

Dorset Council

Report of Internal Audit Activity

Progress Report 2021/22 – December 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 third 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 recognise 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 September 2021, we have issued **one Limited** assurance opinion on the areas and activities we have been auditing but this has not been classified as a significant risk. Currently all previously identified significant risks have been assessed as having adequate mitigating controls now in place. In Appendix A on pages 6, 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

Our new process which embeds the follow up of actions within directorates themselves, and tracks this on a continuous basis is proving to be effective. 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.

We are still focussing on a small number of long overdue actions to ensure these are updated and signed off as soon as possible to bring us to an up-to-date position. When we reported to you in September, we had reduced 63 overdue actions to 39 as at 17/08/2021 and we now have 33 as at 01/12/2021, although of course this will include new actions that have become overdue during that time. We are working proactively with our directorate links to ensure that where possible actions are implemented in a timely manner and before they become overdue. The **Action Tracker** is stored in the same location as our Rolling Plan and can be viewed by clicking on [this link](#).

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 making some progress in developing a more holistic **Assurance Map**, which will identify and capture other streams of assurance over the corporate risks across the Council. This is a lengthy and complex piece of work which requires the support of Dorset Council officers. However once complete this together with SWAP’s own coverage assessment, will enable us to visually highlight key assurance gaps, and also build a better picture of assurance outcomes to help direct focus and oversight.

| Corporate Risk | 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 | In Progress |
| CRR 04 - GDPR | Some | Non-Assurance audit work |
| CRR 05 - Emergency Response | None | |
| CRR 06 - BREXIT | None | |
| CRR 07 - Infrastructure | Some | Non-Assurance audit work |
| CRR 08 - Education | Adequate | Limited |
| CRR 09 - Transformation | Some | Limited |
| CRR 10 - Corporate Knowledge | None | |
| CRR 11 - Climate Change | None | |
| CRR 12 - Breach of Statutory Duty | Some | Non-Assurance audit work |
| CRR 13 - Health, Safety, Wellbeing | Some | Non-Assurance audit work |
| CRR 14 - Safeguarding | Good | Limited |
| CRR 15 - Commissioning | Good | Non-Assurance audit work |
| CRR 16 - Officer/ Member Interface | None | |
| CRR 17 - School Transport | Some | Non-Assurance audit work |
| CRR 18 - Evidence Base | None | |
| CRR 19 - Partnerships | Some | Reasonable |
| CRR 20 - Election | None | |
| CRR 21 - COVID-19 Response | 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 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.*

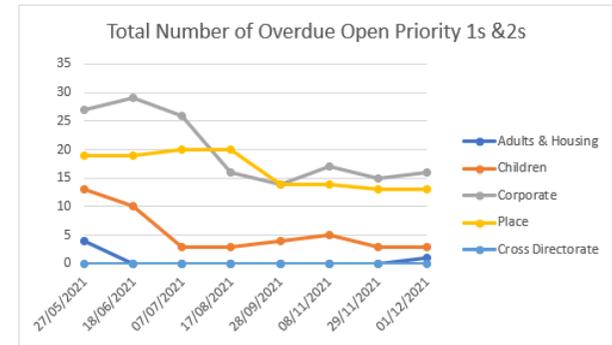
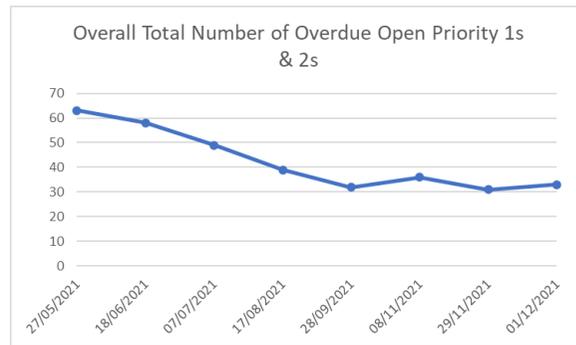
Internal Audit Plan Progress 2021/22

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 | £4,176 |
| Cumulative total for 2021/22 | £127,617 |

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

We are continuing to work with Dorset Council to improve the identification and prevention of duplicate payments. Since the implementation of new software, the volume of unidentified duplicate payments has significantly reduced. There are much improved processes around the swift recovery of duplicates paid in error that have been identified by the new software however, there remains an extremely low level of duplicate payments identified by the software that are dismissed in error, that are not detected until SWAP undertakes its analysis exercises. This quarter that amounted to just £4,176. All but £149 of these overpayments have now been recovered from suppliers and work is ongoing across the team to ensure that this low level of duplicate payments is eliminated.

Continuous Audit

We have expanded our process of continuous audit to encompass Accounts Payable, Accounts Receivable and Main Accounting functions. 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

When the wording of secondary Fair Processing Notices has been submitted to Cifas for approval, SWAP will 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).

Benchmarking

During the quarter we have undertaken two pieces of benchmarking work. The first was for the Registration Service and will provide key information to support a service review and development including chargeable services. The other piece of benchmarking was to support some audit work around Section 106 and CIL (S106 are legal agreements between a developer and the council and Community Infrastructure Levy is a way to ensure that developers contribute to the infrastructure that a new development will rely on.)

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.



Direct Payments – Final Report – October 2021

Audit Objective

To ensure that use of direct payments is appropriately offered to services users and that there are robust controls in place to guard against and/or detect fraudulent or erroneous use of direct payments.

Assurance Opinion



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

Number of Actions

| Priority | Number |
|--------------|----------|
| Priority 1 | 0 |
| Priority 2 | 3 |
| Priority 3 | 6 |
| Total | 9 |

Risks Reviewed

| Risks Reviewed | Assessment |
|---|------------|
| Direct payment fraud or erroneous use is not identified leading to misuse of council funds, the service user's well-being being compromised, and care outcomes not being met. | Medium |
| Social Workers do not always offer service users an alternative to a direct payment in an effort to meet direct payment targets, leading to service user well-being being compromised and care outcomes not achieved. | Medium |

Key Findings

- No issues were found with the day-to-day processing of Direct Payments. Testing reviewed the completion of Financial Assessments where appropriate, receipt of legal agreements from Service Users and the matching of SAP and Mosaic payment runs.
- Discussions with key staff highlighted that the Council currently does not have a method for recording the reasons why Direct Payments or Social Care packages end. This restricts the ability of the Council to learn lessons from case reviews and implement improvements in practice to benefit the efficiency and effectiveness of the service and achievement of outcomes for Service Users.
- It became clear during testing that there is a lack of co-ordinated oversight across the service areas that link to the Direct Payment service. Although there is wealth of knowledge across both the Social Care and Finance Teams, we found the drive to work collaboratively does not meet the expected Dorset Council Behaviour Framework. We have experienced some resistance to gaining acceptance to actions that will benefit the service as whole, rather than just the team tasked with that action.
- A number of weaknesses have been found with regard to the Social Care practices that feed into the Direct Payment process. Data analysis of Social Care records highlighted that only 40% of expected Social Care reviews had been completed at the time of testing. This is likely to adversely affect the early identification of safeguarding concerns or instances of fraud. It is acknowledged that Covid-19 has had a significant impact on the ability to complete face-to-face visits and that a risk assessment process is in place, although this does need to be formalised. Current plans for improving the overall volume of Social Care reviews also need to be progressed.

Audit Scope

- The audit included:
- Data analysis of a range of financial and Social Care records from Mosaic and SAP.
 - Review of information available to both staff processing direct payments and Service Users when offered the service.
 - Review of how the Finance Team set up, monitor, and end Direct Payments.
 - Review of Social Care package creation, authorisation, care package monitoring and record management.
 - Targeted sampling from across both the Finance Team and Social Care Team processes.
 - Review of record management, sharing and oversight of the entire Direct Payment Service.

Other Relevant Information

Actions have been agreed and will be followed up in due course to track implementation. The Service have been given the relevant information to progress data matching opportunities and benefit from Dorset Council's subscription to CIFAS.

