

Dorset Council

Report of Internal Audit Activity

Progress Report 2021/22 – August 2021

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.

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SWAP is an internal audit partnership covering 25 organisations. Dorset Council is a part-owner of SWAP, and we provide the internal audit service to the Council.

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



Audit Opinion, Significant Risks, and Audit follow up work

Audit Opinion:

This is our second quarterly update for 2021/22 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 2 below*), reflects the outcomes of recent reviews completed. Based on these recent reviews, we have identified that while generally risks are well managed, we have identified some gaps, weaknesses and areas of non-compliance. However, we have reasonable levels of confidence that the agreed actions will be implemented and as such are able to offer a **reasonable opinion**.

Since our last progress report in July 2021, we have issued **two Limited** assurance opinions on the areas and activities we have been auditing but these have not been classified as significant risks. Currently all previously identified significant risks have been assessed as having adequate mitigating controls now in place. In Appendix A on pages 6 &7, we have provided the one-page audit report for the Limited assurance opinion work, to offer the committee further insight.

Follow Up of Agreed Audit Actions

In order to improve the levels of implementation of high-priority audit actions across the Council, SWAP have developed a new process to embed the follow up of actions within directorates themselves, and track this on a continuous basis. We have a link contact within each of the Council's directorates, who is responsible for obtaining updates from managers. When actions are considered to be complete, there is a process of sign off by the service, with a confirmation sign off from SWAP. Over the past few months, we have focussed on ensuring that long overdue actions are updated and signed off where possible to bring us to an up to date position. We are pleased to report that of 63 overdue actions on 27/05/2021 this has been reduced to 39 as at 17/08/2021.

We have an **Action Tracker** which is stored in the same location as our Rolling Plan and can be viewed by clicking on [this link](#). SWAP is providing a separately scheduled training session after the September committee meeting to demonstrate the Rolling Plan document and the Action Tracker to ensure that all members are comfortable in being able to access and scrutinise these two documents, which provide up to date and continuous detail around the work of Internal Audit.

Internal Audit Plan Progress 2021/22

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

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



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

Recent internal audit coverage and outcomes by corporate risk are reflected in the chart below. As you will see the areas with no audit coverage is reducing. Additionally, we are currently working with the Assurance team to develop a more holistic **Assurance Map**, which will identify and capture other streams of assurance over the corporate risks across the Council. From this and our own coverage assessment we will be able to visually highlight key assurance gaps, but also build a better picture of assurance outcomes to help direct focus and oversight.

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

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

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

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

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

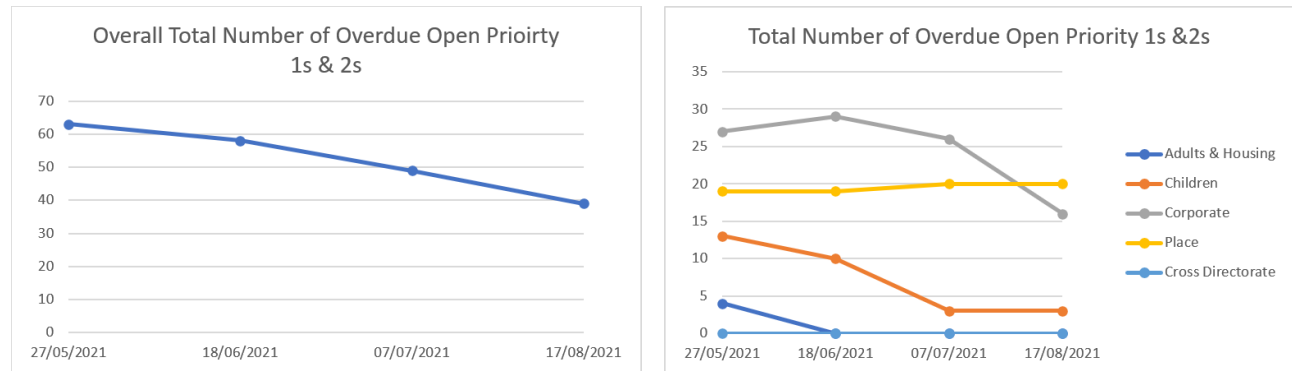
Internal Audit Plan Progress 2021/22

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
Overall Client Satisfaction <i>(Did our work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation)</i>	100%
Value to the Organisation <i>(Client view of whether our audit work met or exceeded expectations, in terms of value to their area)</i>	100%
Financial Savings delivered to the Organisation <i>(Direct and potential savings identified as a result of internal audit work)</i>	
Since our last report	£12,441
Cumulative total for 2021/22	£123,441

Outcomes from Follow Up Audit Work



Internal Audit Plan Progress 2021/22

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

Financial Savings

As part of a routine audit of Early Years Funding, we have identified direct and potential savings to Dorset Council of £12,441. This is made up of £2,150 of hours overclaimed by nurseries. We also found that £10,291 of debt had not been put through the Council's Accounts Receivable team. As a result of doing so there is substantially increased chances of successful recovery of these debts.

Surveys

As part of two recent audits SWAP has undertaken surveys and analysed the results. Detailed analysis of the survey findings has been provided to services in the form of a powerpoint presentation as well as a Power BI report. This analysis has been well received by the services concerned.

Continuous Audit

We have implemented a process of continuous audit for the Accounts Payable function. This is being expanded to cover Accounts Receivable and Main Accounting functions and we are planning to start continuous audit for Disclosure and Barring Service Checking due to the limited assurance provided during the recent review. Continuous audit is a process of undertaking regular testing of *key* controls within fundamental or high-risk functions. This provides an on-going assurance for services that the key controls are functioning as intended.

Cifas

SWAP is looking to facilitate checking of agency, interim and contractor staff through the Cifas database (this data matching service will help the Council to both prevent and detect fraud). We are aware of another Council who use Cifas to do this, that has recently retracted employment offers to a number of agency staff as a direct result of matches on the Cifas database. The reason mainly has been facility fraud, for example theft.

Value for Money Framework

SWAP has provided key support to the Council to advise on the early stages of developing an authority wide Value for Money Framework. This has included providing commentary on Dorset's intended approach and their work on this to date along with providing ideas for supplementary actions to help complement and develop their approach. As such, we have assisted with developing a survey on the subject of VfM going to key managers across the authority and will provide support with analysis of the results of this.

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

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

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



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

The Committee is able to view a record of all internal audit work on the [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 into Limited assurance audits we have been providing a summary of the outcomes. We have however, recently introduced a one-page audit report, which we are now providing in full for Limited assurance audits for members information.

Disclosure and Barring Service Checking – Final Report – July 2021



Audit Objective To assess the procedures and controls in place to ensure individuals are subject to appropriate DBS checking where relevant to their role in the Council.

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	<p>The Authority fails to identify individuals unsuitable to work with vulnerable people, potentially leading to harm or detriment to the wellbeing of service users.</p>	<p>Medium</p>
		Priority 1	1		
		Priority 2	4	<p>Individuals who require DBS clearance, start work prior to clearance being obtained, or an appropriate risk assessment in place leading to potentially unsuitable individuals working with vulnerable people.</p>	<p>Medium</p>
		Priority 3	6		
		Total	11		

Key Findings		Audit Scope
	<p>The responsibility for ensuring that staff have appropriate DBS clearances sits within directorates, however from our work we have established that there is a lack of complete central oversight across the organisation to ensure full compliance with DBS requirements. The role and responsibilities of the HR Business Partners have not been defined in respect of DBS and as a result there are differences in their approaches to how they monitor for anomalies and report to directorates on DBS compliance.</p>	<p>The audit included:</p> <ul style="list-style-type: none"> Analysis of data provided by the service. Testing of that analysis to ensure compliance with DBS requirements. Testing of employees, agency/consultants, contractors, and volunteers. Testing of controls to ensure that suppliers have adequate procedures in place around the DBS requirements. A review of the role and consistency of approach across HR Business Partners; and A benchmarking exercise using the Local Authority Chief Auditor Network
	<p>We sample tested 'red flags' identified through our analysis of the data provided by the service. We found:</p> <ul style="list-style-type: none"> Instances of incorrect or missing data on the DES system. High levels of DBS checks older than 3-years, particularly within Children's and Place directorates. Where employees had started in post prior to DBS clearance, we identified significant numbers where no date of a risk assessment was recorded in DES and no risk assessment was held on the personal file. From a sample check, managers of staff requiring a regulated check confirmed that a risk assessment had been considered. This was not the case for some staff requiring a basic check where a risk assessment had not been undertaken. Instances where the same or very similar roles showed differing levels of DBS requirement 	
	<p>Whilst we identified a significant number of anomalies, errors, and missing data within DES as part of our sample checking, which had not been previously identified either within HR or directorates, we did not identify any individuals where a regulated check was required that had not been undertaken.</p>	

Next Steps
 SWAP will look to work with HR to set up a process of continuous auditing of DBS, which will be undertaken and reported on a quarterly basis.



Early Years Funding – Final Report – August 2021

Audit Objective To provide assurance that Early Years providers are claiming for the right number of hours, for the right number of children, at the right time, in accordance with the Local Provider Agreement.

Assurance Opinion	Number of Actions	
	Priority	Number
<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
	Priority 2	3
	Priority 3	5
	Total	8

Risks Reviewed	Assessment
Inaccurate or fraudulent claims by early years providers leads to overpayments made by Dorset Council resulting in overspent budgets.	Medium

Key Findings	
	Analysis of Synergy records, primarily from Autumn Term 2020, highlighted 20 children who had active duplicate records on the system. Audit testing also identified 526 overclaimed hours (Summer, Autumn, Spring 2020 terms), with an estimated value of at least £2,150. These overclaims were due to a mixture of duplicate records on Synergy, the adjustments process and provider record errors.
	A total debt of £10,291.66 across five providers was highlighted during analysis. These debts had not been raised within the SAP system and therefore not included within financial reporting or subject to the formal Dorset Council debt recovery process. It has been agreed that work will take place with the central debtors team to bring the debt management of Early Years in line with central processes to ensure correct oversight, monitoring and recovery is taking place.
	Sampling of providers highlighted a number of ways in which their record keeping could be improved to enhance accuracy and consistency. Administrative issues with the keeping of daily registers, production of invoices and accurate completion of parental agreements were noted, particularly with a child minder. A wide variation in the content of providers' fee policies was also noted. Therefore, the promotion of a self-assessment checklist will be undertaken to assist providers with keeping a good standard of records that are also in line with the Local Provider
	It is recognised that the Early Years Team have undergone changes in management and resources in recent years, notably the loss of a dedicated audit team who completed spot checks of providers to ensure accuracy and highlight anomalies. There is a wealth of knowledge and experience concentrated in this small team and although this poses concerns for resilience in the medium and long term, there are steps being taken to increase the number of staff with in depth knowledge of systems and processes. Enhancements available for the Synergy system should be explored, as these may benefit the team by providing additional controls and streamlining certain processes to increase capacity.

Audit Scope
<p>The audit included:</p> <ul style="list-style-type: none"> Targeted sampling of providers to review parental agreements, invoices, attendance, fees policies and adjustments. Analysis of Synergy records from the previous 12 months, primarily focussing on Autumn Term 2020 to highlight overclaims and duplicate records. Review of the adjustments process and analysis of corresponding data. Review of financial reconciliations. Policy and procedure review, including provider Fees Policies.

Next Steps
SWAP will look to work with the service area to share data analysis undertaken to highlight overclaims and duplicate records.

