



Dorset Council

Internal Audit Annual Opinion Report 2022-23

Internal Audit ■ Risk ■ Special Investigations ■ Consultancy

Unrestricted

Internal Audit Annual Opinion – 2022/23: ‘At a Glance’



Reasonable internal audit opinion provided;

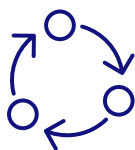


At least some internal audit work across each of the Council’s corporate risk themes;



Eight Limited assurance opinions issued with two of these identified as a Significant Risk;

(Appropriate actions have been planned in all instances and in regard to the significant risks we will report once we believe that risks have been adequately mitigated)



Process of continuous follow up of agreed actions continues to substantially reduce numbers of outstanding overdue actions.

Executive Summary

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

***Across the next year the Institute of Internal Auditors (IIA) is planning a change to the current *International Professional Practices Framework (IPPF)* which will ultimately be known as *The Global Internal Audit Standards*. The Internal Audit Charter, which is reviewed annually by this committee, and guides the work of internal audit is based around the existing IPPF. SWAP is contributing to the consultation on the proposed new Global Internal Audit Standards. As such SWAP will be reviewing the Charter as further information becomes available from the IIA and will bring a revised charter to the committee for approval later in the year. In the meantime, we will continue to operate in accordance with our existing charter.**



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;
- provide the opportunity to review the work actually undertaken during the year, 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 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 2022/23 year.

**Internal audit work is guided by the Internal Audit Charter which is reviewed annually.*

Executive Summary

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



Annual Opinion

I have considered the balance of 2022/23 audit work for Dorset Council, enhanced by the work of external agencies and am able to offer **Reasonable Assurance** in respect of the areas reviewed during the year, as most were found to be adequately controlled. Generally, risks are well managed, however whilst some areas require the introduction or improvement of internal controls to ensure the achievement of the Council's objectives; the robust approach to implementation of audit actions has been part of the considerations in forming this annual opinion. During the year, **two limited assurance significant corporate risks** have been reported to the committee (note: one has been reported in the March update report). Whilst internal audit has not yet been able to report that these risks have been adequately mitigated, we will continue to monitor and will report back to the committee during the course of the 2023/24 year. Furthermore, during the year we reported an additional **six limited assurance opinions**.

Whilst the day-to-day impacts of the COVID pandemic feel like they are behind us now, during the first half of the year, our work has been punctuated by the need for demand driven COVID related grant certifications. However, this has very much lessened during the second half of the year which has enabled us to continue our process of working with Directorate Management Teams in order to identify priority internal audit work through a process of risk assessment.

The table at [Figure 1](#) below, captures our audit coverage this year, mapped against the Authority's corporate risk themes. Furthermore, we have then overlaid the audit assurance outcomes of those risk areas that we have reviewed. The table demonstrates that we have provided some level of audit work across all the areas of corporate risk themes during the last year.

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 the corporate risk themes within 2022/23.

Figure 1: Audit Coverage by Corporate Risk Theme

Corporate Risk	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	Some	Substantial
CR06 - Safeguarding	Some	Reasonable
CR07 - Transformation	Some	Limited
CR08 - Workforce	Adequate	Reasonable
CR09 - Political & Leadership	Some	Limited
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

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
In progress	Work is currently ongoing
Non-Assurance Audit Work	Audit work undertaken does not result in an audit opinion being delivered such as advisory or grant certification work, but such work can contribute to internal audit's annual opinion

Executive Summary

Implementation of Agreed Actions

It is the responsibility of internal audit to establish a process to monitor and ensure that management actions have been effectively implemented.

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 remedial action this should be brought to the attention of the Audit Committee.

Implementation of Agreed Actions and Risks Accepted

Members will recall that for some while SWAP was expressing some concerns around the percentage of high priority (priority 1 and 2) actions that were not implemented at the time of our follow up audits, despite the implementation date having passed. As a result, SWAP committed to introduce a new process of follow up which embedded the responsibility of ensuring the implementation of agreed audit actions within directorates themselves and tracked the progress of implementation on a continuous basis.

This new process has been in place for over a year now. We have had valuable support from the Council's Senior Leadership Team which has been key to developing a culture where implementation of agreed audit actions is becoming a priority across the whole organisation. We regularly report to this committee, metrics around the outcomes of follow up work and across the past year the number of overdue priority 1 & 2 audit actions has reduced significantly from 34 in our June 2022 report (17 of which were more than 365 days overdue) to just four when we reported to the committee in January.

You will be aware of the **Action Tracker** which can be viewed by clicking on [this link](#). The tracker will show the latest position on overdue actions. We are now regularly reporting this to the committee as part of internal audit's performance measures and is included as part of the council's suite of performance indicators.

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, for the second year in succession there were no audit actions that were 'risk accepted' during 2022/23. We believe that instances of risk acceptance are likely to have been mitigated by the collaborative and inclusive agile auditing approach now used by the SWAP team.

Audit Outcomes

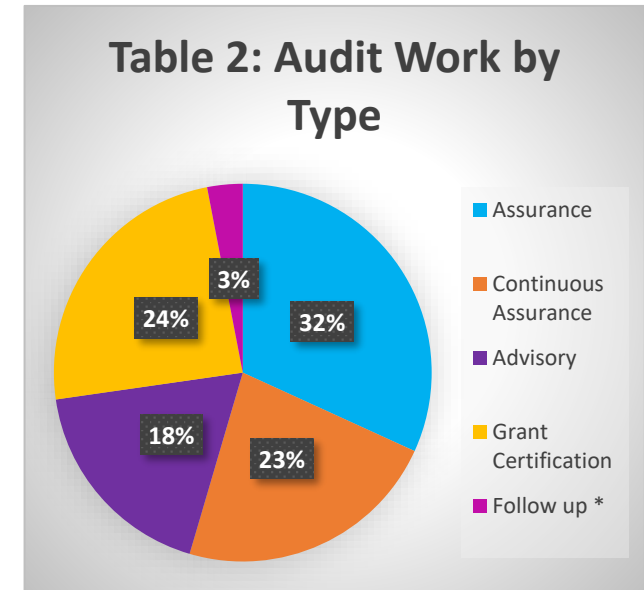
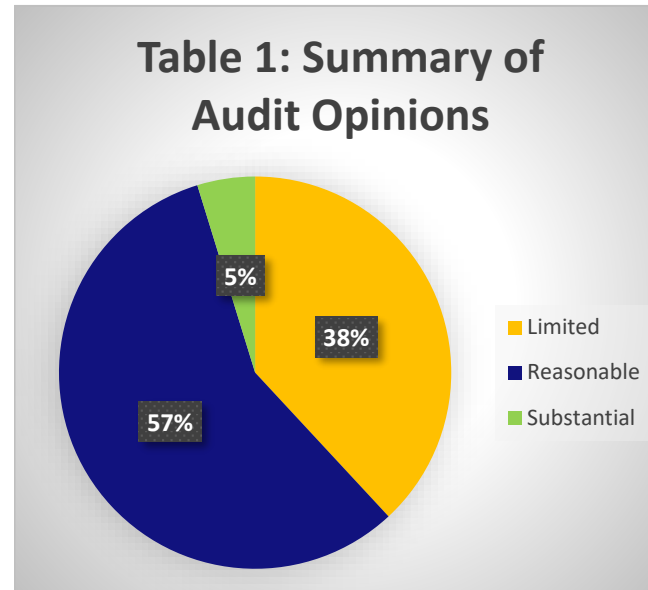
Summary of Audit Opinions

At the conclusion of an audit assurance 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
- **Limited** – 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



**Percentage of follow up work is low due to the successful implementation of new follow up process*

Table 1 above indicates the spread of assurance opinions across our work completed during the past year. The Council’s willingness and openness to identify areas for review naturally results in a larger number of Limited Assurance opinions and provides assurance that SWAP is focussing its limited resources in the correct areas.

Table 2 indicates the audit work by type. Whilst assurance work is the main focus of internal audit, in an ever-changing landscape, internal audit has the knowledge and skills to be able to provide advisory work that supports the organisation in understanding these changes. In addition, there continues to be a greater requirement for grant certification work, mainly due to the continuing number of COVID related government grants available to the council and the requirement for the Head of Internal Audit to provide certification of these grant awards.

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.

CIFAS data Matching

SWAP has paid an annual subscription of £14,728 for 2022/23 to enable Dorset Council to be part CIFAS. This data matching service will help the Council to both prevent and detect fraud. SWAP, working with both CIFAS and the council have facilitated data matching work in the following areas across the Council:

- Human Resources – Agency Staff
- Adult Services – Shared Lives Carers
- Adult Services – All Service Users
- Corporate Development – Contractors

Data matching has been successfully up and running within the Council's Insurance team for some months now with a positive impact being identified with the number of speculative insurance claims having reduced. SWAP is currently exploring the potential use of CiFAS within Children's Services.

Benchmarking, Surveys and Data Analytics

During the year as part of our audit work, we have looked to provide additional information on top of our standard audit report. This might be benchmarking across the SWAP partnership or the wider reach of the Chief Internal Auditors Network. Undertaking surveys across appropriate internal groups to further evidence and enhance our work and using the SWAP's Data Analytics team to undertake analysis and enhance the way in which this is presented to the Council. Examples of this added value work are:

- Climate Emergency – Benchmarking information obtained across the Chief Internal Auditors Network.
- Risk Management – Undertaking a survey across senior managers to inform our findings. The Survey responses were provided as part of our reporting.
- Debt Recovery – Analysis and presentation of data was provided as part of the reporting process.
- Commissioning of Alternative Provision – Analysis and presentation of data analysis as part of our reporting.

- Schools –A Power BI dashboard of school's SFVS returns provided to the Schools Finance Team to assist in the identification of outliers and unexpected data.
- Finance/ HR system - Comparison work of systems used by other councils.

Regular updates

To help key officers in the Council keep abreast of changes SWAP produces a monthly newsletter that provides information on topical areas of interest for public sector organisations.

Counter Fraud Team

SWAP's Counter Fraud team have been providing specialist fraud expertise during the year, along with some fundamental fraud assessment work to help our partners strengthen their resilience to fraud. Furthermore, the team also provide regular fraud bulletins to our partners on the latest intelligence on fraud targets.

Audit Performance 2022/23

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 2022/23 year is as follows:

Performance Target	Performance Outturn
<p>Value to the Organisation</p> <p>Client view of whether our audit work met or exceeded expectations, in terms of value to their area across 22/23 year</p>	100%
<p>Implementation of audit actions</p> <div style="display: flex; justify-content: space-around;"> <div style="width: 45%;"> <p>Overall Total Number of Overdue Open Priority 1s & 2s</p> </div> <div style="width: 45%;"> <p>Overall Total Number of Overdue Open Priority 1s & 2s</p> </div> </div> <p>There has been a clear reduction in overdue priority 1 and 2 agreed audit actions since the introduction of our new process of tracking implementation. However, the figures have plateaued across recent months, and it is understood that a new measure is to be reported to SLT of the number of days that an action is overdue which it is hoped, will help to bring some long overdue actions to an appropriate conclusion.</p>	

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

Audit Performance 2022/23

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. As the International Professional Practices Framework is currently under review, SWAP is considering when it will undertake its next External Assessment which is not formally required until March 2025.

Summary of Internal Audit Work 2022/23

The schedule below contains the audit work undertaken in 2022/23, 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 Agreed Actions	1 = Major	↔	3 = Medium
					Recommendation		
					1	2	3
Assurance/Targeted Follow up Work							
Operational	Freedom of Information Requests	Final	Medium Reasonable	4	0	0	4
Operational	Recovery of Debt (Post Covid-19)	Final	Low Limited	14	1	9	4
Operational	Recovery of Debt (Post Covid-19) – Follow up 1	Final	N/A	9	1	5	3
Operational	Recovery of Debt (Post Covid-19) – Follow up 2	Final	N/A	3	0	2	1
Operational	Workforce Planning - Highways and Coastal Engineering Staff	Final	Low Reasonable	5	0	0	5
Operational	Residential Children’s Homes	Final	High Limited	6	0	2	4
Operational	Revenues and Benefits	Final	Medium Reasonable	7	0	1	6
Operational	Use of Social Media by the Council	Final	Medium Reasonable	5	0	0	5
Operational	Main Accounting Annual Assurance	Final	Medium Reasonable	4	0	0	4

Summary of Internal Audit Work 2022/23

Audit Type	Audit Area	Status	Opinion	No of Agreed Actions	1 = Major	↔	3 = Medium
					Recommendation		
					1	2	3
Operational	Adult Safeguarding	Final	High Reasonable	2	0	0	2
Operational	Risk Management	Final	Medium Limited	12	0	6	6
Operational	Achievement of Savings Targets	Final	High Limited	7	0	2	5
Operational	Commissioning of Alternative Provision	Final	High Limited	13	0	8	5
Operational	Wide Area Network Provision	Final	Low Substantial	3	0	0	3
Operational	Capacity in Services to Support Transformation	Final	High Limited	7	0	2	5
Operational	Premises Related Health and Safety	Final	Low Limited	9	2	6	1
Operational	Treasury Management	Final	High Reasonable	2	0	0	2
Operational	Lessons Learned from SEND Tribunals and Appeals	Final	Low Reasonable	11	0	2	9
Operational	MTFP, Budget Planning and S151 Assurance Statement	Final	Low Reasonable	9	0	3	6
Operational	Highways Health and Safety	Final	Medium Reasonable	4	0	0	4
Operational	Climate Emergency	Final	Low Limited	8	2	6	0
Operational	Employee Expenses	Final	Medium Reasonable	4	0	1	3
Operational	Main Accounting Annual Assurance	Final	Medium Reasonable	6	0	0	6

Summary of Internal Audit Work 2022/23

Audit Type	Audit Area	Status	Opinion	No of Agreed Actions	1 = Major	↔	3 = Medium
					Recommendation		
					1	2	3
Advisory Work							
Operational	Reserves Benchmarking	Final	Advisory				
Operational	CiFAS (Internal Fraud Database) – New Agency Staff	Final	Advisory				
Operational	CiFAS (Internal Fraud Database) – Adults Shared Lives	Final	Advisory				
Operational	CiFAS (National Fraud Database) – Adults all Service users	Final	Advisory				
Operational	CiFAS (National Fraud Database – Contractors	Final	Advisory				
Operational	Duplicate Payment Check	Final	Advisory				
Operational	Finance/HR Comparison Work	Final	Advisory				
Operational	SFVS Data Analysis	Final	Advisory				
Operational	Fraud Risk Assessment	Final	Advisory				
Operational	Property Strategy and Asset Management Plan	Final	Advisory				
Operational	Dorset Centre of Excellence	Final	Advisory				
Operational	Fraud Baseline Assessment (follow up of previous work in 21/22)	Final	Advisory				
Grant Certification							
Grant Certification	Covid-19 Bus Services Support Grant	Final	Grant Certification				
Grant Certification	Protect and Vaccinate Grant 31/5912	Final	Grant Certification				

Summary of Internal Audit Work 2022/23

Audit Type	Audit Area	Status	Opinion	No of Agreed Actions	1 =	↔	3 =
					Major		Medium
					Recommendation		
Grant Certification	Supporting Families Grant Certification – May Claim	Final	Grant Certification				
Grant Certification	Supporting Families Grant Certification – July Claim	Final	Grant Certification				
Grant Certification	Supporting Families Grant Certification – Sept Claim	Final	Grant Certification				
Grant Certification	Supporting Families Grant Certification – Dec Claim	Final	Grant Certification				
Grant Certification	Supporting Families Grant Certification – March Claim	Final	Grant Certification				
Grant Certification	LEP Gateway Grant Review	Final	Grant Certification				
Grant Certification	Contain Outbreak Management Grant 31/5411	Final	Grant Certification				
Grant Certification	Test and Trace Grant	Final	Grant Certification				
Grant Certification	LEP Peer Networks Grant	Final	Grant Certification				
Grant Certification	DLEP Peer Networks Grant	Final	Grant Certification				
Grant Certification	Test and Trace Support Scheme 31/5789	Final	Grant Certification				
Grant Certification	Restart Grant	Final	Grant Certification				
Grant Certification	Universal Drug Treatment Grant	Final	Grant Certification				

Summary of Internal Audit Work 2022/23

Audit Type	Audit Area	Status	Opinion	No of Agreed Actions	1 =	↔	3 =
					Major		Medium
					Recommendation		
Grant Certification	Adult Weight Management Grant	Final	Grant Certification				
Continuous Assurance							
Operational	Main Accounting (Quarter 3 2021/22)	Final	Continuous Assurance				
Operational	Main Accounting (Quarter 4 2021/22)	Final	Continuous Assurance				
Operational	Main Accounting (Quarter 1 2022/23)	Final	Continuous Assurance				
Operational	Main Accounting (Quarter 2 2022/23)	Final	Continuous Assurance				
Operational	Main Accounting (Quarter 3 2021/22)	Final	Continuous Assurance				
Operational	Accounts Receivable (Quarter 4 2021/22)	Final	Continuous Assurance				
Operational	Accounts Receivable (Quarter 1 2022/23)	Final	Continuous Assurance				
Operational	Accounts Receivable (Quarter 2 2022/23)	Final	Continuous Assurance				
Operational	Disclosure and Barring Service (Quarter 3 2021/22)	Final	continuous Assurance				
Operational	Disclosure and Barring Service (Quarter 4 2021/22& 1 2022/23)	Final	Continuous Assurance				
Operational	Disclosure and Barring Service (Quarter 2 2022/23)	Final	Continuous Assurance				

Summary of Internal Audit Work 2022/23

Audit Type	Audit Area	Status	Opinion	No of Agreed Actions	1 =	↔	3 =
					Major		Medium
					Recommendation		
					1	2	3
Operational	Disclosure and Barring Service (Quarter 3 2022/23)	Final	Continuous Assurance				
Operational	Accounts Payable (Quarter 4 2021/22)	Final	Continuous Assurance				
Operational	Accounts Payable (Quarter 1 2022/23)	Final	Continuous Assurance				
Operational	Accounts Payable (Quarter 2 2022/23)	Final	Continuous Assurance				
Work In Progress							
Operational	Revenues and Benefits Continuous Assurance – Q3	In Progress					
Operational	IT Application Portfolio Management	In Progress					
Operational	Fostering Service Panel Processes	In progress					
Operational	Compliance with GDS Standards	In Progress					
Operational	Homelessness Front Door Services	In progress					
Operational	Payroll	In Progress					
Operational	Lessons Learnt from FOI's and Tribunals (Counter Fraud Team)	In Progress					
Operational	Data Quality and Information Governance	In Progress					
Operational	Procurement Cards	In progress					
Operational	Accounts Receivable Continuous Assurance – Q3	In Progress					

Summary of Internal Audit Work 2022/23

Audit Type	Audit Area	Status	Opinion	No of Agreed Actions	1 = Major	↔	3 = Medium
					Recommendation		
					1	2	3
Operational	Accounts Payable Continuous Assurance – Q3	In Progress					