assets that the Council no longer has control of (Ferrett Green PC), that the Council has leased out on a finance lease (Tudor Arcade), and that are classified as an intangible (Cornhill Stall Market) have all been included in the assets revalued in year.</p> <p>These are all assets which did not require revaluing as part of the revaluation exercise of land and buildings for the financial statements.</p> <p>This has led to significant audit and finance team time spent trying to understand and tie assets from the revaluation report through to revaluation accounting entries.</p>	2021	The finance function/capital accountant should be involved in determining the assets to be valued so that these are relevant and applicable to the exercise undertaken.	Full asset valuation taking place for 2021/22 and work being done to reconcile the information from the property systems and the finance system to enable a consistent view and understanding of the Council's assets.

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Your control environment and findings (continued)

Control deficiencies and areas for management focus

	Observation	Year first communicated	Deloitte recommendation	Management response and remediation plan
Debtors				
9	<p>Historic debt has not been written off. We identified one sample where a housing invoice was raised and due for payment in 2017. The debt had been provided for in full. We enquired as to why the debt was not written off and were informed by the Housing Finance team that there was insufficient staff available to write off debt.</p> <p>We identified a total of £3.7m of debt that became due between 2005 and 2019. These have been fully provided for but have not been written off. The total value is below materiality and a significant proportion are trivial amounts relating to service users owing the local authority for services obtained.</p>	2021	It is recommended that the Council undertakes a tidy up exercise of the receivables balance to identify and write off historic debt where income is not expected to be received.	<p>This was a one off. The write off process continues to be operational and is driven by Services. A review will be undertaken following the completion of a SWAP audit during financial year 2022/23 to clear historic debt.</p> <p>Service Manager Finance (Corporate)</p>
10	<p>Provision for Bad Debt Account Codes. We identified three account codes related to provision for bad debt. Two of these accounts relate to debt from legacy ex-district councils and the third relates to the provision for housing benefit overpayments. From our discussions with the client, we identified that the balances in the three account codes are likely, or will have already been included in the main bad debt provision code. Therefore, the balances in the three account codes have the effect of overstating the bad debt provision balance in the balance sheet by £62k which is below our trivial level.</p>	2021	It is recommended that the Council undertakes a housekeeping exercise to clear these balances.	<p>See point above.</p> <p>A review of historic debt used in the bad debt provision will be completed during financial year 2022/23.</p> <p>Service Manager Finance (Corporate)</p>

Your control environment and findings (continued)

Control deficiencies and areas for management focus

	Observation	Year first communicated	Deloitte recommendation	Management response and remediation plan
Income and Expenditure				
<p>11 Covid-19 Grant Treatment. We identified that the Council's working paper does not sufficiently detail why they decided to treat each grant as either agent or principal by reference to the CIPFA Code or IFRS. Per our discussion with management, we understand that they have consulted with other local authorities and have followed their approaches for consistency. However, we do not consider this to be sufficient explanation to support why they have decided to treat the grant as the Council acting as principal or agent.</p>	2021	That the Council documents clearly against the relevant standards why they have adopted their approach.	A number of covid grants were received during year. Formal guidance on accounting treatment wasn't received from Deloitte when queried as other external auditors provided advice in this area. A working paper was provided so advice to be sought from Deloitte on the information they require. Head of Strategic Finance	
<p>12 Internal Recharges Misclassification. From our testing of expenditure in the Place directorate, we tested two transactions totalling £284.6k that were internal recharges which had not been correctly classified as such. This resulted in the Place directorate gross expenditure to be overstated. Management identified that both these errors were posted by the same individual, with the error likely arising due to a lack of understanding, following legacy processes and insufficient oversight.</p>	2021	Appropriate training and guidance should be implemented to ensure that individuals are able to post accurately into the general ledger. Suitable oversight should be in place to monitor and determine if individuals are adequately trained to be given access to post journals. Journal review controls should be improved as this was not picked up although both journals posted exceeded the £50k threshold for journal review.	Noted. Guidance will be reissued to aim to prevent future occurrence. Service Manager Finance (Corporate)	

Your control environment and findings (continued)

Control deficiencies and areas for management focus

	Observation	Year first communicated	Deloitte recommendation	Management response and remediation plan
Provisions				
13	<p>NNDR Appeals Provision methodology. Methodology for calculating the NNDR Appeals Provision relies on historic factors known as buoyancy factors, but these are not necessarily still relevant as some date back to 2012/13. We have assessed the provision using benchmarks and analysis of appeals concluded and are satisfied that there is not a material misstatement in this provision which was qualified in some of the districts before re-organisation and for Dorset Council in 2019/20.</p>	2020	The Council should continue to re-assess the NNDR provision and ideally it should be based on the outcomes of decided cases.	<p>The Council currently assess the NNDR provision on regular basis and decides on the provision to make in the accounts on annual basis. A detailed working paper was prepared and provided on 21st May 2021.</p> <p>Head of Strategic Finance.</p>
Journals				
14	<p>Journal review process for over £50k postings allows for self-review. During the year one transaction had been signed as reviewed by the same individual who created the posting.</p>	2021	Allocate a person to maintain and perform a review of the over £50k review logs to ensure there have been no instances of self- authorisation.	<p>Occurred before procedure changed as from October '21, further improvement will be sought to ensure that all journals >£50k have been reviewed by an independent person. In all cases for journals >£50k, review will be undertaken in a timely manner, by a suitably responsible officer with appropriate knowledge.</p> <p>Head of Strategic Finance</p>

Your control environment and findings (continued)

Control deficiencies and areas for management focus

	Observation	Year first communicated	Deloitte recommendation	Management response and remediation plan
Authorisation Deficiency				
15	<p>Authorisation of Credit Notes</p> <p>Deloitte identified one credit note from our sample of two tested which has not gone through the appropriate authorisation processes.</p> <p>There have been credit notes totalling £2.9m in 2020/21. This is immaterial and not considered to have a material impact on the financial statements. Therefore, the impact of this internal deficiency is unlikely to result in a material misstatement to the financial statements.</p>	2021	The Council should continue to review their control environment and ensure the appropriate authorization process takes place.	Business areas raise Credit Notes in DES and these will always go to the Credit Control Team for authorisation. There is a possibility that the credit note in question was raised in SAP (limited availability across the authority, mainly limited to financial services) for which the authorisation process can be circumvented.
Invoice and PO Mismatch				
16	<p>Expenditure Sample Mismatch</p> <p>The invoice (value of £19,758.20) has been matched to the wrong line of the Purchase Order (matched to £399,788.97, but should have been matched to £19,578.20).</p> <p>We have seen a copy of the journals posted on SAP and the associated double entries, which shows this was reversed out afterwards.</p>	2021	The Council should continue to review their control environment and ensure the appropriate matching takes place.	The Senior Operational Finance Officer has explained this is an isolated error and errors like this are infrequent. Given the value of the mismatch, this has been assessed as not significant.

Your control environment and findings (continued)

Control deficiencies and areas for management focus

	Observation	Year first communicated	Deloitte recommendation	Management response and remediation plan
PFI Accounting				
17	<p>PFI Accounting - Overpayment An overpayment of £3,063k that was picked up in 2018 and has built up since 2007. The control issue is that the overpayment has built from 2007 and was not identified.</p> <p>The reason for the overpayment is because the Council pay SSE for their team to fix lights when an issue occurs (as part of the Streetlighting contract). Dorset Council had received significant, but not material amount of payments back if SSE don't respond within a certain period and this has built up over time.</p>	2021	N/A - As this has been adjusted going forward and more controls are in place to ensure this doesn't happen again	New controls and checks are now in place. (Head of Strategic Finance)
18	<p>Controls around accounting for PFI The reimbursement was due to an adjustment for the accruals and de-accruals on the contract which was incorrect after year 1 of the contract.</p>	2021	N/A - As this has been adjusted going forward and more controls are in place to ensure this doesn't happen again	New controls and checks are now in place. (Head of Strategic Finance)

Your control environment and findings (continued)

Control deficiencies and areas for management focus

	Observation	Year first communicated	Deloitte recommendation	Management response and remediation plan
Controls				
Page 76	<p>19 Inconsistent frequency of non-trade payment control</p> <p>The control around monitoring post year-end non-trade payments is not operated consistently, as chaser emails are not sent after every review of the spreadsheet or at defined intervals, instead they are sent once it has been noted that the level of unresponsiveness has increased, or a deadline with the accounts preparation process is impending (e.g. closing down of the ledger).</p> <p>Although we have tested the design and implementation of the control and our sample indicated that the control operated effectively, we noted through inquiry of management that the control is not performed consistently.</p>	2021	Control processes should be defined and carried out on a consistent basis.	This process is now managed through the MS Teams page for closedown, which all relevant finance staff have access to and are notified of messages and posts. Non-trade payment reports are generated and posted by Corporate Finance for payments in the period after the year end date until a deadline determined in the closedown timetable, usually about mid-May.
	Capital Grants			
	<p>20 Insufficient audit evidence</p> <p>Dorset Council entered into an agreement with Park Dean whereby West Dean Camp Site would be used for an annual fee plus a lease premium. However per Dorset Council it was agreed that £1.2m of the £1.5m lease premium would be used for capital improvement works. However we have not been provided with sufficient or appropriate audit evidence. We were provided with an email (from Dorset) which isn't third party.</p>	2021	Capital contributions and grants should be clearly documented and agreed with third parties, and documentation supporting the treatment of capital grants and contributions should be retained.	Dorset Council ensure to keep records relating to capital grants received, and Section 106/CIL agreements which are used for capital financing. The Capital Team at Dorset Council now has considerably more resource and greater oversight of such items. Going forwards, paperwork will be kept in a central folder to assist with any potential future audit queries.

Your control environment and findings (continued)

Control deficiencies and areas for management focus

	Observation	Year first communicated	Deloitte recommendation	Management response and remediation plan
IT	<p>21 IT - SAP User Administration Weaknesses.</p> <p>We have identified deficiencies in the following user administration controls:</p> <p>Movers: Information about movers is communicated by line managers or movers themselves. For completeness, information should flow from HR.</p> <p>Leavers: Leaver reports are run for users two weeks in the past. This can increase the risk of inappropriate users having access to the system as leavers are not actioned in a timely manner.</p> <p>User Access Review: No user access reviews are performed on the application. The risk is that there could be users with inappropriate access to the system.</p>	2021	The Council should review its access controls to SAP to improve the controls over user access.	The Council's choice to managing workforce changes is that it is the manager's responsibility for notifying HR and ICT of changes (not the movers). These are currently separate process activities, though are signposted. Head of Strategic Finance
	<p>22 IT - SAP Change Management.</p> <p>Five users have access to both develop and import transports presenting a segregation of duties conflict. The risk here is that users may develop changes and import their own changes into production without appropriate approvals. Our testing showed that no developer keys had actually been used in the period.</p>	2021	The Council should strengthen its change management controls to improve the segregation of duties.	Generally transports are not promoted into Prod by the person who created the transport and this is monitored through our monthly monitor reports. We will revisit the 5 users and our process, but this access has been granted either for the development/testing of reports or for emergency changes when there isn't anybody else that can promote the transport, but as mentioned this is monitored through our monthly audit checks.

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Your control environment and findings (continued)

Control deficiencies and areas for management focus

	Observation	Year first communicated	Deloitte recommendation	Management response and remediation plan
23	<p>IT - SAP Change Management. Inspection of the SE06 system status confirmed that it is set to 'modifiable'. SCC4 Cross client setting in non-production clients is open for changes in three non-production clients. The risk of SE06 system status being set to 'modifiable' is that the system has been left open for changes to be made directly into production since 06/03/2021.</p> <p>SCC4 Cross-client change settings for non-production clients were assessed and it was noted that:</p> <ul style="list-style-type: none"> -2/3 non-production client system settings are set to 'Changes to Repository and cross-client customizing Allowed'. -1/3 non-production client system settings are set to 'No changes to cross-client customizing objects' <p>These settings are inappropriate as there is a risk that changes made in non-production can be directly promoted to production</p>	2021	The Council should review its SAP configuration settings to prevent direct changes to the production environment outside of the change management process.	SE06 is usually left closed and non-modifiable and only opened on request, in line with SCC4. It was closed as soon as it was identified that set to modified.
24	<p>IT - SAP Change Management. Development access granted in production environment. 29 users have this access of which six have developer keys. The risk here is that unauthorised changes can be developed in the production environment.</p>	2021	The Council should review the users with development access to SAP.	We will revisit our process for non-production environments, however, access is contained to our team and subject matter experts control changes in their own areas.

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Your control environment and findings (continued)

Control deficiencies and areas for management focus

	Observation	Year first communicated	Deloitte recommendation	Management response and remediation plan
25	<p>IT - Privileged Access. 105 users were noted to have privileged access to the SAP database, 103 of which had 'sysadmin' access to the database. The risk here is that a high number of users have privileged access which allows them to perform functions in the system beyond their job responsibilities.</p> <p>Authenticated accounts do not enforce Windows password policies or expiration policies.</p>	2021	The Council should review and significantly reduce the number of users with privileged access.	We will need more info on what the users are and what role they have. We thought we removed this access from the last audit, but it may be this is picking up different access that could be related to something else that we need to review.
Page 79	<p>IT – Disaster Recovery. The IT Business and Disaster Recovery procedures at Council have not been tested in the last year.</p>	2021	The Council should regularly test its disaster recovery procedures and update them for any lessons learned.	It has not been practical to test the ICT service continuity arrangements at Dorset Council in the two years since convergence. The Council’s infrastructure is now converged, and attention is being given to ensuring regular and effective continuity testing takes place from this year. The Council is also engaged with the Local Government Associate to develop their Cyber 360 ‘peer challenge’ approach, which will likely involve a continuity exercise within the next 3 months.

Other significant findings

Liaison with internal audit

The audit team, has completed an assessment of the independence and competence of the internal audit department and reviewed their work and findings. From this work, we observe that the programme of planned work was significantly impacted as the staff from internal audit supported the Council in managing the pandemic. Albeit some detailed work was undertaken particularly in respect of Children’s services.

In response to the significant risks identified, no reliance was placed on the work of internal audit, and we performed all work ourselves.



Other significant findings (continued)

Financial reporting findings

Below are the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

No issues have been noted.

Other matters relevant to financial reporting:

No other matters relating to financial reporting, however we are currently considering correspondence from a member of the public which may impact on the issue of the audit certificate.

Significant matters discussed with management:

Other than those detailed in this report, there have been no significant matters arising from this audit.

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We will obtain written representations from the S151 Officer and those charged with governance on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist.



Our audit report

The form and content of our report

Here we discuss how the results of the audit impact on our audit report. An overview of our financial statement audit work will be included in our Auditor's Annual Report.



Our opinion on the financial statements

Based on our work completed to date our opinion on the financial statements is expected to be modified for the qualification from the prior year which impacts the opening balances.



Emphasis of matter and other matter paragraphs

Our opinion will include an emphasis of matter paragraph drawing attention to the material uncertainty in relation to the valuation of the Council's assets raised by the Council's valuer and disclosed in note 57 (i) (b) to the accounts.



Value for Money reporting by exception

Our opinion will note that our Value for Money work is on-going and will be reported in our Auditor's Annual Report.



Irregularities and fraud

We will explain the extent to which we considered the audit to be capable of detecting irregularities, including fraud.

In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations. We will discuss the areas identified where fraud may occur and any identified key audit matters relating to fraud.

Recent changes to ISAs (UK) mean this requirement will apply to all entities for periods commencing on or after 15 December 2019

Your annual report

We are required to report by exception on any issues identified in respect of the Annual Governance Statement.

	Requirement	Deloitte response
Narrative Report	<p>The Narrative Report is expected to address (as relevant to the Council):</p> <ul style="list-style-type: none"> • Organisational overview and external environment; • Governance; • Operational Model; • Risks and opportunities; • Strategy and resource allocation; • Performance; • Outlook; and • Basis of preparation 	<p>We have assessed whether the Narrative Report has been prepared in accordance with CIPFA guidance.</p> <p>We have also read the Narrative Report for consistency with the annual accounts and our knowledge acquired during the course of performing the audit, and is not otherwise misleading.</p>
Annual Governance Statement	<p>The Annual Governance Statement reports that governance arrangements provide assurance, are adequate and are operating effectively.</p>	<p>We have assessed whether the information given in the Annual Governance Statement meets the disclosure requirements set out in CIPFA/SOLACE guidance, is misleading, or is inconsistent with other information from our audit.</p>

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit and Governance Committee and the Council discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations.
- Other insights we have identified from our audit.

The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Audit and Governance Committee.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and work under the Code of Audit Practice in respect of Value for Money arrangements.

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP

Cardiff | 07/07/2023

Appendices



Page

Audit adjustments

Unadjusted misstatements

The following uncorrected misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK). Uncorrected misstatements decrease net assets by £3.5 million and decrease equity by £3.5 million.

		Debit/ (credit) income statement £m	Debit/ (credit) in net assets £m	Debit/ (credit) OCI/Equity £m
Misstatements identified in current year				
Valuations - Overstatement of revalued car parks	[1]		(5.6)	5.6
Valuations - Reversal of historic impairments not posted	[2]		1.7	(1.7)
Allowance for Goodwin Ruling	[3]		(4.5)	4.5
Capital grant lease premium	[4]	1.5	(1.5)	
Capital grant income – projected error	[4]	2.0	(2.0)	
Pension asset valuation	[5]		9.1	(9.1)
East Dorset Sundry Debt Provision	[6]		-	
Previous District Council's Infrastructure Assets	[7]		(0.7)	0.7
Total		3.5	(3.5)	0.0

Audit adjustments (continued)

Unadjusted misstatements (continued)

[1] The car park valuations undertaken by NPS relied on net income which did not include additional operating costs including management and staff costs. Applying these across the 30 car park assets valued decreased the valuation by £5.6m.

[2] The upwards valuation of building assets revalued in year which would reverse historic impairments charged to those assets was not posted into the ledger resulting those assets being understated by £1.7m.

[3] An employment tribunal on 30 June 2020 upheld a legal challenge against the Government in respect of unequitable benefits for male dependents of female members. This should result in an additional liability being recognised. No allowance has been made in relation in the FY21 DBO or the FY20 DBO, for around 0.2% of the DBO, i.e. £4.5m.

[4] The Council recognised £1.5m lease premium as income in 2020/21, with £1.2m recognised as a capital grant. The Council were not able to support the classification of the income as a capital grant, as such it should be treated as lease premium and under IAS 17 recognised as deferred income and released on a straight-line basis over the term of the lease.

We have extrapolated this error over capital grant income where the error was identified to assess the projected error in the total population.

[5] The pension fund auditor has informed us that the Pension Fund pooled investment vehicle balance was understated by £24.7m due to stale pricing. The Council's share of the understatement is £9.1m (37%).

[6] The East Dorset Sundry Debt Provision relates to a debt provision of £1.1m which is externally managed by the Stour Partnership. The Council has not received an update for the provision and are not able to support the figure currently held

[7] On review of the infrastructure assets in the Council's Fixed Asset Register, it was identified that two assets inherited from the previous district councils were not supported by sufficient information to be able to accurately classify what they related to. Given the previous District council's records are not available, the Council is unable to provide a clear understanding of what these assets are and so should be removed from the asset register and the infrastructure asset balance.

Audit adjustments (continued)

Disclosures (Corrected)

The following disclosure misstatements identified through the course of the audit have been corrected in the final version of the financial statements.

Disclosure

The minimum lease receipts for operating leases - property, within Note 12 - Leases, was overstated by £840k when compared to the Council's schedule of leases. The schedule of leases shows total minimum lease receipts of £69.6m whereas the original note presented this figure as £70.4m.

The original PPE note prepared by the Council was not in line with the requirements of the CIPFA code and has been removed. The remaining PPE notes follows the suggested presentation within the CIPFA guidance notes.

On testing the minimum lease receipts, we identified that the Council caps the calculation of future lease receipts to 125 years. This only applies to leases that exceed this length, including the perpetual leases that the Council has granted. For the disclosure this is reasonable given that without capping the length this would significantly increase the value of lease receipts expiring after more than five years and would be misleading to the reader of the accounts. The disclosure has been corrected to note this policy and practice of the Council.

The opening CFR for 2020/21 does not agree to the closing 2019/20 figure, due to a difference equivalent to the 2019/20 heritage assets figure. This has correctly been included within this balance in 2020/21. The impact of this misstatement is that the 2020/21 opening CFR is 3,307k (equal to the 2019/20 heritage assets figure) higher than the closing 2019/20 figure.

A discrepancy of £0.7m arises between the outstanding future capital commitments disclosed in the notes and per the contracts evidenced. The difference is due to various additional (non-contracted) costs which are incurred to complete the final project. Per the CIPFA Code, only 'contractual commitments' should be disclosed.

Audit adjustments (continued)

Disclosures (Uncorrected)

The following uncorrected disclosure misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK).

Disclosure

Contingent assets disclosure overstatement

On inspection of the calculations for the contingent asset disclosure we identified that one figure had been incorrectly treated as a contribution per dwelling, rather than as a one-off contribution per the S106 agreement. The contingent assets note of £90m is therefore overstated by £2.0m.

AUC negative additions

On inspection of the fixed assets additions listing, we identified £9.4m of negative additions had been processed through AUC to effectively clear out the "Wimborne First Replacement" assets from AUC. There was a corresponding positive addition within Land and Buildings for an equivalently named "Wimborne First - Host" asset. This has arisen as the new Wimborne First school was brought into use in June 2020. The correct entries would have been to transfer the asset between AUC and L&B. The net effect for PPE and each of the asset categories is nil, but the £9.6m movement through additions is incorrect. AUC additions understated by £9.6m other movements overstated by £9.6m Other Land and buildings additions overstated by £9.6m and other movements understated by £9.6m.

Prior year comparatives for exit packages

The original disclosure does not present a prior year comparative for exit packages. There were several high value exit packages in 2019/20 (£986k and £938k) which are not presented as PY comparatives.

Cash flow testing movement

From our Statement of Cash Flows Testing the movement for long-term borrowings in the cash flow statement is nil, however actual movement per the balance sheet amounts tested is (£1,034), therefore the cash position for the Council is overstated by £1,034k.

Members Allowances

Per the CIPFA code, members allowances should include all members allowances and expenses paid in the year. On reviewing the balance we identified that the £1,634k figure excludes members travel expenses of £6.1k. The allowances figure should be updated to include these expenses.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:



Independence confirmation

We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council and our objectivity is not compromised.

Fees

Details of proposed fees for audit and non-audit services performed for the period have been presented separately on the following page

Non-audit services

We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary. We have not carried out any non-audit services other than assurance of the Teachers Pension Agency claim certification.

Independence and fees (continued)

The professional fees expected to be charged by Deloitte for the period from 1 April 2020 to 31 March 2021 are as follows:



	2020/21 Audit £	2019/20 Audit £
Code audit fee - Council	180,000	180,000
Code audit fee – Pension Fund	21,123	21,123
Total audit	201,123	201,123
Teachers Pensions certification fees	4,000	4,000
Total assurance services	4,000	4,000
Total fees	205,123	205,123

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Fee Variations

The fees noted above do not reflect the impact of the additional procedures we have been required to perform as a result of the Covid-19 pandemic/the additional VFM procedures, in order to allow us to conclude on the financial statements opinion and VFM opinion in year. We will agree a fee variation with management after the completion of the audit in relation to these areas and report this back to the Audit and Governance Committee for comment.

Our approach to quality

FRC Audit Quality Inspection and Supervision report

We are proud of our people's commitment to delivering high quality audits and we continue to have an uncompromising focus on audit quality. Audit quality is and will remain our number one priority and is the foundation of our recruitment, learning and development, promotion and reward structures.

In July 2022 the Financial Reporting Council ("FRC") issued individual reports on each of the seven largest firms, including Deloitte, on Audit Quality Inspections providing a summary of the findings of its Audit Quality Review ("AQR") team for the 2021/22 cycle of reviews.

We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality.

In that context, we are pleased that both the overall and FTSE 350 inspection results for our audits selected by the FRC as part of the 2021/22 inspection cycle show an improvement. 82% of all inspections in the current cycle were assessed as good or needing limited improvement, compared to 79% last year. Of the FTSE 350 audits reviewed, 91% achieved this standard (2020/21: 73%). This reflects our ongoing focus on audit quality, and we will maintain our emphasis on continuous improvement as we seek to further enhance quality.

We welcome the breadth and depth of good practice points identified by the FRC particularly those in respect of the effective challenge of management and group audit oversight, where the FRC also reports findings.

We are also pleased that previous recurring findings relating to goodwill impairment and revenue were not identified as key finding in the current FRC inspection cycle, reflecting the positive impact of actions taken in previous years. We nevertheless remain committed to sustained focus and investment in these areas and more broadly to achieve consistently high quality audits.

All the AQR public reports are available on its website:

<https://www.frc.org.uk/auditors/audit-quality-review/audit-firm-specific-reports>

The AQR's 2021/22 Audit Quality Inspection and Supervision Report on Deloitte LLP

"In the 2021/22 public report, we concluded that the firm had made progress on actions to address our previous findings and made improvements in relation to its audit execution and firm-wide procedures. The firm has continued to show improvement, with an increase in the number of audits we assessed as requiring no more than limited improvements to 82% compared with 79% in the previous year and 80% on average over the past five years. It is also encouraging that none of the audits we inspected were found to require significant improvements.

The area which contributed most to the audits requiring improvement was the audit of estimates of certain provisions. There were also key findings in relation to group audits, the review and challenge by the Engagement Quality Control Review (EQCR) partner and the application of the FRC Ethical Standard."

Our approach to quality

FRC Audit Quality Inspection and Supervision report

Improve the audit of estimates in relation to certain provisions

How we have addressed this area as a firm

To address this finding, we have done, or plan to do, the following:

- Our main annual technical training includes specific training in relation to the audit of complex estimates and provisions and includes scenario examples for auditing management estimates. Our Engagement Team Based Learning (“TechEx Teams”) will also include a follow-on session focusing on accounting estimates.

- We plan to develop a checklist, similar to that in place for our banking audits, for auditing Expected Credit Loss (‘ECL’) models for corporate audit teams to use where there are complex models being deployed by the companies we audit.

Additional coaching will be provided to improve experience and skills when performing corporate audits which have ECL provisions.

- We continue to hold monthly workshops with our partners and directors to brief them on areas of regulatory focus, including the root cause of issues identified, and raise awareness of the importance of the review process.

Further enhance the consistency of the evaluation by the group audit team of the component auditors’ work

How we have addressed this area as a firm

To address this finding, we have done, or plan to do, the following:

- We established a Group Audit coaching programme to support engagement teams in key areas relating to group audits, primarily through sharing of good practice and highlighting common pitfalls. This programme will be expanded for FY22/23 to increase the number of coaches and engagements to be coached ahead of December 2022 year-ends.

- We included a mandatory training module within our main annual training (“TechEx”) on Group Audits which focused on effective direction, supervision and review of component auditors. Our Engagement Team Based Learning (“TechEx Teams”) will also include a follow-on session focusing on Group Audits.

- We are performing a refresh of our Group Audit practice aid in light of inspection findings to develop a reference point for good practice examples. We also intend to share templates that audit teams can use to evidence the communications held throughout the audit process with component audit teams.

- Monthly workshops are held with partners and directors to brief them on the areas of regulatory focus. We also regularly communicate the FRC findings, including those on group audits to the wider audit practice during the inspection cycle through our Weekly technical email update to ensure that audit teams who might be affected by the findings are fully briefed.

Our approach to quality

FRC Audit Quality Inspection and Supervision report

Strengthen the evidence of review and challenge by the Engagement Quality Control Review partner

Appropriately apply the FRC Ethical Standard, particularly in relation to the approval of non-audit services

How we have addressed this area as a firm

To address this finding, we have done, or plan to do, the following:

- We commenced an EQCR transformation programme in the second half of 2021 designed to build on our existing EQCR practices to further enhance the effectiveness of our EQCR process and improve the evidence retained to demonstrate the EQCR challenge.
 - We have made enhancements to our EQCR allocation process and refreshed the onboarding of new EQCR partners, with a new onboarding pack that emphasises the expectations and accountability of the EQCR role.
- Our evidence of EQCR review and challenge template has been refreshed and updated.
- We have delivered additional guidance on expectations for the EQCR reviewers and also shared good practice examples across the audit practice.
 - We have included reminders of the EQCR requirements with respect to the need to hold discussions with Key Audit Partners of material subsidiaries in our EQCR briefings which are delivered to all EQCR reviewers.
 - We included reminders within our 'Group Audit' and 'Direction, Supervision & Review' training modules in our main annual training ("TechEx") on EQCR which focused on EQCR review requirements and policies.

How we have addressed this area as a firm

To address this finding, we have done, or plan to do, the following:

- We have updated our templates and guidance in respect of the Objective, Reasonable and Informed Third Party ('ORITP') test for non-audit services.
- We have updated our breach management policies, as well as introduced additional training and guidance on the revised FRC Ethical Standard.
- We continue to develop further guidance and to monitor all areas of the application of the FRC Ethical Standard to manage the risk of recurrence.
- We plan to run further workshops and training for all Partners and Directors in Autumn 2022 to communicate FRC findings, re-iterate latest guidance, share examples and common pitfalls with a specific focus on the ORITP test.

Our other responsibilities explained

Fraud responsibilities and representations



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Required representations:

We have asked the Audit and Governance Committee to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the Council.

We have also asked the Audit and Governance Committee to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



Audit work performed:

In our planning report we identified the risk of fraud in management override of controls as a significant audit risk. We also identified in fraud risk in relation to the understatement of accruals. During course of our audit, we have had discussions with management, those charged with governance and Internal Audit to identify any additional fraud risks although none were identified in those discussions. However, as explained earlier in this report we have identified an additional fraud risk in the recognition of Covid-19 grant income since we issued the plan.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.

Value for Money deadline extension

Letter to the Audit Committee highlighting Value for Money deadline extension

Dear Audit and Governance Committee

The National Audit Office issued guidance to auditors on 16 April 2021 setting out a revised timetable for completion of work on arrangements to secure value for money. This revised timetable reflected the impact of the ongoing pandemic on preparers and auditors of accounts. That guidance, established that the Auditor's Annual Report should be published within three months of the signing of the Audit Opinion. Therefore, as we have not yet issued our audit opinion we have also not issued our Auditor's Annual Report. Under the 2020 Code of Audit Practice, we are required to provide this letter setting out the reasons for the Auditor's Annual Report not being issued by 30 September 2021.

Yours faithfully

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Ian Howse

Audit Partner

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Audit and Governance Committee Work Programme 2023

17 July 2023		
Annual Information Governance Report	Report	Portfolio Holder- Spencer Flower Officer Contact- Marc Eyre
Quarterly Risk Management Update	Update	Officer Contact- Marc Eyre
Report of Internal Audit Activity Progress Report 2023/24- June 2023	Update	Officer Contact-Sally White
Update Report to the Audit and Governance Committee on the 2020/21 audit	Report	Officer Contact- Ian Howse

25 Sep 2023		
Quarterly Risk Management Update	Update	Officer Contact- Marc Eyre and David Bonner
Internal Audit Update	Update	Officer Contact- Sally White
Committee Timings	Report	Officer Contact- Susan Dallison
Completed accounts 2021/2021-2022 and an Update on the External Audit	Update	Ian Howse/Heather Lappin

13 Nov 2023		

15 Jan 2024		
Quarterly Risk Management Report	Report	Marc Eyre
Internal Audit Update	Update	Sally White

Other items raised by Audit and Governance Committee requiring further consideration.

Issue	Notes	Date raised
Workforce stress / mental health issues	The committee have raised this as a potential area of work but note that it is linked to current transformation work	At committee on 7 November 2019
How Dorset Council holds and shares information	<p>It is understood that some work is being undertaken in this area.</p> <p>A councillor workshop on the Dorset Council transformation programmes is being held on 10 January 2020. The suggestion is that councillors attend this session and following this, the committee give further consideration to whether any further work is required in this area.</p> <p>The issue will be covered within the Annual Information Governance Report in 12th June 2023 meeting.</p>	At committee on 7 November 2019
Annual Information Governance Report	Record retention will be covered in the annual report. Will be coming to committee either July or September.	