



Dorset Council

Internal Audit Annual Opinion Report 2020-21

Internal Audit ■ Risk ■ Special Investigations ■ Consultancy

Unrestricted

Internal Audit Annual Opinion – 2020/21: ‘At a Glance’



Reasonable internal audit opinion provided

(although breadth of audit work significantly reduced and limited in 2020/21 due to COVID)



Internal audit staff redeployed directly into Council areas to assist with the COVID response

(Revenues & Benefits, Registration Services, Adult Social Care)

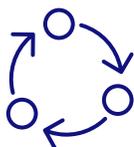


Two Significant Risks identified in year

(although subsequent follow up work has demonstrated that these risks have now been adequately mitigated)



£118,00 financial savings identified as a result of our internal audit work over the year



Percentage of agreed actions not implemented when we come to follow up currently higher than would ideally want



Range of innovations and enhancements made to our internal audit process throughout the year

– one-page audit report, introduction of Agile auditing and planning, live audit tracker introduced

Executive Summary

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



Purpose

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

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

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



Background

The Internal audit service for Dorset Council is provided by the SWAP Internal Audit Services. SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. Internal audit work is guided by the Internal Audit Charter which is reviewed annually. Internal audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. This report summarises the activity of SWAP for the 2020/21 year.

Executive Summary

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



Annual Opinion

In forming our annual opinion for the 2020/21 year there are some key factors that need to be taken into consideration. At the point of the first national lockdown, SWAP was asked to pause all audit work until further notice, as the Council focused on responding to the pandemic. In response to this, SWAP volunteered its staff and three members of staff were redeployed in frontline services in Revenues and Benefits, and the Registration Service. We also provided pieces of COVID related advisory work. During the second national lockdown in November 2020 two of our staff again re-joined the Revenues and Benefits team providing assistance with payment of grants to businesses. They have remained as a resource to Dorset Council since that time with a further member of the team providing assistance to the Adult Services Commissioning team from mid-February.

Throughout a challenging year, we have tried to ensure a balance between providing direct assistance to the Council, and maintaining a continuum of audit work. However, the breadth and range of our audit work this year is in no way comparable to previous or 'normal' years. The table at [Figure 1](#) below attempts to capture our audit coverage this year, mapped against the Authority's key risks. Furthermore we have then overlaid the audit assurance outcomes of those risk areas that we have reviewed.

The Authority was responsible for processing and paying a significant sum of expenditure in relation to business grants as part of the COVID response throughout 2020/21. It should be noted that SWAP have not provided assurance over this expenditure; with assurances instead being coordinated, managed and provided internally.

With reduced auditor resource throughout 2020/21, the Senior Leadership Team & Senior Management within the Authority have increasingly directed our work towards areas of likely risk or known issues which is extremely positive. This has naturally resulted in an increased number of Limited Assurance opinions being provided.

On the balance of our 2020/21 audit work for Dorset Council, enhanced by the work of external agencies, I am able to offer **Reasonable Assurance** in respect of the restricted number of areas reviewed during the year. Whilst a number of these areas require the introduction or improvement of internal controls to ensure the achievement of objectives, the Councils willingness and openness to identify areas for review is seen as a positive approach, which has been taken into account in forming this annual opinion. During the year, two areas of significant corporate risk have been reported to the committee. However, where priority findings have been identified, on the whole these have been appropriately addressed. Further details of these significant risks can be found below.

Executive Summary

Internal audit coverage should be aligned to key corporate priorities and key corporate risks.

Figure 1 highlights our assessment of internal audit coverage against key corporate risks within 2020/21.

As highlighted in our Opinion above, due to the COVID pandemic, our ability to provide reasonable coverage across a broader range of areas has been impacted. Our annual opinion should therefore be considered in this context.

Figure 1: Audit Coverage by Corporate Risk

Corporate Risk	Coverage	Assurance assessment based on completed internal audit work
CRR 01 - Budget	Partial internal audit coverage	Limited
CRR 02 - Cyber Attack	Reasonable internal audit coverage	Reasonable
CRR 03 - Recruit/ Retain/ Develop Workforce	No recent internal audit coverage	
CRR 04 - GDPR	Reasonable internal audit coverage	Limited
CRR 05 - Emergency Response	No recent internal audit coverage	
CRR 06 - BREXIT	No recent internal audit coverage	
CRR 07 - Infrastructure	No recent internal audit coverage	
CRR 08 - Education	No recent internal audit coverage	
CRR 09 - Transformation	No recent internal audit coverage	
CRR 10 - Corporate Knowledge	Proposed internal audit coverage removed	
CRR 11 - Climate Change	No recent internal audit coverage	
CRR 12 - Breach of Statutory Duty	Partial internal audit coverage	Advice & Guidance
CRR 13 - Health, Safety, Wellbeing	Partial internal audit coverage	Limited
CRR 14 - Safeguarding	Reasonable internal audit coverage	Limited
CRR 15 - Commissioning	Partial internal audit coverage	Limited
CRR 16 - Officer/ Member Interface	No recent internal audit coverage	
CRR 17 - School Transport	Reasonable internal audit coverage	Limited
CRR 18 - Evidence Base	Proposed internal audit coverage removed	
CRR 19 - Partnerships	No recent internal audit coverage	
CRR 20 - Election	No recent internal audit coverage	
CRR 21 - COVID-19 Response	Partial internal audit coverage	Advice & Guidance

Table Key	
Reasonable internal audit coverage	
Partial internal audit coverage	
No recent internal audit coverage	
Proposed internal audit coverage removed	

Executive Summary

Risks Accepted

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

Implementation of Agreed Actions and Risks Accepted

Over the year SWAP have found management across Dorset Council to be supportive of SWAP findings and generally responsive to agreed actions. When we undertake follow up audits, we would ideally hope to find all the agreed actions implemented, however increasingly this is often not the case, sometimes for good reason. We monitor and report to members the percentage of high priority (priority 1 and 2) actions that are not implemented at the time of our follow up audits despite the implementation date having passed.

In order to help improve this percentage figure, which has been stubbornly high during the past 18 months, we have introduced a process within directorates whereby services are encouraged to provide regular updates on agreed actions. We hope that in time this process will improve the implementation of agreed audit actions.

It is recognised that there will be occasions where audit make recommendations to mitigate risk exposure and after consideration of the proposed action, the service decide to accept the risk. On a positive note, there were no audit actions that were 'risk accepted' during 2020/21. Indeed, the one risk accepted reported in the 2019-20 Annual Opinion Report has now been reviewed as part of our follow up process and a mitigating control has been agreed.

Audit Outcomes

Significant Corporate Risks

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

Definitions of Risk:

High

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

Medium

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

Low

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



Significant Corporate Risks

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

Virtual School

An audit of the use of **Pupil Premium Plus (PPP) Grant by the Virtual School (VS) for Looked After Children (LAC)** found that it was not possible to evidence that the grant is used effectively in every instance to provide the best value for money for the Council and achieve improved educational outcomes for LAC. This results in Looked After young people potentially making poorer educational progress than might have been possible with more effective oversight and control in place. Following our first follow up in July 2020 it was not possible to confirm that the significant risk had been mitigated due to the number of actions that were still incomplete. However, with a new Virtual School head in place there has been significant progress against the agreed actions. Whilst more time is needed for the new systems to be fully embedded, we now believe that the significant corporate risk has been mitigated.

Home to School Transport

SWAP was asked to undertake audit work to assess the reasons for a largely unpredicted budget overspend in 2019-20 for both SEN and Mainstream **Home to School Transport**. The overspends were £1.3m and £419k respectively. Our work led us to identify key factors that contributed to this situation occurring. As a result of our work a Member Officer Task and Finish Group was formed to provide scrutiny and challenge around this area. Our follow up work has identified that implementation of the actions has been undertaken within a short timescale. The remaining two actions are in progress and are planned to be implemented by 30th April 2021 which we will continue to monitor to ensure they are completed.

Whilst we would suggest that the significant risks highlighted within our original work have been adequately mitigated, Home to School Transport remains a concern for the authority generally.

Audit Outcomes

Summary of Audit Opinions

At the conclusion of an audit assignment each review is awarded an Audit Assurance Opinion:

- **Substantial** – A sound system of governance, risk management and control exists
- **Reasonable** – There is a generally sound system of governance, risk management and control in place
- **Partial** – Significant gaps, weaknesses or non-compliance were identified
- **No** – Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified



Summary of Audit Opinions and Audit Work by Type

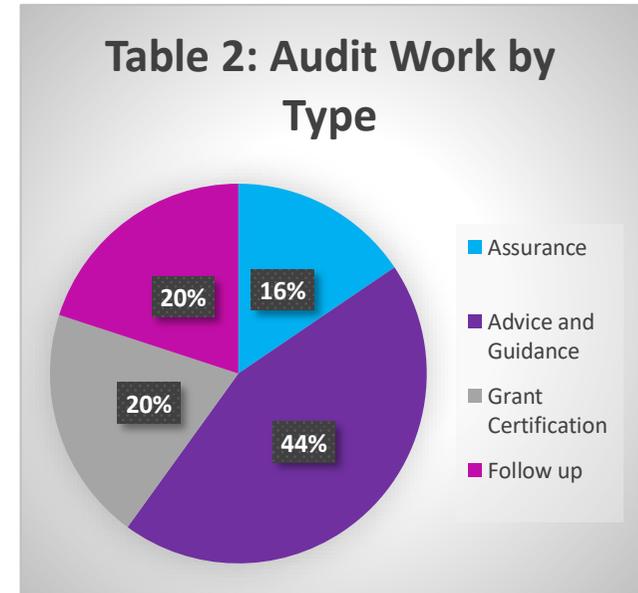
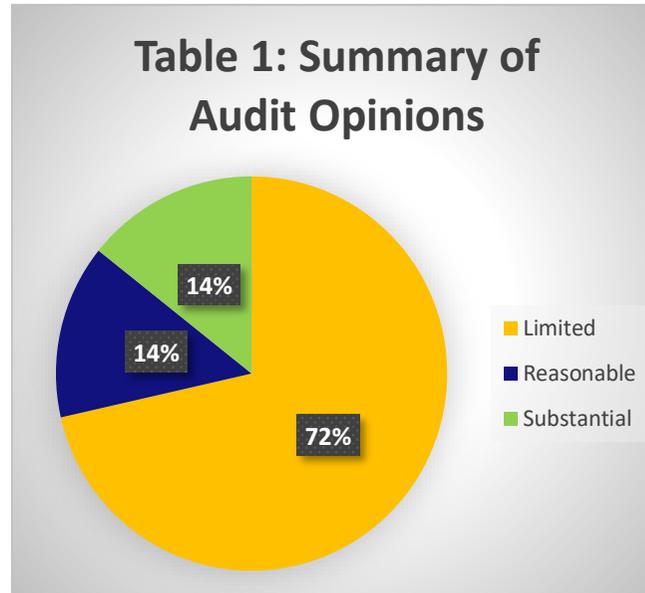


Table 1 above indicates the spread of assurance opinions across our work during the past year. The Council’s willingness and openness to identify areas for review has naturally resulted in an increased number of Limited Assurance opinions.

Table 2 indicates the audit work by type. Whilst assurance work is the main focus of internal audit, in a time of crisis such as the pandemic, internal audit has the knowledge and skills to be able to provide advisory work that supports the organisation through such turbulence. In additional it was possible to progress Covid related advisory work whilst our normal assurance work was temporarily paused.

Value Added

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



Value Added

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

Savings During the Year Directly attributable to SWAP work

As part of our audit work there are sometimes occasions when we identify cash savings that are directly attributable to our work, that potentially may not have been identified by any other means. This year there has been three instances where this has been case which has resulted in an additional **£118,000** being available to the Council as a direct result of SWAP's work:

- Through our regular duplicate payments work we have been able to identify payments amounting to in excess of £40,000 of recovered duplicate payments, directly attributable to the SWAP work (see further detail below).
- SWAP was asked to undertake verification work around the additional support payments to be made to the Dorset Leisure Centres run by management companies on behalf of the Council. As a result of this work payments to two providers were reduced by in excess of £28,000.
- SWAP undertook grant certification work around claims made to central government for lost income due to Covid-19. As part of this work SWAP identified an additional £50,000 that had been omitted from the claim.

CIFAS data Matching

SWAP has paid an annual subscription of £4,650 for 2020/21 to enable Dorset Council to be part of the CIFAS. This data matching service will help the Council to both prevent and detect fraud. SWAP is working with both CIFAS and the council to facilitate data matching work in the following areas:

- Insurance – to identify whether claimants have been recorded within the database as attempting to perpetrate fraud.
- Human Resources – to identify whether existing staff or staff offered a vacant position through the recruitment process have been identified as attempting to perpetrate fraud.
- Adult Services, residential homes and domiciliary services – to identify whether contractors are continuing to claim for deceased service users.

Benchmarking

During the year we have provided benchmarking data across either the SWAP partnership or the wider reach of the Chief Auditors Network for:

- Processes around the operation of Business Grants
- Value for Money
- Corporate Criminal Offence
- Unregistered Placements
- Protection of Property
- Contract Management

In addition, as part of our audit on contract management we undertook a survey of contract managers across the Council to inform our audit work in this area.

Innovations and Enhancements to our Audit Process

During this exceptional year, we have taken the opportunity to implement and introduce a number of innovations and enhancements to our audit process. This has included:

Introducing the concept of '*Agile Auditing*' to our audit process. With increased collaboration and a joint commitment with the service under review, it is possible to complete audits faster and more efficiently. We have used this concept to complete a number of audits this year and have had positive feedback from the senior managers working with us on these reviews.

With the help of SWAP's two newly appointed Data Analysts, we are looking to include analysis of data as part of our auditing wherever possible. This allows us not only the opportunity to test whole populations of data, but where this is not possible or appropriate, to be able to use data analytics to target our testing in a more effective manner.

Introduced a new one-page audit report, that summarises all the key messages of the audit on one page for ease of consumption as well as increasing impact. Feedback on the report style has again been extremely positive.

Introduced a new continuous audit planning and risk assessment process, incorporating a 'live' audit tracker.

Identifying Duplicate Payments

Members will be aware that we have regularly reported our supportive data analytical work around duplicate payments. From last Autumn the Council introduced new software that identifies potential duplicates as part of a payment run process. This is an enhancement on SWAP's analytical work which was always post payment and therefore required recovery of duplicate payments identified, whereas this work aims to prevent the duplicate payment being made.

To support Account Payable's (AP) work in this area alongside the new software running potential duplicates for investigation, we also undertook our usual data analytics work at the end of the quarter 3 period. This produced pleasing results identifying just £26,584 of duplicates paid. The AP team were already aware of £26,573 of these and have recovered the majority. Work is to be undertaken to identify how these duplicates were processed. The system still relies on staff either blocking or dismissing potential duplicates highlighted by the system, so it is possible that this was human error, but when compared to the duplicate payments initially made in Q2 of £133,141 this is a significant reduction and further work will be undertaken in order to ensure that those duplicate payments did not occur as a result of a failure in the software.

SWAP intends to undertake a similar exercise at the end of this financial year and hopes to find equally promising results. Very successful work has been ongoing by AP to recover outstanding duplicate payments from previous SWAP exercises as follows:

Period	Total Duplicate Payments Identified*	Total Amount Recovered	Total Amount Outstanding
2017/18 (DCC)	£295,907.10	£293,972.70	£1,934.40
2018/19 (DCC)	£382,922.10	£382,722.10	£150.00
2019/20 (DC)	£259,577.40	£259,130.87	£446.53
2020/21 (Q1-3) (DC)	£349,705.70	£349,562.90	£142.80
TOTAL	£1,288,112.30	£1,285,438.57	£2,673.73

The amount outstanding up to the end of 2019/20 of £2,530.93 has been written off and attempts to recover the outstanding amount of £142.80 for 2020/21 will continue.

**It should be noted that the above duplicate payments identified represent an extremely small fraction of total payments processed by the Council, with the vast majority of this fraction then subsequently recovered.*

Audit Performance 2020/21

The Chief Executive of SWAP reports overall performance of the company on a regular basis to the SWAP Board of Directors.



SWAP Performance

SWAP's performance is subject to regular monitoring and review by both the Board of Directors and Owners Board. The performance for Dorset Council for the 2020/21 year is as follows:

Performance Target	Performance Outturn
<p><u>Outcomes from Follow Up Audit Work</u></p> <p>Percentage of Priority 1&2 recommendations for limited assurance audits, that remain outstanding when the follow up audit is undertaken for the whole year 2020/21</p> <p>(It is possible that the pandemic will have impacted on services ability to implement audit actions at a time of significant pressure)</p>	54% (35/65)
<p><u>Value to the Organisation</u></p> <p>Client view of whether our audit work met or exceeded expectations, in terms of value to their area (average across whole year 2020/21)</p>	98.86%

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice Framework of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS). Both standards require an Internal and External Assessments (Standard 1300) of the Internal Audit function.

The standards require an External Assessment to be carried out at least every five years. SWAP exceeds this with an assessment undertaken every three years. The latest assessment undertaken in March 2020 found SWAP to be 'Generally Conforming' with the International Professional Practices Framework and the Public Sector Internal Auditing Standards (PSIAS) and is the highest level of performance awarded. A summary of the report was reported to the Audit & Governance Committee in October 2020. As a result of the External Assessment, a Quality Assessment Improvement Plan (QAIP) is produced and maintained. This document is a live document, reviewed regularly by the SWAP Board to ensure continuous improvement.

Summary of Internal Audit Work 2020/21

The schedule below contains the audit work undertaken in 2020/21, along with the respective outturn. Alternatively, to view the [live audit tracker](#) please go to the Dorset Council Teams site. By visiting the Audit Channel under files, you should be able to view all our audits on a continuous live basis.

At the conclusion of audit assignment work each review is given an Audit Assurance; a summary of the assurance levels is as follows:

- Substantial – A sound system of governance, risk management and control in place
- Reasonable – A generally sound system of governance, risk management and control in place
- Limited – Significant gaps, weaknesses or non-compliance were identified
- No Assurance – Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified

Audit Type	Audit Area	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
Completed Work							
Operational	Public Conveniences Investigations	Final	N/A	Advice and Guidance			
Operational	Financial Support to Leisure Centres	Final	N/A	Advice and Guidance			
Operational	Financial Reconciliations	Final	Follow up	3	0	2	1
Operational	Financial Reconciliations -Further Follow up	Final	Follow up	2	0	1	1
Operational	School Transport	Final	Low Limited	12	4	6	2
Operational	School Transport	Final	Follow up	2	0	1	1
Operational	Operation of Business Grant Benchmarking	Final	N/A	Advice and Guidance			
Grant Certification	Troubled Families – Submission 1	Final	N/A	N/A			
Operational	Audit Committee Skill Assessment – Best Practice	Final	N/A	Advice and Guidance			

Summary of Internal Audit Work 2020/21

Audit Type	Audit Area	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
Operational	Distribution of Redundant Laptops in Community	Final	N/A	Advice and Guidance			
Operational	One time vendors Checking Exercise	Final	N/A	Advice and Guidance			
Grant Certification	Local Enterprise Partnership	Final	N/A	N/A			
Operational	Generation and use of Surplus Car Parking funds	Final	N/A	Advice and Guidance			
Operational	Virtual School	Final	Follow up	12	3	6	3
Operational	Duplicate Payments checking Quarter 1	Final	N/A	Advice and Guidance			
Operational	Data Protection Training	Final	Medium Limited	5	0	4	1
Grant Certification	Troubled Families – Submission 2	Final	N/A	N/A			
Operational	Protection of Property	Final	Low Limited	5	0	4	1
Operational	Review of Accounts Payable Forensics Software	Final	N/A	Advice and Guidance			
Operational	Value for Money Advisory Work	Final	N/A	Advice and Guidance			
Grant Certification	Troubled Families – Submission 3	Final	N/A	N/A			
Operational	Effectiveness of Social Care Practice	Final	Follow Up	N/A	0	1	0
Operational	Whistleblowing investigation	Final	N/A	Advice and Guidance			
Operational	Debt Management	Final	Follow up	N/A	0	2	0

Summary of Internal Audit Work 2020/21

Audit Type	Audit Area	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
Grant Certification	Disabled Facilities Grant Certification	Final	N/A	N/A			
Grant Certification	Troubled Families – Submission 4	Final	N/A	N/A			
Operational	Payroll	Final	Medium Substantial	1	0	0	1
Operational	Corporate Criminal Offence Benchmarking	Final	N/A	Advice and Guidance			
Operational	Transport Operators Licence	Final	Low Limited	13	0	2	11
Operational	Duplicate Payments checking Quarter 2	Final	N/A	Advice and Guidance			
Operational	Coroner's Service	Final	High Limited	7	0	5	2
Operational	Complaints Investigation	Final	N/A	Advice and Guidance			
Operational	High Cost Placements	Final	High Limited	8	0	3	5
Grant Certification	Troubled Families – Submission 5	Final	N/A	N/A			
Grant Certification	Claim for lost income as a result of COVID-19	Final	N/A	N/A			
Operational	Policy Convergence	Final	Follow up	4	0	2	2
Operational	Fostering	Final	Follow up	1	0	0	1
Operational	Whistleblowing Investigation 2	Final	N/A	Advice and Guidance			
Operational	Unregistered Placements	Final	N/A	Advice and Guidance			

Summary of Internal Audit Work 2020/21

Audit Type	Audit Area	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
Operational	Portesham School	Final	Follow up	9	0	4	5
Operational	Leisure Centre Claim Validation	Final	N/A	Advice and Guidance			
Operational	Duplicate Payments checking Quarter 3	Final	N/A	Advice and Guidance			
Operational	Software Licencing	Final	Medium Reasonable	3	0	2	1
Operational	Grant Assurance Benchmarking	Final	N/A	Advice and Guidance			
Grant Certification	Troubled Families – Submission 6 and Verification	Final	N/A	N/A			
Reporting							
Operational	IR35 Compliance	Draft	Follow Up				
Operational	Management of Fraud & Reporting	Draft					
Operational	Contract Management	Draft					
Operational	Continuous Audit Accounts Payable	Draft					
Operational	Multi-Agency Safeguarding Hub	Draft					
In Progress							
Operational	Enterprise Zone	In Progress	Follow up				
Operational	CiFAS Data Matching	In Progress					

Summary of Internal Audit Work 2020/21

Audit Type	Audit Area	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
					1	2	3
Operational	Insurance Strategy Benchmarking	In Progress					
Grant Certification	Covid-19 Grant Certification Tracking	In Progress					
Operational	Virtual School	Fieldwork Completed	Follow up				
Operational	Protection of Property	In Progress	Follow up				