

Executive Summary

Background

In late September 2024 a decision was taken to terminate the contracts of 11 interim officers in the Place Assets & Regeneration Team due to concerns over lack of compliance with financial controls and rising levels of budget overspend.

Following the exit of the interims, a 'deep dive' review was completed in October 2024 by an Officer in the Assets and Property Team, in conjunction with the Executive Director for Place. This highlighted issues around poor financial control, lack of adherence to financial procedures and lack of programme and project management.

Following the completion of the October 2024 report SWAP's Counter Fraud and Investigations Team was commissioned by the Monitoring Officer to complete an internal investigation, which would assist the Council.

Scope

The scope of this investigation was to review the building health and safety compliance work which began in January 2023 following an internal audit completed in September 2022, which identified a significant lack of compliance with Health and Safety legislation. The investigation work focussed on compliance with Dorset Council internal rules and procedures relating to finance, expenditure, procurement and award of professional service and works contracts. The investigation has considered:

- The identification and approval of a service/work requirements and of budgets.
- Procurement and award of contracts inside and outside of the Council's managed service provider, including approvals and ensuring best value.
- The required approvals such as Key Decisions or under the Officer Scheme of Delegation.
- Receipt, review and approval of payment of invoices.
- Evidence of illegal activity or fraud and/or failure to comply with Council rules and procedures.
- Potential obfuscation and dishonesty by Council officers.

Key Conclusion Summary

The investigation has identified governance failures across key operational areas within the Building Health and Safety Compliance Team and its associated programmes. The recruitment of interim staff, the creation and use of budget codes, procurement practices, and payment approvals all demonstrated significant non-compliance with Council policies, poor record-keeping, and a lack of effective oversight.

Established financial controls and procurement protocols were frequently bypassed. Key decisions lacked transparency, audit trails were incomplete or absent, and there was limited accountability in the use of public funds. The cumulative impact of these failures resulted in substantial unmonitored expenditure, reduced assurance around value for money, and increased exposure to financial and reputational risk.

Senior management acknowledges the severity of the issues, and work is already underway to establish and agree a comprehensive and wide-ranging remediation plan. This will include actions to drive improvement, strengthen internal controls and governance, and reduce risk exposure.

The Audit Committee has reviewed the findings of this investigation at a meeting on 7th July 2025 and will provide continued oversight as the remediation plan is implemented, to ensure effective and transparent delivery of necessary remedial actions.

Other Relevant Information

During the investigation process other relevant information and/ or allegations raised by individuals we have spoken to have been escalated to the Monitoring Officer and the Head of Legal Services. Where this is not considered relevant to the scope of our investigation these have been flagged and dealt with internally.

A separate piece of SWAP audit work was commissioned midway through this investigation by the Monitoring Officer. The audit work focused on contract and expenditure compliance with the Constitution & Scheme of Delegation. Details and any agreed actions are referenced in this summary where appropriate.

Key Findings

The Project

The internal audit in 2022 identified historical and ongoing health and safety compliance issues across the Council's property portfolio, likely stemming from the Local Government Reorganisation (LGR) and the merging of various systems and practices. We identified clear evidence of strong corporate support and senior leadership commitment to the building Health & Safety Compliance programme, however, the programme lacked structured project management from work identification to completion.

Recruitment Arrangements

The recruitment and appointment of interim officers within the Compliance Team displayed serious weaknesses in governance, oversight, and compliance with corporate policies. Appointments often lacked necessary documentation and were made by other interim staff without involvement from HR, Procurement, or Finance. Potential conflicts of interest were identified, along with missing approval trails for appointments and pay rate increases.

Further issues included non-standard working practices (e.g., excessive hours, working during holidays without formal approval and process), unclear fee structures, unmonitored conversions (temporary workers to contractors) and a siloed team culture. There were also concerns around transparency, inadequate pre-employment screening, bypassed reference checks, lack of proper induction and training, delays in terminations, and unexplained increases in interim rates.

Budget Approval, Monitoring and Escalation

The creation of the compliance budget code revealed significant governance failures. No formal budget was established, and the code was excluded from routine financial monitoring (CPMI reports) in 2023/24. This lack of oversight likely contributed to uncontrolled spending.

It is noted that there was an initial £4m agreement from Cabinet in support of the work in September 2023. Spending on the building health and safety compliance programme reached nearly £13 million over two years without subsequent Cabinet approval, a funding strategy, or a documented business case.

There was no clear decision-making trail, member oversight, or adherence to the scheme of delegation. The spend went unflagged until the June 2024 outturn report, by which time proactive scrutiny was no longer possible. Costs were covered by a collection fund surplus without prior Member awareness or agreement.

Additional issues included the absence of an approved budget or virement process, unapproved use of reserves, failure to produce forecasts, ignored warnings, and a lack of appropriate escalation.

Procurement and award of contracts

The procurement process for the compliance programme revealed significant governance and procedural failings. Supplier onboarding, through the managed service provider occurred without procurement team involvement, and procurement protocols were routinely bypassed.

Key issues included:

- Inappropriate influence and lack of transparency in the use of one company.
- Breaches of procurement policy, poor documentation, and weak audit trails.
- Repeated, unexplained budget increases, lack of competitive market testing, and over-reliance on a small pool of contractors.
- Role and approval integrity concerns with the managed service provider.

- Frequent use of "urgent" justifications and references to potential fines to likely bypass proper governance, often keeping budgets just below Cabinet approval thresholds.
- Over-reliance on an email from the Former Chief Executive where they state, "you have my full support to commit such resources as may be required to remediate any identified matters".
- Direct awards made with no recorded due diligence and subcontracting (between two existing suppliers) was approved outside formal procurement processes.

There were inconsistent Project Initiation Documents (PIDs) and Statements of Work (SOWs), non-compliance with procurement protocols, missing decision records for key spending, and work order increases used to avoid appropriate governance oversight.

The receipt, review and approval of payments

The payment processes within the compliance programme showed misalignment with the Council's Scheme of Delegation, leading to a lack of financial control, governance, and accountability. In the managed service provider's system and in DES (the Council's finance system), approval limits and authorisations were inconsistent with Council policy, resulting in unauthorised transactions, inadequate verification of goods and services, and uncontrolled spending.

Key issues included:

- Payments authorised by officers without proper authority.
- Inflated costs, duplicate invoices, and unverified services, which revealed charges of £300 for services worth only £20, and work done at non-Council sites without justification.
- Heavy reliance on two contractors, one conducting compliance surveys and another doing related work, raising concerns around value for money and lack of competition.
- Scope creep in one company's activities, going beyond the original compliance remit.
- Another company being procured through two separate, inconsistent methods.
- Payments sometimes processed on the same day with no checks, and no oversight of committed spend in the managed service provider's system.
- DES processes not conforming to procurement or budget protocols, and expenditure exceeding thresholds without authorisation.
- No effective mechanisms in place to monitor or control spend, resulting in substantial unnecessary and unjustified costs.

Overall, payment processes lacked transparency, controls, and compliance, resulting in significant financial risk and concerns around value for money. Some of the findings above align with concerns raised in the SWAP audit on Contract and Expenditure Compliance with the Constitution & Scheme of Delegation.

Obfuscation, dishonesty and potential illegal activity and Failure to comply with Dorset Council rules and procedures

Instances of undeclared gifts and hospitality offered to officers in the Assets and Property service were identified, breaching the Council's Code of Conduct and transparency requirements.

Additional concerns included:

- Officers not acting in line with expected standards of conduct.
- A high value PID signed by a senior officer on their last day of employment, raising questions about timing and decision-making integrity.
- A lack of declarations from the Assets and Property Team during the relevant period.
- The award of the contract coinciding with social interactions involving key parties, suggesting possible conflicts of interest or undue influence.

These findings indicate a broader lack of transparency, poor accountability, and potential efforts to obscure decision-making processes.