

# Somerset West and Taunton

## Report of Internal Audit Activity

Plan Progress 2020/21 – March 2021

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## Internal Audit Plan Progress 2020-21

### Our audit activity is split between:

- **Operational Audit**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **Other Reviews**



### Role of Internal Audit

The Internal Audit service for Somerset West and Taunton Council is provided by SWAP Internal Audit Services Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Audit, Governance and Standards Committee at its meeting in March 2020.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes:

- Operational Audit Reviews
- Cross Cutting Governance Audits
- Annual Review of Key Financial System Controls
- IT Audits
- Grants
- Other Special or Unplanned Review

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Senior Leadership Team. The 2020-21 Audit Plan was reported to the Audit, Governance and Standards Committee and approved at its meeting in March 2020. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

## Internal Audit Plan Progress 2020-21

### Outturn to Date:

**We rank our recommendations on a scale of 1 to 3, with 3 being minor or administrative concerns to 1 being areas of major concern requiring immediate corrective action.**



### Internal Audit Work programme

The schedule provided at **Appendix B** contains a list of all audits as agreed in the Annual Audit Plan 2020/21. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed. Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management.

In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed in **Appendix A**.

The following table summarised Audits finalised since the previous update in September 2020. Our work in relation to Additional Restriction Grants\* involved the assessing of grant applications to support the Council during the during the coronavirus pandemic.

Audit Area	Quarter	Status	Opinion
Ethical Governance and Culture	1	Final	Limited
Performance Management	2	Final	Advisory
Financial Control and Reporting	3	Final	Reasonable
Payroll	3	Final	Reasonable
Local Restriction Support Grant (LRSG)	3	Final	Advisory
Additional Restriction Grant – Processing	3	Final	N/A

Please see the Limited/No Assurance section below for further information on the Limited Assurance review.

## Internal Audit Plan Progress 2020-21

### Significant Corporate Risks

**Identified Significant Corporate Risks should be brought to the attention of the Audit Committee.**

### Completed Assignments:

**Summary of work completed with a focus on the high priority issues that we believe should be brought to the attention of the Audit Committee.**

- **Limited or No Assurance Opinions**
- **Follow-ups**



### Significant Corporate Risks

We provide a definition of the 3 Risk Levels applied within audit reports and these are detailed in **Appendix A**. For those audits which have reached report stage through the year, I will report risks we have assessed as 'High'.

In this update there are no final reports with significant (High) corporate risks.



### Summary of Work Completed – Limited or No Assurance Opinions

#### **Ethical Governance and Culture – Limited Assurance – February 2021**

The conduct of everyone in local government needs to be of the highest standard to support its community leadership role. Failure to achieve high ethical standards can result in poor decisions and a loss of credibility and confidence in individuals, the Council and local democracy. Furthermore, the Tone at the Top sets an organisation's guiding values and ethical climate.

Somerset West and Taunton Council was formed in April 2019 so many of the processes related to ethical governance and the culture of the organisation remains to be fully embedded and many responsibilities have been moved to new areas. Therefore, this audit must be considered in this context. The purpose therefore of this audit was to ensure that the Council has a robust framework in place which promotes a strong ethical culture, high ethical standards and upholds the values of good governance and behaviours within the organisation.

Our reason for providing limited assurance was because some controls have lapsed and will require attention to ensure that the Council's ethical standards are effectively maintained for both staff and Members. The weaknesses identified from our testing and survey mostly pertain to staff understanding and access to key information where it was identified that there is both a lack of training and information provided as part of the induction process for new staff, which is of greater significance given the number of new personnel in the last 12-18 months.

## Internal Audit Plan Progress 2020-21

### Completed Assignments:

Summary of work completed with a focus on the high priority issues that we believe should be brought to the attention of the Audit Committee.

- Limited or No Assurance Opinions
- Follow-ups

### Summary of Work Completed – Limited or No Assurance Opinions

Furthermore, weaknesses were identified with key documents that would frame the ethical standards in place at the Council. For instance, the Money Laundering and Fraud Reporting Policy was out of date, there was an out-of-date Whistleblowing Policy on the staff intranet (although an up-to-date version is on the Council's website) and the Ethics Policy is currently in development. Without this information being accessible and being effectively communicated to staff the Council loses its opportunity to ensure it sets the tone for making ethical decisions. It should be noted that the Governance Manager is aware of a number of these weaknesses and has been actively working to update the key documents. Other efforts have been made in liaison with other officers to improve the induction process.

There were three Priority 2 recommendations and four Priority 3 recommendations made within this review. The three priority 2 recommendations raised in our report are detailed below in **Appendix C**. The recommendation made in this review will be followed up in 2021-22 to ensure recommendations have been implemented.

## Internal Audit Plan Progress 2020-21

The Assistant Director for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.



### SWAP Performance

SWAP now provides the Internal Audit service for 24 public sector bodies. SWAP performance is subject to regular monitoring review by both the Board and the Member Meetings. The respective outturn performance results for Somerset West and Taunton for the 2020/21 (as of February 2021) were as follows:

Performance Target	Target Year End	Average Performance
<b><u>Audit Plan – Percentage Progress</u></b> Final, Draft and Discussion In progress Yet to complete	>90%	52% 33% 15%
<b><u>Quality of Audit Work</u></b> Customer Satisfaction Questionnaire	>95%	98.2%
<b><u>Outcomes from Audit Work</u></b> Value to the Organisation <i>(client view of whether our audit work met or exceeded expectations, in terms of value to their area)</i>	>95%	Year end

## Internal Audit Plan Progress 2020-21

We keep our audit plans under regular review so as to ensure that we are auditing the right things at the right time. Due to Covid-19 the plan priority areas will be agreed on a quarter-by-quarter basis.



### Approved Changes to the Plan

The audit plan for 2020/21 is detailed in **Appendix B**. Inevitably changes to the plan will be required during the year to reflect changing risks and ensure the audit plan remains relevant to Somerset West and Taunton Council. Members will note that, where necessary, any changes to the plan throughout the year will usually be subject to agreement with the appropriate Service Manager and the Audit Client Officer.

Original Audit Plan	Original Quarter	Revised Audit Plan	Revised Quarter	Reported to Committee
-	-	<b>NEW:</b> Grant Verification Support Work	Q1	Sep 2020
-	-	<b>NEW:</b> Covid-19 Business Grant Funding Schemes Assurance	Q1	Sep 2020
-	-	<b>NEW:</b> Housing Compliance - Asbestos Management	Q2	Sep 2020
Debtors follow up	Q1	-	-	Dec 2020
-	-	<b>NEW:</b> Local Restriction Support Grant (LRSG) - Advisory	Q3	Dec 2020
-	-	<b>NEW:</b> Additional Restriction Support Grant (LRSG)	Q3	Dec 2020
-	-	<b>NEW:</b> Compliance & Enforcement Grant CIA sign off	Q4	Dec 2020
-	-	<b>NEW:</b> BEIS Grant Assurance Work	Q4	Dec 2020
-	-	<b>NEW:</b> Investigation 1	Q3	Dec 2020
-	-	<b>NEW:</b> Investigation 2	Q3	Dec 2020



## Internal Audit Plan Progress 2020-21

We keep our audit plans under regular review so as to ensure that we are auditing the right things at the right time. Due to Covid-19 the plan priority areas will be agreed on a quarter-by-quarter basis.

### Approved Changes to the Plan Continued

Original Audit Plan	Original Quarter	Revised Audit Plan	Revised Quarter	Reported to Committee
GDPR Information Management Project	Q4	<b>NEW:</b> Special Review 3	Q4	Mar 2021
Risk Management	Q4	<b>NEW:</b> Baseline of Council Fraud Maturity	Q4	Mar 2021
Climate Change	Q4	<b>NEW:</b> Fraud Risks – Impact from Covid-19	Q4	Mar 2021
Delivery of Benefits of Transformation	Q3	<b>NEW:</b> Fraud Risk Assessment	Q4	Mar 2021
Digital Strategy and Transformation	Q4	-	-	Mar 2021
People Strategy	Q4	-	-	Mar 2021
Recruitment and onboarding	Q4	-	-	Mar 2021
Homelessness / Homelessness Reduction	Q4	-	-	Mar 2021

Details on the additional reviews since the last update in December 2020 are:

#### Fraud Risk Covid-19 Impact

This will examine the overall governance around the Fraud risks and then focus on Covid-19 Grants, Procurement, Cyber and Data Security, Payroll, Staff redeployment and homeworking.

## Internal Audit Plan Progress 2020-21

We keep our audit plans under regular review so as to ensure that we are auditing the right things at the right time. Due to Covid-19 the plan priority areas will be agreed on a quarter-by-quarter basis.

### Approved Changes to the Plan Continued

#### **Baseline Assessment of Maturity for Fraud**

This assessment will be used to:

- Provide the Council with a high-level baseline of fraud maturity, in line with the recommendations within the Fighting Fraud and Corruption Locally Strategy 2020,
- Allow cross comparison analysis in the wider SWAP partnership and give more opportunity for the sharing of good practice and possible economies of scale in delivery,
- Demonstrate future progress in reducing risk and increasing maturity,
- Supplement part 2 (the fraud risk assessment) and identify areas of improvement for SWAP to focus on

#### **Fraud Risk Assessment**

This follows on from the Baseline Assessment and will help to inform audit planning and delivery for 2021/22. All Authorities should have a Fraud Risk Assessment in place.



### Conclusion

Given the impact of Covid-19 good progress has been made on the Audit Plan for 2020-21 and I would like to thank SWT Officers given the additional pressures they are facing. The Audit Plan has remained flexible throughout the year and has been subject to numerous changes as risks and issues have changed over the last 9 months.

As previously mentioned we moving towards a more 'continuous' audit planning process given the level of uncertainty and changes that are now common ground and likely to be for the foreseeable future. Reviews that have been deferred from the 2020-21 plan were considered for the 2021-22 plan.

## Assurance Definitions

<b>No</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control are inadequate to effectively manage risks to the achievement of objectives in the area audited.
<b>Limited</b>	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.
<b>Reasonable</b>	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.
<b>Substantial</b>	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Non-Opinion/Advisory</b>	In addition to our opinion-based work we will provide consultancy services. The “advice” offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance.

## Definition of Corporate Risks

<b>Risk</b>	<b>Reporting Implications</b>
<b>High</b>	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
<b>Medium</b>	Issues which should be addressed by management in their areas of responsibility.
<b>Low</b>	Issues of a minor nature or best practice where some improvement can be made.

## Categorisation of Recommendations

In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:

<b>Priority 1</b>	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
<b>Priority 2</b>	Important findings that need to be resolved by management.
<b>Priority 3</b>	Finding that requires attention.

## Summary of Work Plan

## Appendix B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
FINAL									
Governance, Fraud & Corruption	<b>NEW:</b> Grant Verification Support Work	1	Final	Advisory	-	-	-	-	-
Governance, Fraud & Corruption	<b>NEW:</b> Covid-19 Business Grant Funding Schemes Assurance	2	Final	Advisory	-	-	-	-	Assistance with FRAs for SBGF, RHLGF & LDGF
Governance, Fraud & Corruption	Ethical Governance & Culture	2	Final	Limited	7	0	3	4	
Follow Up	<b>NEW:</b> Housing Compliance - Asbestos Management	2	Final	Advisory	-	-	-	-	Reported in September 2020
Governance, Fraud & Corruption	Procurement	2	Final	Limited	7	0	5	2	Reported in December 2020
Operational	DLO External Work - Income	2	Final	Limited	10	1	6	3	Reported in December 2020
Follow-up	Treasury Management Follow Up	3	Final	Advisory	3	0	1	2	Reported in December 2020
Key Financial Control	Payroll System	3	Final	Reasonable	2	0	0	2	-
Governance, Fraud & Corruption	<b>NEW:</b> Local Restriction Support Grant (LRSG)	3	Final	Advisory	-	-	-	-	
Governance, Fraud & Corruption	<b>NEW:</b> Additional Restriction Support Grant (LRSG)	3	Final	Advisory	-	-	-	-	

## Summary of Work Plan

## Appendix B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
ICT	Cyber Security Framework Review	3	Final	Advisory	-	-	-	-	Further details to be provided to members
Follow-up	Banking Arrangements Follow Up	4	Final	Advisory	1	0	1	0	Reported in December 2020
<b>DRAFT</b>									
Governance, Fraud & Corruption	Housing Compliance - Governance and Reporting	3	Draft						
Key Financial Control	Main Accounting	3	Review						
<b>IN PROGRESS</b>									
Governance, Fraud & Corruption	Project Governance - Firepool	3	In Progress						
Special Review	<b>NEW:</b> Investigation 1	3	In Progress						
Special Review	<b>NEW:</b> Investigation 2	3	In Progress						
Key Financial Control	Creditors	3	In Progress						
Key Financial Control	Debtors	3	In Progress						
Governance, Fraud & Corruption	ICT Governance & Risk Scope Review	4	In Progress						

## Summary of Work Plan

## Appendix B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Special Review	<b>NEW:</b> Special Review 3	4	In Progress						
Governance, Fraud & Corruption	<b>NEW:</b> Baseline of Council Fraud Maturity	4	In Progress						
Governance, Fraud & Corruption	<b>NEW:</b> BEIS Grant Assurance Work	4	In Progress						
<b>NOT STARTED</b>									
Governance, Fraud & Corruption	<b>NEW:</b> Fraud Risks – Impact from Covid-19	4							
Governance, Fraud & Corruption	<b>NEW:</b> Compliance & Enforcement Grant CIA sign off	4							
Governance, Fraud & Corruption	<b>NEW:</b> Fraud Risk Assessment	4							
Governance, Fraud & Corruption	Commercial Investment	4							
<b>Deferred or Removed</b>									
Follow up	Debtors	1		Reviews replaced with: <b>NEW:</b> Grant Verification Support Work <b>NEW:</b> Covid-19 Business Grant Funding Schemes Assurance <b>NEW:</b> Housing Compliance - Asbestos Management follow up <b>NEW:</b> Local Restriction Support Grant (LRSG) <b>NEW:</b> Additional Restriction Support Grant (LRSG) <b>NEW:</b> Investigation 1					
Governance, Fraud & Corruption	Delivery of Benefits of Transformation	3							
Follow up	GDPR Information Management Project	4							

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Governance, Fraud & Corruption	Risk Management	4		<b>NEW:</b> Investigation 2 <b>NEW:</b> Special Review 3 <b>NEW:</b> Baseline of Council Fraud Maturity <b>NEW:</b> BEIS Grant Assurance Work <b>NEW:</b> Fraud Risks – Impact from Covid-19 <b>NEW:</b> Compliance & Enforcement Grant CIA sign off <b>NEW:</b> Fraud Risk Assessment					Reviews deferred from 2020-21 Audit plan have been taken forward for consideration and inclusion in 2021-22 Audit Plan.
Governance, Fraud & Corruption	Climate Change	4							
Governance, Fraud & Corruption	Digital Strategy and Transformation	4							
Governance, Fraud & Corruption	People Strategy	4							
Governance, Fraud & Corruption	Recruitment and onboarding	4							
Operational	Homelessness / Homelessness Reduction	4							

The following are the recommendations and agreed action from the limited assurance reviews mentioned earlier in this report.

P1 or P2	Weaknesses Found	Risk Identified	Managers Agreed Action	Agreed Date of Action
<b>Ethical Governance and Culture</b>				
P2	Key ethical governance policies require review with the intranet being updated accordingly. Additionally, officers are not required to maintain their understanding of the Employee Code of Conduct.	Reputational damage, through poor decision-making and a loss of credibility and confidence in individuals, the Council and local democracy.	The Governance Manager will ensure that key documents such as the Money Laundering and Fraud Policy are regularly reviewed and updated and accessible to staff. There should be some consideration to ensuring that Members and Officers are regularly reminded of key documents, and where appropriate attest their understanding.	31/03/21
P2	Weaknesses identified in process for maintaining the employee register of interests with only 6 recorded since 2016.	Reputational damage, through poor decision-making and a loss of credibility and confidence in individuals, the Council and local democracy.	The Governance Manager will ensure that an up-to-date record of all staff interests (potential or actual) is maintained. Staff should be reminded periodically of the requirement to declare interests in line with the Employee Code of Conduct.	31/03/21
P2	Induction checklist and training does not fully cover all policies that support a culture of Ethical Governance.	Reputational damage, through poor decision-making and a loss of credibility and confidence in individuals, the Council and local democracy.	The Governance Manager/AD – Corporate will ensure that the induction and training process includes all the key policies that establish a strong ethical culture within the organisation including: <ul style="list-style-type: none"> <li>Whistleblowing procedures</li> <li>Conflicts of interest</li> <li>Money Laundering and Fraud</li> </ul>	31/12/21