

Dorset Council

Report of Internal Audit Activity

Progress Report 2022/23 – May 2022

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 first Internal Audit update for 2022/23 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 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 January 2022, we have issued **three Limited** assurance opinions on the areas and activities we have been auditing but none have been classified as a significant risk. In Appendix A on pages 6-8, 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

We continue to have effective follow up of agreed audit actions being undertaken directly within directorates themselves. Actions are updated by directorate key contacts. As previously reported, we are still focussing on a small number of long overdue actions to ensure these are updated and signed off as soon as possible.

When we reported to you in January, there were 33 Priority 1 and 2 overdue actions as at 01/12/2021, we now have 34 as at 18/05/22. 15 actions have been completed since December and another 16 actions have become overdue during that five-month period. However, there are a number of actions that have been overdue for a period of 12 months or longer (*a graph of long overdue actions can be found on page 3 below*). 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. However, there is a need to urgently address a number of these long overdue actions that do not currently have a revised implementation date. The follow up **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 2022/23

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 newly revised corporate risk themes. Furthermore, we have then overlaid the audit assurance outcomes of those risk areas that we have reviewed. Previously there were 21 Corporate risks which have been reduced to 10 risk themes. As you will see we have provided some level of recent audit work across almost all the areas of 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 Theme, and Corporate Plan Objective (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	Adequate	Reasonable
CR03 - Health, Safety & Wellbeing	Some	Non-Assurance audit work
CR04 - Communities	Good	Reasonable
CR05 - Digital & Technology	Adequate	Substantial
CR06 - Safeguarding	Good	Limited
CR07 - Transformation	Some	Non-Assurance audit work
CR08 - Workforce	Some	Reasonable
CR09 - Political & Leadership	None	
CR10 - Service Delivery	Good	Reasonable

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.*

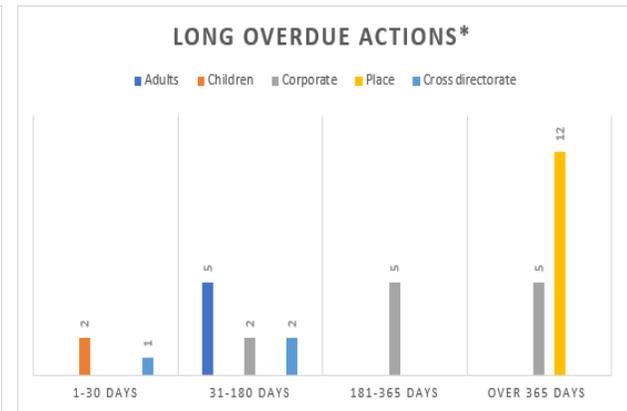
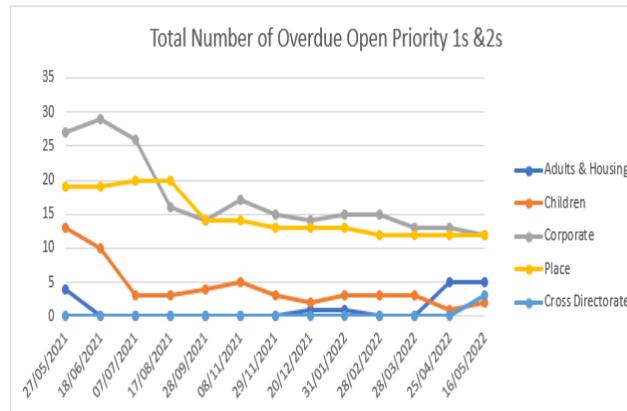
Internal Audit Plan Progress 2022/23

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.

Internal Audit Plan Progress 2022/23

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

We are making excellent progress in supporting the Council to roll out the use of the Cifas database. The aim of this work is to prevent fraud by sharing data, intelligence and learning. By preventing fraud, the Council can save time and money in fraud investigation work and attempting to recover fraudulent expenditure. The following details the areas of the council that are already successfully using the Cifas database or are progressing plans to do so:

- Insurance Liability Claims
- Agency Staff
- Adults Shared Lives Carers
- New Dorset Council Employees
- Users of Dorset Council Adult Services
- New and Potential Contractors

Benchmarking

During the quarter we have undertaken one formal piece of benchmarking work. This was a comparison of strategy and approach to council reserves across participating Local Councils. SWAP provided a key takeaways document for Dorset Council. We have also undertaken three informal comparisons of practice, the first was around children's residential accommodation, the second on accounting balance sheet review and the final on detecting fraud in Council Tax, Business Rates and Housing Benefits. Whilst there were insufficient responses from other local authorities to compile formal reports in these instances, we provided the feedback on the responses that we were able to obtain, which the services found helpful.

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.

Data Integration Apprentice

SWAP has appointed a Data Integration Apprentice, working within the Dorset team. The aim of the role is to gain a better understanding of and access to Dorset Council data, thus enabling auditors to use more data analytics as part of our work. Improvements in our ability to analyse the council's data as part of our work enables us to provide a wider assurance, opportunities for better risk management and improved audit quality.

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.

Service User Financial Contributions – Final Report – January 2022



Audit Objective

To provide assurance that root causes for service user financial contribution debt is identified and recorded effectively and that debt is monitored, reported, and managed efficiently to try to reduce and prevent the accumulation of large debt totals.

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	4
	Priority 3	1
	Total	5

Risks Reviewed	Assessment
The root causes of the reasons for service users' inability or unwillingness to pay their social care contributions are not being identified by the Council which leads to ineffective debt management activities resulting in financial loss to the Council.	Medium

Key Findings	
	At the beginning of December 2021, the total residential and non-residential service user debt over 90 days is £5.497M. The Credit Control team are responsible for recovering this debt but unlike other debt accrued by the Council, adult social care debt is complex, and factors such as Financial Assessments and whether a person has capacity (the ability to understand and use information to make a decision) need to be considered in the recovery process. Analysing the debt to identify patterns and trends should assist with identifying root causes of non-payment, informing the approach to be taken within the Council's overarching debt recovery process.
	Whilst the responsibility for recovering debt sits with the Credit Control team, input is often required from other officers and teams, such as locality social care teams, during this process which can mean that responsibilities become blurred. Mapping the whole process, and the teams involved, will enable the roles and responsibilities of those involved to be clarified and defined where necessary.
	Due to the complex nature of service user debt, there are a range of factors that need to be considered before the debt can be pursued through legal channels. The ASC Debt Management Task & Finish Group have been working on a checklist which encompasses the statutory requirements that need to be considered and this should be agreed and finalised. In addition, the cases that are awaiting possible legal action should be reviewed alongside the checklist and pursued through legal channels if possible, or if deemed unrecoverable, they should be written off.
	The problems around service user debt have been acknowledged and the ASC Task & Finish Group has been established to begin to address these issues. Actions have been agreed to move this work forwards.

Audit Scope
<p>The audit included:</p> <ul style="list-style-type: none"> A review of the debt recovery processes in place, including whether cases are being referred to legal services for pursuing and for write-off. Whether the root causes for the reason for non-payment have been identified. A review of the information provided to service users regarding the importance of making contributions and the consequences of non-payment. A review of the work undertaken by the ASC Debt Management Task and Finish Group. Data analysis of service user debt. This audit is part of a larger piece of work being undertaken across the Council as a whole however, the unique nature of Adults' service user debt required a separate review.

Additional Relevant Information
Five actions have been agreed with management with a detailed action plan attached. All actions are due to be implemented by end of March 2022.



Debt Recovery Post Covid-19 – Final Report – April 2022



Audit Objective

To provide assurance that procedures are in place to ensure that debt is recorded, reported, managed, collected and, if required, written off effectively and in a timely manner for services across Dorset Council.

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	1
Priority 2	9
Priority 3	4
Total	14

Risks Reviewed

Lack of effective debt management activities and reporting leads to ineffective collection of debt resulting in financial loss to the Council.

Whilst a number of issues have been identified through our audit work it is reassuring that there was an awareness of the problem within Finance who asked us to undertake this review. Additionally, our findings have been positively received and work is already underway to implement agreed actions. Whilst the level of unrecovered debt would normally indicate a High risk assessment the positive response has mitigated the risk to Medium.

Assessment

Medium

Key Findings



This audit has found that processes for the recovery of Trade Debts are not being consistently followed and actions to remedy this have been raised within this report. Observations by audit also suggests some disjointed working practices between the services who have raised the original invoice, credit control and legal services which results in poor debt recovery successes. An interim report was issued in February to allow the service to start implementing actions.



During the pandemic, a 'light touch' approach to debt recovery and the 'Breathing Space' regulation will have resulted in a greater accumulation of all debt arrears. As a result of the central government requirements for the council to administer the Covid business grants, since March 2020, Local Taxation recovery staff have only been able to undertake limited debt recovery work. Additionally, as a result of LGR, there has been two essential system merges which have impacted on staff capacity. The administration of Revenues and Benefits for East and North Dorset (previously administered by Stour Valley and Poole Partnership) is being brought back in house and plans to increase staffing capacity through filling vacancies and upscaling to manage the additional workload have been proposed and approved. These plans include capacity to manage the backlog of arrears.



For information the position of Council debts, as at 31st December 2021 is as follows; -

Age of Debt	Trade Debt	Age of Debt	NDR	Council Tax	Housing Benefit
90 days to 365 days	£2.87m	1.4.21 to 31.12.21	current year	current year	£328K
>365 to 31.3.20	£1.95m	1.4.20 To 31.3.21	£2.1m	£7.8m	£290k
Pre Covid before 1.4.20	£3.20m	Pre Covid before 1.4.20	£3.7m	£12.8m	£3.17m
Total	£8.02m	Total	£5.8m	£20.6m	£3.8m

Audit Scope and Exclusions

We have worked with staff within all directorates to ascertain how debt is recorded, reported, managed, collected and, if required, written off. A separate audit within Adult Services ensuring collection of service users contributions has been undertaken, and therefore this area has been excluded from the scope of this audit. However, the findings within the final report are relevant. The total of £8.02M Trade Debt includes this debt.

We have not carried out sample testing for Local Taxation Arrears as only limited recovery work has taken place. This is an area that will be covered under continuous audit from Q2 of 2022/23.

SWAP undertook some benchmarking for the delivery of debt recovery within other Councils and this has been shared with the service.

Next Steps

Procedures to ensure that debt is recorded, reported, managed, collected and, if required, written off effectively will be assessed by Audit through the Continuous Auditing of both Accounts Receivable and Revenues & Benefits.

Residential Children’s Homes – Final Report – April 2022



Audit Objective

To provide assurance that there are sufficient controls in place regarding financial management of budgets for residential children’s homes and allowances for looked after children placed within the homes.

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	2
	Priority 3	4
	Total	6

Risks Reviewed	Assessment
Poor financial control across residential children’s homes leads to insufficient scrutiny and oversight which could result in poor value for money, the potential for fraud and error and/or children’s outcomes not being met.	Medium

Key Findings

- Children who are cared for within the Council’s children’s homes are entitled to various allowances which can be spent on clothing, day trips, occasions and other personal items. Unspent allowances are tracked via spreadsheets for each allowance. Recent practice has seen balances zeroed at year end rather than being carried forward. We understand that senior managers are reviewing and implementing policy regarding the level of each allowance together with the treatment of unspent allowances in previous and future financial years.
- Expenditure is made with either Purchasing cards (P-cards) or petty cash from an imprest account. Movement of cash is tracked by an imprest book for the petty cash tins and handwritten cards for each allowance wallet. Generally, there is a good functional system in place. However, we noted one cash transaction and one P-card transaction that had not been recorded correctly. This highlighted gaps in current arrangements for reconciling the various tins/wallets and associated records, and we have suggested enhanced controls in these areas. We also identified a current single point of failure in terms of knowledge of cash processes so have suggested training of other staff members.
- From analysing staff rotas over a period of six weeks, we noted no evidence of systematic overstaffing or understaffing. However, we do not consider that the current system (printed spreadsheet rotas being subsequently annotated by hand to reflect changes), or budget monitoring arrangements, will be able to provide ongoing assurance that staffing at the rota level is appropriate. Therefore, we have suggested that management reviews current practices surrounding staff rotas.

Audit Scope

- The audit included:
- Review of budget setting and monitoring processes and performance for residential children’s homes
 - Review of processes for managing and handling petty cash
 - Review of processes and controls in place for children’s allowances including monitoring and oversight of amounts spent
 - Review of controls in place for the management of staff rotas to provide cost effectiveness
 - Re-creating handwritten staff rotas using Excel and undertaking analysis of these
 - A benchmarking exercise with other SWAP partners to establish mechanisms used for management of staff rotas and allowances for children
- We did not review authorisation of expenditure transactions outside of petty cash and P-cards.

Additional Relevant Information

Six actions have been agreed with management with a detailed action plan attached. All actions are due to be implemented by 31st May 2022. In addition to the agreed actions, we have made spreadsheet analysis of petty cash expenditure during the current financial year available as management information.

