

# Somerset West and Taunton

## Report of Internal Audit Activity

### 2022-23 Progress Report September 2022

# Contents

## The contacts at SWAP in connection with this report are:

### David Hill

Chief Executive

Tel: 020 8142 5030

[david.hill@swapaudit.co.uk](mailto:david.hill@swapaudit.co.uk)

### Alastair Woodland

Assistant Director

Tel: 07720312467

[alastair.woodland@swapaudit.co.uk](mailto:alastair.woodland@swapaudit.co.uk)

### Adam Williams

Principal Auditor

[Adam.williams@swapaudit.co.uk](mailto:Adam.williams@swapaudit.co.uk)



## Summary:

Contents Page 1

Role of Internal Audit Page 2



## Control Assurance:

Internal Audit Work Programme Page 3

Significant Corporate Risks Page 4

Summary of Limited or No Assurance Opinions Page 4



## Plan Performance:

Support for LGR Page 5

Approved Changes to the Audit Plan Page 6



## Appendices:

Appendix A – Audit Framework Definitions Page 7

Appendix B – Summary of Work Plan Pages 8 - 11

Appendix C – One page report summaries Page 12

# Internal Audit Plan Progress 2022-23

## 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 2022.

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 2022-23 Audit Plan was reported to the Audit, Governance and Standards Committee and approved at its meeting in March 2022. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

# Internal Audit Plan Progress 2022-23

## 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 2022/23. 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 June 2022.

Audit Area	Opinion
Exacom - Section 106/CIL	Substantial
Post payment assurance on COVID-19 grants (ARG & Restart)	Reasonable
Staff Retention	Advisory
Income Collection Car Parking	Reasonable
Income Collection Litter Enforcement Fines	Substantial
Baseline Assessment for Fraud Risk	Advisory
Unitary Lessons Learnt	Advisory

Please refer to Table 2 in **Appendix B** for LGR complete and on-going work.

**Appendix C** at the end of this report provides the details on Baseline Assessment for Fraud Risk to assist with the Audit Committees role in oversight of counter fraud arrangements.



## Significant Corporate Risks

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



## 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.

## 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.



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

No audits have been assessed as Limited or No Assurance during the period under review.

- Limited or No Assurance Opinions
- Follow-ups



# Internal Audit Plan Progress 2022-23

Supporting the formation of the new unitary authority by providing advice and independent assurance on activities being undertaken via the workstreams.



## Support for LGR

As part of our planning for 22/23 we have included time to provide Unitary Programme Assurance Work as well as Unitary Workstream support. Most Programme Assurance will be covered by the PWC Quality Reviews. We should be able to take assurance from their work to contribute to the Internal Audit Annual Opinion to avoid any duplication. We will provide a critical friend role to LGR work supporting delivery of outcomes. This is advisory/consultative work with rapid feedback via meetings/e-mail, or brief summary reports. Some of the areas we're focussing on are detailed in the chart below.



We keep our audit plans under regular review so as to ensure that we are auditing the right things at the right time. Audit Plans are undertaken on a rolling quarterly basis.



## Approved Changes to the Plan

We will regularly re-visit and adjust our rolling programme of audit work to ensure that it matches the changing risk profile of the organisation’s operations, systems, and controls. Details of our current work areas are provided in **Appendix B**.

The following table highlights changes to the plan since the previous update. There are also some required/requested timing changes of reviews which would be separately identified if considered to be significant.

Our rolling plans are agreed with the Senior Leadership Team quarterly from the list of unscheduled audit areas that constitutes the rolling Audit Plan. Members of the Audit Committee are welcome to identify area where they need assurance for priority work to assist in their role with oversight of governance, risk and control. **Quarter 2 audits shown in appendix B have been agreed with Senior Leadership Team since our previous update, additional changes to the plan are summarised in the table below.**

Revised Audit Plan	Agreed Change
Protect & Vaccinate – CIA Sign off	Removed - Sign off requirements were changed allowing Councils to opt for S151 Officer sign off.
Covid Outbreak Management Fund (COMF) – CIA Sign off	Added – grant expenditure requires Chief Internal Auditor Sign off
Creditors	Agreed priority areas for Q2.
Records Management	
Homelessness	
Debtors	
Income Collection – Deane Helpline	Originally included as a single opinion audit. We have focussed our testing on three separate areas and will provide an area on each.
Income Collection – Car Parking	
Income Collection – Litter Enforcement Fine	



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	
Risk	Reporting Implications
<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.

**Table 1**

Audit Type	Audit Area	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
					1	2	3	
<b>Complete</b>								
Assurance	Exacom - Section 106/CIL	Complete	Substantial	0	0	0	0	
Assurance	Post payment assurance on COVID-19 grants (ARG & Restart)	Complete	Reasonable	0	0	0	0	
Assurance	Staff Retention	Complete	Advisory	4	-	-	4	
Assurance	Income Collection – Car Parking	Complete	Reasonable	1	-	1	-	Income collection audit split into three different opinions. Note: testing is still being undertaken on Deane Helpline.
Assurance	Income Collection - Litter Enforcement Fines	Complete	Substantial	-	-	-	-	
Advisory	Baseline Assessment for Maturity of Fraud Risk	Complete	Advisory	-	-	-	-	
Advisory	<b>NEW:</b> Unitary Preparedness – lessons learnt	Complete	Advisory	-	-	-	-	
<b>Draft</b>								
Assurance - ICT	ICT Security Policy & Awareness Audit	Draft						
Assurance	<b>NEW:</b> Regeneration Projects - Governance	Draft						

Audit Type	Audit Area	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
					1	2	3	
Special Review	Procurement Card Transactions - Transactions review	Draft						
Follow Up	Health and Safety Follow Up	Draft						
<b>In Progress</b>								
Investigatory	Special Investigation – FTC Allegation	In Progress						
Grant Certification	<b>NEW:</b> Covid Outbreak Management Fund (COMF)	In Progress						
Assurance	<b>NEW:</b> Debtors – High Level Review	In Progress						Review focussing primarily on 2 <sup>nd</sup> line controls.
Assurance	Income Collection – Deane Helpline	In Progress						
<b>Not Started</b>								
Advisory	Fraud Awareness Training	Not Started						
Assurance	<b>NEW:</b> Creditors – incl. data analytics review	Not Started						
Assurance	<b>NEW:</b> Records Management	Not Started						
Assurance	<b>NEW:</b> Homelessness	Not Started						

Audit Type	Audit Area	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
					1	2	3	
<b>Dropped/Replaced</b>								
Grant Certification	<b>NEW:</b> Protect & Vaccinate	Dropped						
Assurance	Income Collection	Replaced	Reported as three separate opinions on income collection for; Car Parking, Litter Enforcement and Deane Helpline.					

**Table 2**

Audit Type	Audit Area	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
					1	2	3	
<b>LGR Support Work</b>								
Advisory	PCIDSS	Complete	Advisory	-	-	-	-	
Advisory	Data Centre	Complete	Advisory	-	-	-	-	This replaced the Data Centre Follow Up planned at SWT.
Advisory	IT Minimum Viable Products	Complete	Advisory	-	-	-	-	
Advisory	M365 and Active Directory	Complete	Advisory	-	-	-	-	
Advisory	Risk Management Workstream Support	Ongoing						Q1- Q4
Advisory	Asset Optimisation: Technical Workstream Support	Ongoing						Q1- Q4 (Cyber Security aspects Q3 & Q4)



Audit Type	Audit Area	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
					1	2	3	
Advisory	S151 Assurance Map	In Progress						
Advisory	Legacy Audit Recommendations	In Progress						Q2 – Q4
Assurance	Business Continuity	Not Started						Q4
Assurance	Payroll – transfer of district staff	Not Started						

Please note that PWC are the Quality Assurance provider overseeing the whole LGR programme and provide monthly updates to the Programme Board.

**Baseline Assessment of Maturity in relation to Fraud – August 2022**  
Follow Up review



**Baseline Assessment of Six Themed Areas**



**Scope and Ambition**

This baseline assessment is a corporate view of fraud maturity within the organisation. This exercise is a revisit of the assessment performed in 2021 and shows any progress with regards to counter fraud work and any increase in the level of maturity at the authority.

Management should ensure the key findings from this work are considered to reduce risk of fraud and to protect the public purse.

SWAP's Counter Fraud Team is committed to helping Partners and Clients to reduce the risk of fraud and to protect the public purse.

**Key Findings**

- The Terms of Reference for Audit, Governance and Standards Committee has not been expanded to include a requirement to monitor the council's counter fraud plan, performance of the contractor and regularity of reporting. This will be taken to Committee in September 2022.
- There has been no update to the contract template for third parties and contractors which advises them of the Council's Whistleblowing Policy, however the Council are aware of this recommendation, and it will be picked up as part of the Local Government Reorganisation workstream.
- Actions from the 2021 review have been implemented and this has led to visible progress in the comparison between years.
- An Anti-Fraud and Corruption Strategy and an Anti-Money Laundering Policy have been created and are available on the Somerset West and Taunton website.
- The Risk and Opportunity Management Strategy has been updated to reflect the risks of fraud and corruption and the Corporate Risk Register has been updated accordingly.

**Assessments per Area Reviewed**



**Comparison of Results Between Years**



stricted

■ Assessed not to be in place/ operating ineffectively – requires significant improvement.  
■ Assessed to be partially in place – requires improvement.  
■ Assessed as in place/ operating effectively.



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.