



SWAP

INTERNAL AUDIT SERVICES

Assuring – Improving – Protecting

Somerset West and Taunton

Report of Internal Audit Activity

Plan Progress 2019/20 – September 2019

Contents

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➡	Role of Internal Audit	Page 1
➡	Internal Audit Work	Page 2 - 3
➡	Approved Changes to the Audit Plan	Page 4
➡	Appendices:	
	Appendix A – Internal Audit Definitions	Page 5 – 6
	Appendix B – Internal Audit Work Plan	Page 7 – 9
	Appendix C – Summary of Key Audit Findings	Page 10 - 12

Internal Audit Plan Progress 2019/2020

Our audit activity is split between:

- **Operational Audit**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **Follow Up**
- **Non-Opinion / Advisory Reviews**



Role of Internal Audit

The Internal Audit service for the Somerset West and Taunton Council is provided by SWAP Internal Audit Services (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 Shadow Corporate Governance and Standards Committee at its meeting in March 2019.

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
- Follow Up
- Non-Opinion / Advisory Review

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Corporate Management Team. This year's Audit Plan was reported to the Shadow Corporate Governance Committee and approved at its meeting in March 2019.

Audit assignments are undertaken in accordance with this Audit Plan to assess current levels of governance, control and risk.

Internal Audit Plan Progress 2019/2020

Outturn to Date:

We rank our recommendations on a scale of 1 to 3, with 1 being a fundamental concern to the services/area being reviewed and 3 being a minor concern that requires management attention.



Internal Audit Work

The schedule provided at **Appendix B** contains a list of all audits as agreed in the Annual Audit Plan 2019/20. 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 on **Appendix A** of this document.

The following table summarised Audits finalised since the previous update in June 2019:

Audit Area	Quarter	Status	Opinion
2019/20			
Supplier Resilience Follow-Up	Q1	Final	Advisory
Migration and integration of key systems for Single Authority (Creditors, Debtors GL)	Q1	Final	Reasonable
Bereavement Service Follow Up	Q1	Final	Advisory

Partial Assurance / No Assurance Audits

As agreed with this Committee where a review has a status of ‘Final’ and has been assessed as ‘Partial’ or ‘No Assurance’, I will provide further detail to inform Members of the key issues identified. Since the June 2019 update there are no ‘Partial Assurance/No Assurance’ reviews I need to bring to your attention. There are, however, two follow up reviews in Appendix C highlighting progress being made

Internal Audit Plan Progress 2019/2020

We rank our risks as 'High', 'Medium' or 'low'. Definitions of the risk assessment can be found in Appendix A.

on Bereavement Service and Supplier Resilience, both of which were awarded Partial Assurance during 2018/19.

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 an inherent level i.e. how significant is the risk(s) at a corporate level on a scale of High, Medium or Low. Once we have tested the controls in place, we re-evaluate the risk based on how effective the controls are operating to govern that risk (Residual Risk). Where the controls are found to be ineffective and the residual risk is assessed as 'High', I will bring this to your attention. Since the June 2019 update there are no Corporate Risks to bring to your attention through the work outlined in the 2019-20 Audit Plan.

Internal Audit Plan Progress 2019/2020

We keep our audit plans under regular review so as to ensure that we audit the right things at the right time.

Approved Changes to the Audit Plan

The audit plan for 2019/20 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. Members will note that where necessary any changes to the plan throughout the year will have been subject to agreement with the appropriate Service Manager and the Audit Client Officer.

Since the June 2019 update there are three that I must bring to your attention.

- With have been asked to undertake a review on the Transformation Project from a lessons learned point of view. This review has replaced the Consultancy VFM review.
- Risk Management has been moved to quarter 4 to allow time for the new arrangements to be established within the New Council.
- Banking Arrangements were brought forward for Treasury Management to suit better timing of each review given service priorities.

At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;



Audit Framework Definitions

Control Assurance Definitions

- Substantial
- Reasonable
- Partial
- No Assurance
- Non-Opinion/Advisory

Substantial	▲ ★ ★ ★	I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
Reasonable	▲ ★ ★ ★	I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	▲ ★ ★ ★	I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
No Assurance	▲ ★ ★ ★	I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Non-Opinion/Advisory – 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. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

We keep our audit plans under regular review, so as to ensure we are auditing the right things at the right time. Recommendation are prioritised from 1 to 3 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.



Audit Framework Definitions

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

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

Definitions of Risk

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

Summary of Key Audit Findings

APPENDIX B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Minor			Comments
						Recommendation			
						1	2	3	
FINAL									
Follow Up	Housing - Fire Safety Management Follow Up	1	Final	Advisory	9	4	3	2	Outstanding recommendation as at mid May 2019. Reported to Audit Committee June 2019.
Follow Up	Supplier Resilience Follow-Up	1	Final	Advisory	6	0	1	5	See Appendix C
ICT Audit	Migration and integration of key systems for Single Authority (Creditors, Debtors GL)	1	Final	Reasonable	2	0	1	1	
Follow Up	Bereavement Service Follow Up	2	Final	Advisory	5	0	2	3	See Appendix C
DRAFT									
Governance, Fraud & Corruption	New Council Governance	1	Draft						
IN PROGRESS									
Governance, Fraud & Corruption	Financial Resilience	1	In Progress						
Governance, Fraud & Corruption	Transition Arrangements	1	Scoping						
Governance, Fraud & Corruption	New: Transformation - Lesson Learned	2	In Progress						
Key Control	Payroll System	2	In Progress						

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Minor			Comments
						Recommendation			
						1	2	3	
ICT Audit	Information Management Project	2	In Progress						
Key Control	Banking arrangements	3	In Progress						
Key Control	Council Tax/NDR	3	In Progress						
Key Control	Housing Benefits	3	In Progress						
NOT STARTED									
Key Control	Treasury Management	3							
Key Control	Housing Rents	3							
Key Control	Creditors	3							
Key Control	Debtors	3							
Key Control	Main Accounting, including budget responsibility	3							
Governance, Fraud & Corruption	Risk Management	4							
Key Control	System Parameter testing Civica	4							
Governance, Fraud & Corruption	Business Continuity Planning (includes links to DR)	4							
Governance, Fraud & Corruption	Performance Management	4							
Governance, Fraud & Corruption	Transformation: Benefits Realisation	4							

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Minor			Comments
						Recommendation			
						1	2	3	
Operational	Housing - Asbestos Management	4							
Operational	Building Control	4							
Governance, Fraud & Corruption	Commercial Investments and Income generation strategies	4							
DROPPED									
Governance, Fraud & Corruption	Consultancy Expenditure VFM	2				Replaced by Transformation lessons learned			

Audit Assignments completed since the June 2019 update:

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Corporate Governance Committee.



Summary of Audit Findings and High Priority Service Findings

The following information provides a brief summary of each audit review finalised since the last Committee update in June 2019. Each audit review is displayed under the relevant audit type, i.e. Operational; Key Control; Governance; Fraud & Corruption; ICT and Special Review. Since the June 2019 update there are two follow up audits that I need to bring to your attention.

Follow Up Audits

Follow up reviews are undertaken where a previous audit has returned a ‘Partial Assurance’ or ‘No Assurance’. This is to provide assurance to the Corporate Governance Committee that areas of weakness have been addressed. Follow up reviews will only focus on the areas of weakness identified in the original review and are usually undertaken 6 months after the original review to allow time for recommendations to be implemented.

Bereavement Services – Follow Up

The Bereavement Service carries out over 2000 cremations and 300 burials per annum. It operates five cemeteries covering 56 acres which are open to the bereaved every day of the year. Total income per year is circa £1.7 million. The bereavement service was reviewed in 2018-19 and awarded a Partial Assurance audit rating. The common theme with our findings in the 2018-19 review is that the Cemetery/Crematorium Administration System (CAS) is not fit for purpose.

In June 2019 we undertook our follow up review to assess progress being made on the recommendations raised. The table below shows the progress made as at June 2019.

Audit Assignments completed since the June 2019 update:

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Corporate Governance Committee.

Follow Up Audits Continued

The table below shows progress as at July 2019.

Progress Summary				
	Complete	In Progress	Not Started	Total
Priority 1	-	-	-	
Priority 2	-	1	1	2
Priority 3	1	3	-	4
Total	1	4	1	6

Overall, we are unable to conclude that the risk exposure has been reduced because the two key findings identified in the original report have not yet been implemented.

It should be noted that the introduction of a replacement system for CAS has been procured and is in the implementation phase. This will be able to record the graves on the plan and link to the register. It will also be able to interface with the Council's finance system. As the full implementation of the new system is required to complete three of the six recommendations raised, once it is fully operational the level of risk to the Service and the Council should be reduced. Of the remaining two incomplete recommendations the electronic asset register is in progress, but the Business/ Service Plan has not yet been started. As the Service/Business Plan was also a priority 2 recommendation there does remain a risk in this area around growth and investment in the service not being fully assessed through a coherent and joined up plan that links back to the overall direction of the Authority.

Priority 2 Recommendations – Bereavement Services

Weaknesses Found	Recommendation Action	Managers Agreed Action	Dates	Manager's Update
<p>The Plan of Graves are out of date and have never been reconciled to the CAS system.</p>	<p>We recommend that the Bereavement Service Manager and Registrar ensures that:</p> <ul style="list-style-type: none"> When drafting the specification for a replacement CAS system it includes an integrated geographic information system for mapping the Plan of Graves that links electronically and directly to the register. A new baseline Plan of Graves at all sites managed by the Bereavement Service is recorded and reconciled to the replacement CAS system; A monthly reconciliation between interment paperwork and the replacement CAS system is undertaken to ensure that accuracy of the replacement CAS system is maintained. 	<p>Agreed, the new system will have fully integrated and live cell maps that are linked to the registry. We are looking for a system that has multi-layer components to the mapping so that the sites are droned in high definition and shows all anomalies to the reality of the geographic area including memorial, paths and trees. Only graves that exist will be mapped and will look to vertically map where walls or columbaria may be used in the future. Once the new system is being placed a full rationale of plots will take place as all grave numbers will be on the system as available, unlike the CAS system where graves that have not been used do not exist at all within the registry.</p>	<p>Original Target Date: 31 December 2018</p> <p>Revised Date: 30 November 2019</p>	<p>The new Plot Box system has been procured and will have the functionality to link the plan to the register. The Bereavement Service will also be producing a new plan of graves. This will include checking if all the plots exist and clearly marking where paths and trees exist. In October 2019 they have the Institute of Cemetery & Crematorium Management (ICCM) coming into carry out memorial testing, this will also include training a member of staff to enable them to complete this as well. This process will result in a complete list of all graves and what memorials are in situ for each plot. This will be used to help ensure all graves are included in the new system. The new system will include all existing sold plots and all available plots. A reconciliation will be carried out once the plots have been entered and a monthly process put into place following the initial reconciliation.</p>

Weaknesses Found	Recommendation Action	Managers Agreed Action	Dates	Manager's Update
There is no Business Plan/Service Plan in place for the commercial development of the Bereavement Service.	We recommend that the Bereavement Service Manager and Registrar ensures that a formal Business Plan/Service Plan is drafted and presented to Senior Management and Members with a view to ensuring the commercial viability of the Bereavement Service.	Agreed.	Original target Date: 31 December 2018 Revised Date: 31 March 2020	This has not yet been started. There is a new Bereavement Service Manager in place now. She needs to get procedures in place for all tasks and the team settled and working well before she can begin to draft the Business Case and Service Plan.

Audit Assignments completed since the June 2019 update:

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Corporate Governance Committee.

Follow Up Audits Continued

Supplier Resilience – Follow Up

The original audit was completed in 2018-19 prior to the restructure and the newly formed Council. In the original review, although the Councils (TDBC & WSC) had not had any problems with supplier failure, the partial assurance was given due to the fact that neither Council had a consistent and co-ordinated approach to supplier resilience, and there was minimal guidance provided to staff. Some due diligence checks are undertaken at the procurement stage: the financial stability of suppliers is checked upon request, and in some but not all cases relevant insurance and business continuity arrangements are reviewed, and copies of documents obtained. There was, however, no consistency in how these documents are retained and by whom. Changes in personnel have also resulted in historic documentation being lost. There is also no evidence that the criticality of the service to either Council is assessed at the procurement stage to determine the level of due diligence to be followed.

From a risk point of view, it was assessed that Taunton Deane Borough Council and West Somerset Council have not outsourced many of their services; preferring to work in partnership with other Councils or retain the service in-house. They also have very few suppliers that have been contracted to deliver more than one service; this does reduce the risk as the number of contracts that could impact on service delivery, as a result of supplier failure, is less than for a Council with a high number of outsourced services.

Since the original recommendations have been made there has been a change in the resource within the Council which has meant that the original Procurement Lead has now changed. This has impacted on the recommendation timescales, as the newly appointed Strategic Procurement Specialist was not in post until after the original implementation dates had passed.

The Strategic Procurement Specialist has been working with the Head of Performance and Governance to implement Procurement Framework, Strategy and Guidance documents to enable the Procurement and Governance Service to become more structured and be in a better position to assist Service Contract Managers with the procurement process. The recommendations within this report are interlinked with the implementation of a structured Procurement Framework, which has meant that all of the recommendations within this report are still in progress.

Audit Assignments completed since the June 2019 update:

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Corporate Governance Committee.

Follow Up Audits Continued

The Table below summarises progress as at July 2019.

Progress Summary				
	Complete	In Progress	Not Started	Total
Priority 1	-	-	-	-
Priority 2	-	1	-	1
Priority 3	-	5	-	5
Total	-	6	-	6

Priority 2 Recommendation - Supplier Resilience

Weaknesses Found	Recommendation Action	Managers Agreed Action	Dates	Manager's Update
There is no framework in place to assist staff to assess the business resilience of suppliers and ensure service continuity in the event of supplier failure.	We recommend that the Procurement Manager develops a framework for Supplier Resilience, which links to the councils' Contract Procedure Rules and Financial Procedure Rules. The accompanying guidance should be shared with all relevant staff and consistently applied.	Contract Management is an area that needs greater focus across the Council. I expect the new Strategic Procurement Lead will want to focus on contract management. I will seek to confirm with the Head of Performance and Governance that this is the expected direction of travel and if so link up with the new SPL when appointed. In the meantime, I will introduce the	Original Target Date: January 2019 Revised Date: 30 September 2019	The procurement framework is still in progress. This is being carried out by the Strategic Procurement Specialist and the Head of Performance and Governance. The framework will also be alongside the Strategic Framework and guidance documents which will include the following bullet points: <ul style="list-style-type: none"> • Roles and Responsibilities; i.e. processes undertaken by Procurement and those undertaken by 'contract managers'; • Methodology for assessing the criticality of services – procurement stage;

Weaknesses Found	Recommendation Action	Managers Agreed Action	Dates	Manager's Update
		requirement into the Contract Standing Orders for the new Council. If the Head of P & G would like me to produce this guidance, I will do so.		<ul style="list-style-type: none"> • Methodology for the assessment of the criticality of existing suppliers; • Due diligence checks – as well as the financial stability of the contractor, this should include whether the contractor itself prioritises business resilience and effectively manages its own risks such as bribery compliance, cyber security, business continuity and data protection; and • Monitoring during the life of the contract - credit checks, service continuity arrangements, insurance, etc. <p>The Strategic Procurement Specialist explained that due to the significant changes that the Council has recently undertaken the structure of the business is still evolving. He explained that staff involved with Procurement have been made aware of the procedure rules however no evidence of this could be obtained.</p>