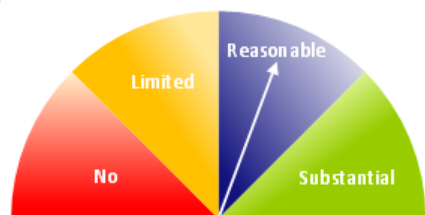


Somerset West and Taunton Council

Internal Audit Annual Opinion Report 2022/23

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

Annual Opinion



There is generally a 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.

- Medium risk rated weaknesses identified in individual audit engagements.
- Isolated high risk related weaknesses identified for isolated issues.
- No critical risk rated weaknesses identified.
- Internal Audit is broadly satisfied with management’s approach to resolving identified issues

The Headlines



0 Significant Risk identified in year after testing the controls in place.
No significant corporate risks identified during the delivery of the 22/23 internal audit plan.



23 reviews delivered as part of the 2022/23 Internal Audit Plan.
Includes assurance, advisory and follow up reviews (21 final, 2 draft).



Chief Internal Auditor Sign off on Grants.
Two reviews undertaken to provide Chief Internal Auditor sign off on grant monies received by the Council. Work undertaken in these areas can still be used to inform out annual opinion.



LGR Advice and Assurance work being undertaken.
17 projects are being undertaken to support the Somerset Councils in delivering Local Government Reorganisation (LGR). 10 are complete, 5 in progress/ongoing/Draft and 2 are waiting to start.

In particular reviews covering; Business Continuity, Risk Management and ICT coverage, provide us with oversight on the internal controls being set up both within the existing authorities and for the new authority.

| Internal Audit | 21/22 | 22/23* |
|-----------------------|--------------|---------------|
| Substantial | 3 | 4 |
| Reasonable | 8 | 3 |
| Limited | 4 | 1 |
| No Assurance | 0 | 0 |
| Advisory / Grant | 6 | 10 |
| Follow Up | 2 | 3 |
| LGR | - | 17 |
| Agreed Actions | 21/22 | 22/23* |
| Priority 1 | 4 | 1 |
| Priority 2 | 30 | 5 |
| Priority 3 | 46 | 9 |
| Total | 80 | 15 |

*Final Reports Only



SWAP
INTERNAL AUDIT SERVICES
Assuring – Improving – Protecting

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.

Executive Summary

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



Purpose

The Head of Internal Audit (SWAP Assistant Director) 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, including an evaluation of the following:
 - the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities;
 - whether the information technology governance of the organisation supports the organisation's strategies and objectives;
 - the effectiveness of risk management processes; and
 - the potential for the occurrence of fraud and how the organisation manages fraud risk.
- 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.
- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria.
- 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 and the Annual Internal Audit Opinion given.

Executive Summary

Three Lines Model

To ensure the effectiveness of an organisation's risk management framework, the Audit and Governance Committee and senior management need to be able to rely on adequate line functions – including monitoring and assurance functions – within the organisation.

The 'Three Lines' model is a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:

- the first line – functions that own and manage risk.
- the second line – functions that oversee or specialise in risk management, compliance.
- the third line – functions that provide independent assurance.

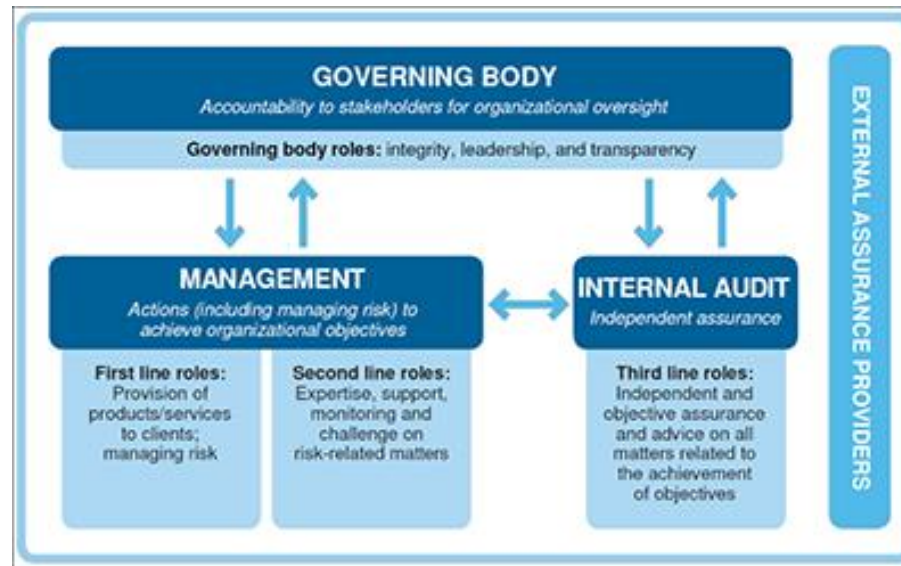


Background

The Internal Audit service for Somerset West and Taunton Council is provided by SWAP Internal Audit Services. The team's 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. The work of the team is guided by the Internal Audit Charter which is reviewed annually.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. This report summarises the activity of the Internal Audit team for the 2022/23 year.

The position of Internal Audit within an organisation's governance framework is best summarised in the Three Lines model shown below.



Internal Audit Annual Opinion 2022/23

The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Annual Governance Statement.



Annual Opinion

On the balance of our 2022/23 audit work for Somerset West and Taunton Council, I am able to offer a **Reasonable Assurance** opinion in respect of the areas reviewed during the year.

Internal Audit has not reviewed all risks and assurances relating to Mendip District Council and cannot provide absolute assurance on the internal control environment. Senior Management and Members are ultimately responsible for ensuring an effective system of internal control. Audit Coverage is considered adequate to provide an overall opinion.

The Annual Opinion is based on information obtained from multiple engagements and sources, the results of which, when viewed together, provide an understanding of the organisation's governance arrangements, risk management processes and internal control environment and facilitate an assessment of overall adequacy and effectiveness. Opinions are a balanced reflection across the year and not a snapshot in time. In forming this opinion, the following sources of information have been used:

- Completed audits which evaluate risk exposures relating to the organisation's governance, operations and information systems, reliability and integrity of information, efficiency and effectiveness of operations and programmes, safeguarding of assets and compliance with laws and regulations.
- Observations from consultancy/advisory support.
- Follow up of previous audit activity, including agreed actions.
- Grant certification work.
- Advisory and assurance work covering the key work streams within Local Government Reorganisation (LGR).
- Assurances from other key sources and providers, including third parties, regulator reports etc. such as the PWC monthly quality assurance reports for LGR.

In forming our annual opinion for 2022-23, the work throughout this year has been split between providing assurance on business as usual (BAU) areas as well as support and assurance over various products being delivered as part of LGR. See **Appendix A – Table 2** for a summary of LGR work.

The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Annual Governance Statement.



Annual Opinion Continued

The types of work undertaken at the districts, coupled with the imminent changes for LGR have resulted in a reduction in formal actions being raised through reviews as actions/advice are provided during the course of our work based on risk and priorities to the 31 March when systems/processes will be subject to major change, such as the roll out of a new finance system for the new authority.

In terms of breadth of coverage, audit work has been performed across the Council's key services and in relation to its strategic risks where possible. A summary of audit work carried out against the Council's risks are summarised in table 1 below. It must be noted that it is not possible to cover all key risks in any one year but to provide coverage over the medium term.



Summary of Audit Work 2022/23

Internal audit coverage should be aligned to key corporate priorities and key corporate risks.



Audit Coverage by Corporate Risk

Figure 1: Audit Coverage by Corporate Risk/Issues

The Somerset West and Taunton Risk Register is a live document and subject to change throughout the year as the risk environment that SWT operates in changes. In addition, short time high priority ‘issues’ are also flagged for immediate senior management attention. Therefore, the table below reflects a summary of coverage against shifting priorities throughout the year in terms of corporate risk and issues.

| | | | |
|------------------|---------------------|------------------|-------------|
| Table Key | Reasonable Coverage | Partial Coverage | No Coverage |
|------------------|---------------------|------------------|-------------|

| Corporate Risk/Issues | Coverage 2021-22 | Coverage 2022-23 |
|---|---------------------|---------------------|
| CR 02 - Not Achieving Carbon Net Zero by 2030 | Reasonable Coverage | Partial Coverage |
| CR 11 - Cyber Security | Reasonable Coverage | No Coverage |
| CR 30 - Financial Sustainability - Income Vulnerability | Partial Coverage | Partial Coverage |
| CR 16 - Land Supply/ Unplanned development | No Coverage | No Coverage |
| CR 23 - Landlord safety checks | Reasonable Coverage | No Coverage |
| CR 24 - Business Continuity | No Coverage | Partial Coverage |
| CR 28 - Rough Sleeping and Single Homeless Provision | No Coverage | Reasonable Coverage |
| CR 29 - Delay in recycle more project | No Coverage | No Coverage |
| CR 30 - Unitary Council | Partial Coverage | Partial Coverage |
| CR 31 - HRA Financial Sustainability | Partial Coverage | No Coverage |
| CR 32 - Data Breach with Paper Records | No Coverage | Partial Coverage |
| CI 14 - Health & Safety | Reasonable Coverage | Partial Coverage |

Coverage of the risks above has been supported by both delivery of SWT plan as well as LGR projects and wider climate change audits.

Summary of Audit Work 2022/23

Definitions of Corporate Risk

High Risk

Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

Medium Risk

Issues which should be addressed by management in their areas of responsibility.

Low Risk

Issues of a minor nature or best practice where some improvement can be made.



Significant Corporate Risks

Our audits examine the controls that are in place to manage the risks that are related to the area being audited. We assess the risk at a 'Corporate' level once we have tested the controls in place. Where the controls are found to be ineffective and the 'Corporate risk' as 'High' these are brought to the Audit Committees attention. For those audits which have reached report stage through the year, we have assessed the following risks as 'High'.

| Review Name / Risks |
|--|
| <i>No audits completed in period have received a High Corporate Risk Assessment.</i> |

Summary of Limited Assurance Audits

| Audit Name | Risk Rating | Priority Findings | | |
|---------------------------------------|-------------|-------------------|---|---|
| | | 1 | 2 | 3 |
| ICT Security Policy & Awareness Audit | Medium | 1 | 2 | - |

Note above audit has been reported to the Audit and Governance Committee.

Summary of Audit Work 2022/23

At the conclusion of an audit assignment each review is awarded an Audit Assurance Opinion:

- **Substantial** - A sound system of governance, risk management and control exists.
- **Reasonable** - Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives.
- **Limited** - Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives.
- **None** - The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives.

SWAP Performance - Summary of Audit Actions by Priority

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



Summary of Audit Opinion (final report only)

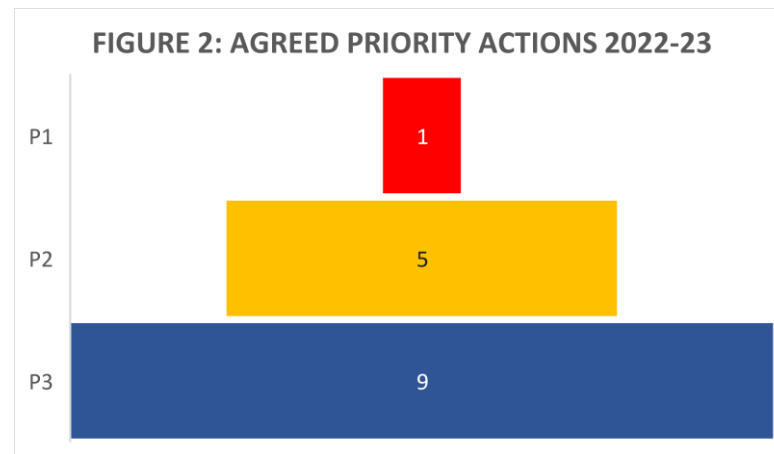
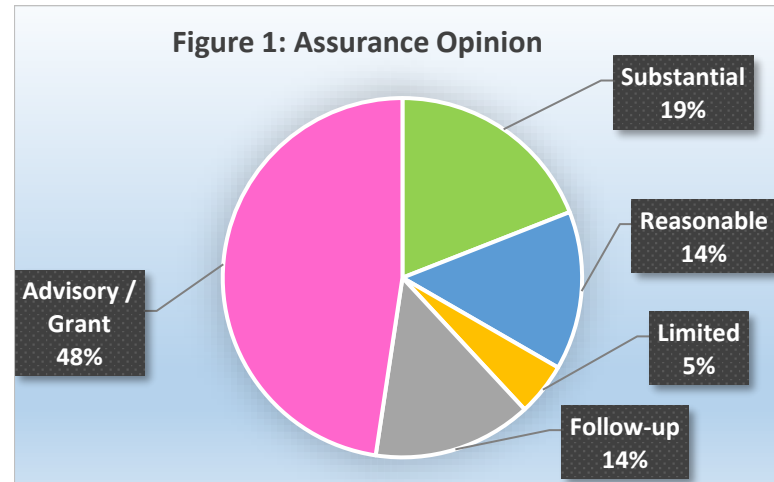


Figure 1 above indicates the spread of assurance opinions across our work during the past year (2022-23). We recognise the openness from Senior Management to identify areas for review where they have some concerns that have resulted in some Limited Assurance reviews.

Internal Audit will follow up on all recommendations in relation to areas where adverse assurance (No Assurance or Limited Assurance) has been awarded. SWT also monitor the implementation of priority 1 and 2 audit recommendations with progress reported to the Audit Committee. All outstanding recommendations will be tracked through in the new Somerset Authority.

Internal audit is responsible for conducting its work in accordance with 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).



SWAP Performance

SWAP’s performance is subject to regular monitoring and review by both the SWAP Board of Directors and the Owners Board. The respective outturn performance results for SWT for the 2022/23 year are as follows:

| Performance Target | Performance |
|---|-------------|
| Overall client satisfaction <i>did our work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence</i> | 98.7% |
| Value to the organisation <i>client view of whether our audit work met or exceeded expectations, in terms of value to their area</i> | 96.7% |

SWAP work is completed to comply with the International Professional Practices Framework (IPPF) 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.

Under these standards we are required to be independently externally assessed at least every five years to confirm compliance to the required standards. SWAP was assessed in February 2020 and confirmed that we are in conformance to PSIAS. Our on-going annual self-assessment shows continued conformance.

Attribute Standard 1300 of the IPPF requires Heads of Internal Audit to develop and maintain a Quality Assurance and Improvement Programme (QA&IP). Standard 1310 continues this dual aspect by stating that the programme must include both internal and external assessments. This acknowledges that high standards can be delivered by managers, but it also implies that improvements can be further developed when benchmarking is obtained from outside the organisation and the internal audit function. Following our External Assessment, we have pulled together our QA&IP and included additional improvements and developments identified internally that we want to make, as aligned to SWAP’s Business Plan. The QA&IP is a live document and will be regularly reviewed by the SWAP Board to ensure continuous improvement and delivery on our actions.

Summary of Internal Audit Work 2022/23

Table 1 – SWT Internal Audit Plan

| Audit Type | Audit Area | Status | Opinion | No of Rec | 1 - Major 3 - Minor | | | Comments |
|-----------------|---|----------|-------------|-----------|------------------------|---|---|--|
| | | | | | 1 | 2 | 3 | |
| Complete | | | | | | | | |
| 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 | |
| Advisory | Staff Retention | Complete | Advisory | 4 | - | - | 4 | |
| Assurance | Income Collection – Car Parking | Complete | Reasonable | 1 | - | 1 | - | Income collection audit split into three different opinions. |
| Assurance | Income Collection – Deane Helpline | Complete | Reasonable | 3 | - | 1 | 2 | |
| Assurance | Income Collection - Litter Enforcement Fines | Complete | Substantial | - | - | - | - | |
| Advisory | Baseline Assessment for Maturity of Fraud Risk | Complete | Advisory | - | - | - | - | |
| Advisory | Unitary Preparedness – lessons learnt | Complete | Advisory | - | - | - | - | |
| Assurance | Regeneration Projects - Governance | Complete | Substantial | 1 | - | 1 | - | |
| Follow Up | Health and Safety Follow Up | Complete | Follow Up | 4 | - | - | 4 | |



Summary of Internal Audit Work 2021/22

| Audit Type | Audit Area | Status | Opinion | No of Rec | 1 - Major 3 - Minor | | | Comments |
|---------------------|---|----------|-------------|-----------|------------------------|---|---|--------------------------------|
| | | | | | 1 | 2 | 3 | |
| Assurance - ICT | ICT Security Policy & Awareness Audit | Complete | Limited | 3 | 1 | 2 | - | |
| Advisory | Procurement Card Transactions - Transactions review | Complete | Advisory | - | - | - | - | |
| Assurance | Accounts Receivable Function (2nd line) | Complete | Substantial | 1 | - | - | 1 | Note: Previously named Debtors |
| Grant Certification | Covid Outbreak Management Fund (COMF) | Complete | Certified | - | - | - | - | |
| Grant Certification | New: Test and Trace Grant | Complete | Certified | - | - | - | - | |
| Grant Certification | New: Homes England Grant Compliance | Complete | Certified | - | - | - | - | |
| Follow Up | New: Material Supply Chain Follow Up | Complete | Follow Up | 1 | - | 1 | - | |
| Advisory | Records Management | Complete | Advisory | 1 | - | 1 | - | |
| Advisory | NEW: CTax and HB Parameter Testing | Complete | Advisory | - | - | - | - | |
| Advisory | Fixed Term Contract Process Review | Complete | Advisory | 2 | - | - | 2 | |
| Follow Up | New: Procurement Card Follow Up | Complete | Follow Up | 3 | 1 | 2 | | 2 P1 and 2 P2 complete. |

Summary of Internal Audit Work 2021/22

| Audit Type | Audit Area | Status | Opinion | No of Rec | 1 - Major 3 - Minor | | | Comments |
|-------------------------|---|----------|---|-----------|------------------------|---|---|----------|
| | | | | | 1 | 2 | 3 | |
| Draft | | | | | | | | |
| Assurance | Creditors – incl. data analytics review | Draft | | | | | | |
| Assurance | Homelessness | Draft | | | | | | |
| Dropped/Replaced | | | | | | | | |
| Grant Certification | Protect & Vaccinate | Dropped | Sign off requirements changed following initiation. | | | | | |
| Assurance | Income Collection | Replaced | Reported as three separate opinions on income collection for; Car Parking, Litter Enforcement and Deane Helpline. | | | | | |
| Advisory | Fraud Awareness Training | Replaced | Session for Audit Committee members May 2023 in new Authority. | | | | | |
| Assurance | New: Close down/clearing suspense accounts | Replaced | Risk area included in SC Audit Plan 2023-24. | | | | | |
| Assurance | New: Data/Information quality | Replaced | Replaced by CTax and HB Parameter Testing. Risk area included in SC Audit Plan 2023-24. | | | | | |
| Assurance | New: Supply Chain Risk Management | Replaced | Replaced by test and trace. Risk area included in SC Audit Plan 2023-24. | | | | | |

Summary of Internal Audit Work 2021/22

Table 2: LGR Support & Assurance Work

| Audit Type | Audit Area | Status | Opinion | No of Rec | 1 – Major 3 – Minor | | | Comments |
|----------------------------------|--|----------|----------|-----------|------------------------|---|---|----------|
| | | | | | 1 | 2 | 3 | |
| Complete | | | | | | | | |
| Advisory | PCIDSS | Complete | Advisory | - | - | - | - | |
| Advisory | Data Centre | Complete | Advisory | - | - | - | - | |
| Advisory | IT Minimum Viable Products | Complete | Advisory | - | - | - | - | |
| Advisory | M365 and Active Directory | Complete | Advisory | - | - | - | - | |
| Advisory | Cyber Security Strategy Framework | Complete | Advisory | - | - | - | - | |
| Advisory | Cyber Security Training and Awareness | Complete | Advisory | - | - | - | - | |
| Advisory | Disaster Recovery and Incident Response | Complete | Advisory | - | - | - | - | |
| Advisory | S151 Assurance Map | Complete | Advisory | - | - | - | - | |
| Advisory | LGR Programme Risk Management | Complete | Advisory | - | - | - | - | |
| Advisory | Local Community Networks (Support) | Complete | Advisory | - | - | - | - | |
| In progress/Ongoing/Draft | | | | | | | | |
| Assurance | Business Continuity | Draft | Advisory | | | | | |
| Advisory | Risk Management Workstream Support | Ongoing | Advisory | - | - | - | - | |
| Advisory | Asset Optimisation: Technical Workstream Support | Ongoing | Advisory | - | - | - | - | |

Summary of Internal Audit Work 2021/22

| Audit Type | Audit Area | Status | Opinion | No of Rec | 1 – Major 3 – Minor | | | Comments |
|-------------------------|--|------------------|----------|-----------|------------------------|---|---|----------|
| | | | | | 1 | 2 | 3 | |
| Advisory | Legacy Audit Recommendations & AGS Actions | In progress | | | | | | |
| Assurance | Payroll – Data matching/validation | In progress | | | | | | |
| Waiting to Start | | | | | | | | |
| Advisory | Service Alignment Strategy and Policy Review | Waiting to Start | Advisory | - | - | - | - | |
| Advisory | Tech Forge Data Validation | Waiting to Start | Advisory | - | - | - | - | |

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