

Somerset West and Taunton Council

Proposed 2022-23 Internal Audit Plan and Internal Audit Charter

The Internal Audit Plan: Summary

The internal audit plan represents a summary of the proposed audit coverage that the internal audit team will deliver throughout the 2022/23 financial year.

Delivery of an internal audit programme of work that provides sufficient and appropriate coverage, will enable us to provide a well-informed and comprehensive year-end annual internal audit opinion.

Introduction and Objective of the Internal Audit Plan

Internal audit provides an independent and objective opinion on the Authority's risk management, governance, and control environment by evaluating its effectiveness.

Prior to the start of each financial year, SWAP, in conjunction with senior management, put together a proposed plan of audit work. The objective of our planning process and subsequent plan is to put us in a position to provide a well-informed and comprehensive annual audit opinion, based on sufficient and appropriate coverage of key business objectives, associated risks, and risk management processes.

The outcomes of each of the audits in our planned programme of work, will provide senior management and Members with assurance that the current risks faced by the Authority in these areas are adequately controlled and managed.

It should be noted that internal audit is only one source of assurance, and the outcomes of internal audit reviews should be considered alongside other sources, as part of the 'three lines of defence' assurance model. Key findings from our internal audit work should also be considered in conjunction with completion of the Authority's Annual Governance Statement (AGS).

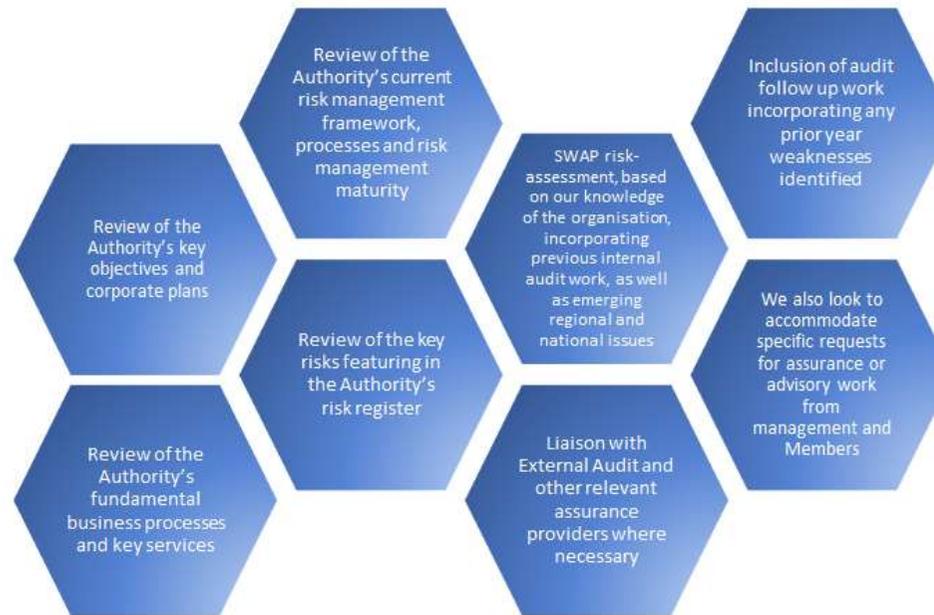
It is the responsibility of the Authority's Senior Management Team and the Audit and Governance Committee, to confirm that the audit coverage contained within the proposed audit plan is sufficient and appropriate in providing independent assurance against the key risks faced by the organisation.

The Internal Audit Plan: Approach

To develop an appropriate risk-based audit plan, SWAP have consulted with senior management, as well as reviewing key documentation, in order to obtain an understanding of the organisation's strategies, key business objectives, associated risks, and risk management processes. This year, we have also engaged discussions with lead officers on the Unitary Transition Process to ensure suitable assurances are included within the Audit Plan.

Approach to Internal Audit Planning 2022/23

The factors considered in putting together the 2022/23 internal audit plan have been set out below:



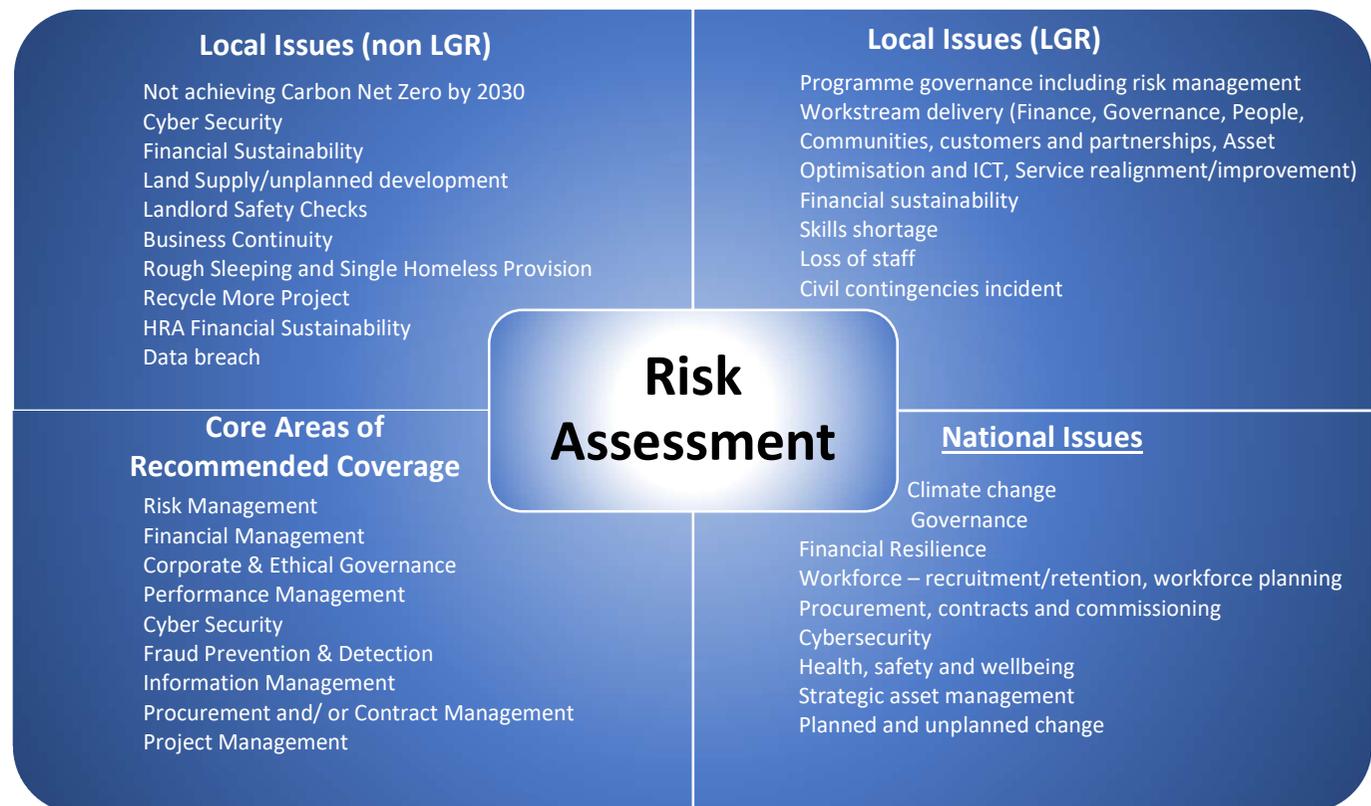
Due to the change within Local Authorities, and additional on-going challenges to deliver the Local Government Reorganisation (LGR), it is becoming increasingly difficult to accurately predict longer-term key organisational risks. Our approach to delivering your internal audit plan will remain flexible to meet that change and respond to new and emerging risks. We will adopt an 'agile rolling plan' approach and each quarter priorities will be assessed continuously in conjunction with Senior Management. Members of the Governance and Audit Committee are welcome to share thoughts of priorities areas for Assurance work.

The Internal Audit Plan: Risk Assessment

A documented risk assessment prior to developing an internal audit plan, ensures that sufficient and appropriate areas are identified for consideration.

Internal Audit Annual Risk Assessment

Our 2022/23 internal audit programme of work is based on a documented risk assessment, which SWAP will re-visit regularly. The risk assessment includes coverage against SWT Corporate Risks and Priorities and the wider SWAP top 10 risk themes and Healthy Organisation areas. Below we have set out a summary of the outcomes of the risk assessment for Somerset West and Taunton Council:



The Internal Audit Plan: Risk Assessment

Following our SWAP Risk Assessment above, we have set out how the proposed 2022/23 quarter 1 plan presented in Appendix A provides coverage of the Authority's key corporate objectives and risks, as well as our core areas of recommended audit coverage.

Internal audit is only one source of assurance and should be considered in this context.

Internal Audit Coverage in 2022/23

Our aim is to produce an agile, risk-assessed work plan, containing key areas of coverage. For 2022/23 it therefore follows that LGR will need to be a key driver of audit work. Given the rapid pace of change to vesting day and beyond we recognise that the IA plan needs to be more flexible than ever before. This means that instead of agreeing an annual plan we are going to move to a quarterly one.

We already maintain a rolling plan that is continually updated as new areas of work are agreed. New audits are risk assessed and added to the rolling plan meaning lower risk audits roll back to be delivered at a point in the future. The rolling plan will be the basis of each quarterly plan, with audits agreed with Senior Management according to risk.

A huge amount of LGR development work is needed ahead of vesting day across the six workstreams that are now operating. Initial meetings have already been held with workstream leads to explore potential areas of audit involvement. The IA plan includes the allocation of resource across these workstreams to provide support across the year as required. It is expected that this will be achieved through a combination of assurance and advisory work.

The quarterly planning approach means that the 2022/23 audit plan is flexible to respond to new and emerging risks as and when they are identified. We have set out the proposed quarter 1 plan in **Appendix A** and the current rolling plan in **Appendix B**. As well as the inclusion of LGR related work there is coverage of the Authority's revised corporate objectives and strategic risks, as well as our core areas of recommended audit activity.

Internal audit coverage can never be absolute and responsibility for risk management, governance and internal control arrangements will always remain fully with management. As such, internal audit cannot provide complete assurance over any area, and equally cannot provide any guarantee against material errors, loss or fraud.

The Internal Audit Plan: SWAP

SWAP Internal Audit Services is a public sector, not-for-profit partnership, owned by the public sector partners that it serves. The SWAP Partnership now includes 25 public sector partners, providing services throughout the UK.

As a company, SWAP has adopted the following values, which we ask our clients to assess us against following every piece of work that we do:

- **Candid**
- **Relevant**
- **Inclusive**
- **Innovative**
- **Dedicated**

Your Internal Audit Service

Conformance with Public Sector Internal Audit Standards

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.

Every three years, SWAP is subject to an External Quality Assessment of Internal Audit Activity. The last of these was carried out in February 2020 which confirmed conformance with the Public Sector Internal Audit Standards. An annual self-assessment process confirms ongoing compliance.

Conflicts of Interest

We are not aware of any conflicts of interest within Somerset West and Taunton Council that would present an impairment to our independence or objectivity. Furthermore, we are satisfied that we will conform with our IIA Code of Ethics in relation to Integrity, Objectivity, Confidentiality, & Competency.

Consultancy Engagements

As part of our internal audit service, we may accept proposed consultancy engagements, based on the engagement's potential to improve management of risk, add value and improve the organisation's operations. Consultancy work that is accepted, will contribute to our annual opinion and will be included in our plan of work.

Approach to Fraud

Internal audit may assess the adequacy of the arrangements to prevent and detect irregularities, fraud and corruption. We have dedicated counter fraud resource available to undertake specific investigations if required. However, the primary responsibility for preventing and detecting corruption, fraud and irregularities rests with management who should institute adequate systems of internal control, including clear objectives, segregation of duties and proper authorisation procedures.

Internal Audit Charter

The nature, role, responsibility, status and authority of internal auditing within Somerset West and Taunton and an outline of the scope of internal audit work is provided in the Charter at **Appendix C**.

The Internal Audit Plan: Approach

Over and above our internal audit service delivery, SWAP will look to add value throughout the year wherever possible. This will include:

- Benchmarking and sharing of best-practice between our public-sector Partners
- Regular newsletters and bulletins containing emerging issues and significant risks identified across the SWAP partnership
- Communication of fraud alerts received both regionally and nationally
- Member training sessions

Our Reporting

A summary of internal audit activity will be reported quarterly to senior management and the Audit Committee. This reporting will include any significant risk and control issues (including fraud risks), governance issues and other matters that require the attention of senior management and/or the Audit Committee. We will also report any response from management to a risk we have highlighted that, in our view, may be unacceptable to the organisation.

Internal Audit Performance:

As part of our regular reporting to senior management and the Audit Committee, we will report on internal audit performance. The following performance targets will be used to measure the performance of our audit activity:

Performance Measure	Performance Target
<p style="text-align: center;"><u>Delivery of Annual Internal Audit Plan</u> Completed at year end</p>	>90%
<p style="text-align: center;"><u>Quality of Audit Work</u> Overall Client Satisfaction <i>(did our audit work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation)</i></p>	>95%
<p style="text-align: center;"><u>Outcomes from Audit Work</u> 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>	>95%

It should be noted that the audit titles and high-level scopes included below are only indicative at this stage for planning our resources. At the start of each audit, an initial discussion will be held to agree the specific terms of reference for the piece of work, which includes the objective and scope for the review.

Quarter 1

Audit Name	Areas of Coverage and Brief scope	Agreed Quarter	Link to Corporate Outcome	Healthy Organisation Theme	Link to Corporate Risk Register/Directorate Risk Register (If applicable)
Income Collection	<i>Review of controls around main income areas to ensure completeness and accuracy of income collection and fraud risks minimised. Areas include, but not limited, fees and charges, car parking, business rates, council tax, commercial income.</i>	1	<i>A transparent and customer focused council</i>	<i>Financial Management</i>	<i>Financial Sustainability - Income Vulnerability</i>
S106 Exacom	<i>Review of S106 Income and reconciliation between Exacom and E5 to provide assurance records and figures are accurate.</i>	1	<i>A transparent and customer focused council</i>	<i>Financial Management</i>	<i>N/A</i>
Homelessness	<i>Review to look at compliance to the Homelessness Prevention Act.</i>	1	<i>Homes and Communities</i>	<i>N/A</i>	<i>Rough Sleeping and Single Homeless Provision</i>
Cyber Security	<i>Increased risk area given world events.</i>	1	<i>A transparent and customer focused council</i>	<i>Information Management</i>	<i>Cyber Security</i>
Baseline of Maturity for Fraud Risk	<i>Follow Up on the previous assessment to see progress being made on agreed actions. Will also include summarising all 5 Somerset Authorities processes together to take forward for the unitary service design.</i>	1	<i>A transparent and customer focused council</i>	<i>Corporate Governance</i>	<i>N/A</i>

Audit Name	Areas of Coverage and Brief scope	Agreed Quarter	Link to Corporate Outcome	Healthy Organisation Theme	Link to Corporate Risk Register/Directorate Risk Register (If applicable)
Local Government Reorganisation (LGR)	<p>LGR Workstreams:</p> <ul style="list-style-type: none"> • Finance • Governance • People • Communities, Customers and Partners • Asset and ICT Optimisation • Service Realignment/Improvement <p>Audit Support to be provided across all workstreams. Advisory and Assurance work will be agreed throughout the year. This includes risk management, business continuity planning.</p>	1-4	<i>A transparent and customer focused council</i>	<i>Programme & Project Management</i>	<i>Unitary Council</i>
Advice and Support	<ul style="list-style-type: none"> • Audit Advice and Planning including Head of Internal Audit role. • Committee Reporting and attendance at other corporate meetings. 	1-4			

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These reviews form part of our rolling plan for 2022/23. The plan will continue to be added to as the year progresses to reflect current organisational risks, particularly those associated with LGR. Ahead of each quarter a risk assessment will be undertaken to determine the priority areas to include in the plan.

Audit Name	Areas of Coverage and Brief scope	Link to Corporate Outcome	Link to Corporate Risk Register	Healthy Organisation Theme
Creditors Controls and Quarterly Analytics	Reasonable 2020-21 - No review 2021-22	<i>A transparent and customer focused council</i>	-	Financial Management
Debtor Controls and Quarterly Analytics	Reasonable 2020-21 - No review 2021-22	<i>A transparent and customer focused council</i>	Financial Sustainability - Income Vulnerability	Financial Management
Debt Management/Holding Accounts/Suspense clearance	<i>Review of holding accounts/suspense and old debts to see progress being made to clear old entries.</i>	<i>A transparent and customer focused council</i>	Financial Sustainability - Income Vulnerability	Financial Management
Payroll	Reasonable 2020-21 - No review 2021-22	<i>A transparent and customer focused council</i>	-	Financial Management
Main Accounting & bank reconciliation	Reasonable 2020-21 - No review 2021-22	<i>A transparent and customer focused council</i>	-	Financial Management
Treasury Management	Partial 2019-20 -follow up in 2020-21	<i>A transparent and customer focused council</i>	Financial Sustainability - Income Vulnerability	Financial Management
Housing Rents	2021-22 WIP - Annual review on rent set.	<i>Homes and Communities</i>	HRA Financial Sustainability	Financial Management
Council Tax & NDR	Reasonable 2021-22 - key income collection controls covered under Income Collection Audit.	<i>A transparent and customer focused council</i>	-	Financial Management

Audit Name	Areas of Coverage and Brief scope	Link to Corporate Outcome	Link to Corporate Risk Register	Healthy Organisation Theme
Housing Benefits	Reasonable 2021-22	<i>A transparent and customer focused council</i>	-	Financial Management
Health & Safety Follow Up	Follow up of 2021-22 Audit	<i>A transparent and customer focused council</i>	-	People & Asset Management
SWT Close Down	Support arrangements for closing down the Authority ready for 31 March 2023.	N/A	-	Programme & Project Management
Data Centre Follow Up	Covered under Cyber Security	<i>A transparent and customer focused council</i>	Cyber Security	Information Management
Open Housing System	Review of data quality within the Open Housing System.	<i>Homes and Community</i>	HRA Financial Sustainability	Programme & Project Management
Asset Management	Would need to tie in with wider discussion around Unitary Requirements	<i>An Enterprising Council</i>	-	People & Asset Management
Commercial Property Management	Review of Commercial Properties to ensure income on track and landlord requirements being fulfilled.	<i>An Enterprising Council</i>	Financial Sustainability - Income Vulnerability	People & Asset Management
Climate Change Strategy	Progress and performance against the Climate Emergency Plan.	<i>Our Environment and Economy</i>	Not Achieving Carbon Net Zero by 2030	Programme & Project Management
Landlord Safety Checks	Rolling programme of assurance; Gas, Fire, Asbestos, legionella, electrical compliance.	<i>Homes and Community</i>	Landlord safety checks	People & Asset Management

Audit Name	Areas of Coverage and Brief scope	Link to Corporate Outcome	Link to Corporate Risk Register	Healthy Organisation Theme
Information Management	Potential areas: data storage (electronic and paper) information governance, roles responsibilities, data classification and management, compliance with DPA, FOI.	<i>A transparent and customer focused council</i>	Data breach with paper records	Information Management
Firepool Regeneration	Review of governance arrangements and delivery of this key strategic project.	<i>Our Environment and Economy; Homes and Communities</i>	Our Environment and Economy	Programme & Project Management
Voluntary Sector Engagement	<i>To examine how well the local authority is engaging with the voluntary and community sector to increase civic participation.</i>	<i>Homes and Communities</i>	-	Corporate Governance
Remote Working	Review to look at staff welling aspects as well as security (GDPR, homes devices, open networks, etc.) aspects.	<i>A transparent and customer focused council</i>	-	People & Asset Management
Partnerships	Review of partnership arrangements overall (governance) or selected strategic on-going partnerships.	<i>A transparent and customer focused council</i>	-	Corporate Governance
Supply Chains and Third-Party Risk	Modern Slavery Act compliance and review of key supplier Resilience within the current climate.	<i>A transparent and customer focused council</i>	-	Procurement and Contract Management
Related Party Disclosures	To ensure all related part disclosures are made in accordance with the requirements for the financial statements.	<i>A transparent and customer focused council</i>	-	Corporate Governance
Council's Response to energy crisis	Council's response for supporting residents, improving energy efficiency and energy sourcing. Audits around Homeless prevention, discretionary benefits, decent homes standards would support this area.	<i>Our Environment and Economy</i>	-	-

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Purpose

The purpose of this Charter is to set out the nature, role, responsibility, status and authority of internal auditing within Somerset West and Taunton Council, and to outline the scope of internal audit work.

Approval

This Charter is based on the previously approved Charter that was last reviewed by Somerset West and Taunton Council's Audit and Governance Committee¹ in March 2021.

Provision of Internal Audit Services

The internal audit service is provided by the SWAP Internal Audit Services (SWAP). This charter should be read in conjunction with the Service Agreement, which forms part of the legal agreement between the SWAP partners.

The budget for the provision of the internal audit service is determined by the Council, in conjunction with the Members Meeting. The general financial provisions are laid down in the legal agreement, including the level of financial contribution by the Council, and may only be amended by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment which is reviewed each year by the S151 Officer in consultation with the Chief Executive of SWAP.

Role of Internal Audit

The Accounts and Audit (England) Regulations 2015, state that: *"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the public sector internal auditing standards or guidance."*

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Responsibilities of Management, Audit Governance Committee and of Internal Audit

Management²

Management is responsible for ensuring SWAP has:

- the support of management and the Council;
- direct access and freedom to report to senior management, including the Council's Chief Executive and the Audit and Governance Committee; and
- Notification of suspected or detected fraud, corruption or impropriety.

Management is responsible for establishing (including the tracking and implementation of Internal Audit recommendations) and maintaining internal controls, including proper accounting records and other management information and is also responsible for the appropriate and effective management of risk.

² In this instance Management refers to the Senior Management Team and Statutory Officers.

Audit and Governance Committee³

The Audit and Governance Committee is responsible for approving the scope of internal audit work, receiving communications from the SWAP Assistant Director (as Head of Internal Audit⁴) on the progress of work undertaken, reviewing the independence, objectivity, performance, professionalism and effectiveness of the Internal Audit function, and obtaining reassurance from the SWAP Assistant Director as to whether there are any limitations on scope or resources.

Internal Audit

The SWAP Assistant Director is responsible for determining the scope, except where specified by statute, of internal audit work and for recommending the action to be taken on the outcome of, or findings from, their work designed to provide assurance and add value.

Internal audit is responsible for operating under the policies established by management in line with best practice. A range of SWAP policies exist to underpin staff and service development, including to seek out and implement new innovative audit techniques and increase technological solutions to ensure provision of an efficient and effective service and consolidate the role of Trusted Advisor.

Internal audit is responsible for conducting its work in accordance with the mandatory elements of the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. SWAP has been independently assessed and found to conform with the Standards.

Internal audit is not responsible for any of the activities which it audits. SWAP staff will not assume responsibility for the design, installation, operation or control of any procedures. SWAP staff who have previously worked for the organisation will not be asked to review any aspects of their previous department's work until a minimum of one year has elapsed.

Relationship with the External Auditors/Other Regulatory Bodies

Internal Audit will co-ordinate its work with others wherever this is beneficial to the organisation.

Status of Internal Audit in the Organisation

The Chief Executive of SWAP is responsible to the SWAP Board of Directors and the Members Meeting. Appointment or removal of the Chief Executive of SWAP is the sole responsibility of the Members Meeting.

The Chief Executive for SWAP and Assistant Director also report to the Section 151 Officer, and report to the Audit and Governance Committee as set out below.

The Assistant Director will be the first and primary point of contact for Somerset West and Taunton for all matters relating to the Audit and Governance Committee, including the provision of periodic reports, as per company policy. The Assistant Director is also responsible for the design, development and delivery of audit plans, subject to the agreement of the Council.

Scope and authority of Internal Audit work

³ In this instance Audit and Governance Committee relates to "The Board" referred to in the PSIAS

⁴ PSIAS refers to the 'chief audit executive'.

APPENDIX 2

There are no restrictions placed upon the scope of internal audit's work. SWAP staff engaged on internal audit work are entitled to receive and have access to whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. In this regard, internal audit may have access to any records, personnel or physical property of Somerset West and Taunton Council.

Internal audit work will normally include, but is not restricted to:

- reviewing the reliability and integrity of financial and operating information used for operational and strategic decision making, and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management and communication of risks;
- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assist management and Members to identify risks and controls with regard to the objectives of the organisation and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether the organisation is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned, with performance and accountabilities established.
- reviewing the operations of the organisation in support of their anti-fraud and corruption policy, ethical expectations and corporate values (and investigating where necessary) ethical expectations and corporate, social and environmental values and responsibilities; and.
- at the specific request of management, internal audit may provide consultancy services (including e.g. data analytics, benchmarking, strategic/project reviews/investigations etc) provided:
 - the internal auditor's independence is not compromised
 - the internal audit service has the necessary skills to conduct the assignment, or can obtain such skills without undue cost or delay
 - the scope of the consultancy assignment is clearly defined and management can resource the work.

Management understand that the work being undertaken is not internal audit work although the outcomes may contribute to the annual opinion.

Planning and Reporting

APPENDIX 2

SWAP will submit an internal audit plan to Management and the Audit Committee for approval, setting out the recommended scope of work and which will be developed with reference to current and emerging risks. The plan will be reviewed on a quarterly basis to ensure it remains relevant and adequately resourced.

SWAP will carry out the work as agreed, report the outcomes and findings both during and on completion of reviews, and make recommendations on action to be taken to the appropriate officers and copied to the S151 Officer. SWAP will present a regular summary of their work to Management and the Audit Committee, including assessing the organisation's implementation of previous recommendations along with any significant, persistent and outstanding issues.

Internal audit reporting will normally comprise a brief presentation to relevant officers and accompanied by an appropriately detailed written report, with the format tailored as necessary to the nature of the work. The detailed report will also be copied to the Section 151 Officer and to other relevant line management.

The Assistant Director will submit an annual report to the Audit and Governance Committee providing an overall opinion of the status of risk and internal control within the Council, based upon, and limited to, internal audit activity conducted during the previous year.

In addition to the reporting lines outlined above, the Chief Executive of SWAP and SWAP Directors and Assistant Directors have the unreserved right to report directly to the Leader of the Council, the Chairman of the Audit and Governance Committee, the organisation's Chief Executive Officer or the External Audit Manager.

Revised March 2022