Somerset West and Taunton Council

Audit, Governance and Standards Committee – 8 June 2020

Summary of Level 1 and 2 Internal Audit Actions

This matter is the responsibility of the Portfolio Holder for Corporate Resources

Report Author: Amy Tregellas, Governance Manager and Monitoring Officer

1.0   Executive Summary / Purpose of the Report

1.1   The purpose of this report is to update the Committee on progress against level 1 and 2 Internal Audit Actions.

2.0   Recommendation

2.1   The Committee reviews the overdue actions contained in the report and notes progress to date.

3.0   Risk Assessment

3.1   It is important to ensure that the Council has actioned the high priority actions that come out of Internal Audit reports in order to strengthen governance arrangements

4.0   Background and Full details of the Report

4.1   The Council has engaged the South West Audit Partnership (SWAP) to carry out its Internal Audit functions; checking the adequacy of controls and procedures across the whole range of Council services.

4.2   At the start of each financial year an audit plan is agreed between SWAP and the Council which identifies the areas of highest potential organisational and operational risk within the Council.

4.3   When an audit takes place a report is provided to the service manager concerned which gives an audit conclusion and opinion.

4.4   Any control or procedural weaknesses are identified within an action plan appended to the audit report.

4.5   All findings will be allocated one of 3 priority ratings as follows:

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

4.6 Each finding within the action plan contains a target implementation date which has been agreed between SWAP and the service manager concerned.

4.7 All priority 1 and 2 recommendations are captured in a register to ensure progress against the recommendations can be tracked and progress reported to the Audit, Governance and Standards Committee.

4.8 This report gives the Committee a progress update on all priority 1 and 2 audit actions, including those where the agreed remedial action is overdue.

4.9 A summary of the priority 1 and 2 actions is provided in Appendix A.

5.0 Links to Corporate Strategy

5.1 There are no direct links to corporate aims/priorities although good governance and robust controls form part of the overarching Governance Framework within which the Council operates

6.0 Finance / Resource Implications

6.1 Unmitigated risks identified by SWAP could expose the Council to unanticipated claims, expenditure or exposure to fraud

7.0 Legal Implications

7.1 There are no direct legal implications within this report although unmitigated risks could expose the Council to unanticipated claims

8.0 Climate and Sustainability Implications

8.1 None arising from this report.

9.0 Safeguarding and/or Community Safety Implications

9.1 None arising from this report.

10.0 Equality and Diversity Implications

10.1 None arising from this report.

11.0 Social Value Implications

11.1 None arising from this report.

12.0 Partnership Implications

12.1 None arising from this report.

13.0 Health and Wellbeing Implications

13.1 None arising from this report.

14.0 Asset Management Implications

14.1 None arising from this report.

15.0 Data Protection Implications

15.1 None arising from this report.

16.0 Consultation Implications

16.1 None arising from this report.

17.0 Scrutiny Comments / Recommendation

17.1 The Terms of Reference within the Constitution set out that this is a matter for the Audit, Governance and Standards Committee and not the Scrutiny Committee.

Democratic Path:

- **Scrutiny / Corporate Governance or Audit Committees – Yes**

- **Cabinet/Executive – No**

- **Full Council – No**

Reporting Frequency: Quarterly

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Appendix A – update on Priority 1 and 2 Audit Recommendations

Recommendation	Progress Update	Responsible Officer	Target Date
Migration and Integration of Key Systems for Single Authority			
Ensure that dunning (recovery suppression) functionality in O2 is made live so that recovery action is not impacted. This should include the inputting of West Somerset Council CCJ (pending and awarded) data from TASK into O2 *Priority Score: 2*	CCJ data manual data entry was completed in May 2019. Dunning went live in the week commencing 22nd July 2019	Assistant Director for Customer	***Completed***
Information Management Audit			
As part of the agreement of the business case, ensure a target timescale for compliance is determined and progress is measured against the target timescales *Priority Score: 1*	The Business case sets out timescales. As well as the business case a change programme roadmap of milestones for 2020-2021 has been produced and is regularly reviewed. It was last updated in April 2020 to reflect the impact of Coronavirus on timescales	Head of Performance and Governance	31/12/19 ***Completed***
Together with training, implement initiatives to embed a data conscious culture. Opportunities could include: • Providing staff and teams with summaries of their records, including comparison across departments • Increased engagement with a range of staff	Since the Audit was completed there has been a regular flow of communications to increase staff awareness to embed a data conscious culture. Staff across the Council have also been involved in records management and reviewing paper and digital files. The communication and awareness is ongoing with a number of sessions for officers being rolled out in early June via Microsoft Team:	Head of Performance and Governance	31/01/20 ***Partially complete and ongoing*** Training and awareness is ongoing and will be for the duration of the projects.

Recommendation	Progress Update	Responsible Officer	Target Date
involved in the delivery of the project • Embedding data management values into the organisational behaviours including recruitment • Increase awareness of resources (such as the data retention and disposal schedules) that are already available to support staff • Embed data management values into the recruitment process and induction highlighting to staff on day one the expectations of the Council *Priority Score: 2*	• What on Earth is Microsoft Office 365: Unravelling the mystery • What do I do with my stuff? How to use the Retention and Disposal Schedule to clean your drives. It is spring after all • What does the new corporate file plan look like in SharePoint Online and how can we prepare ourselves The Induction process is currently being reviewed by HR		
Once records (both paper and digital) have been analysed, that a reporting method is developed that can demonstrate progress towards compliance across the following: • Personal drives • Shared drives • Sharepoint sites • Paper files • Other *Priority Score: 2*	Staff across the Council have also been involved in records management and reviewing paper and digital files. Documents where the timescales set out in the Document Retention schedule have expired have been destroyed as appropriate. Further work is to be done on this area in respect of digital and paper files The Office 365 and EDRMS projects are continuing to focus on the digital drives. The capacity of personal drives will be significantly reduced. The aim is to have all teams using the EDRMS, with data	Head of Performance and Governance	31/01/20 ***An update on progress to be provided to the Committee at the next meeting***

Recommendation	Progress Update	Responsible Officer	Target Date
	migrated from network drives and SharePoint 2013 by the end of December 2020. The O365 project is ongoing into 2021		
Ensure, prior to the development of the next phase of the project, some analysis is undertaken (even on a sample basis) to identify the potential number of digital files that will need cleansing. *Priority Score: 2*	This action has already been done and a decision has been made to progress the work as part a wider project on implementation of Office 365 and EDRMS	Head of Performance and Governance	*Completed*
Identify a protocol for determining where paper files need to be retained (e.g. deeds), a process for reviewing all files against this protocol should then be undertaken and those that are not compliant should either be digitised to support future compliance and access to data or destroyed *Priority Score: 2*	This action has been completed as there is a full Electronic Document and Records Management System now in place setting out records retention guidelines as to what must be kept and what can be destroyed	Head of Performance and Governance	30/04/20 *Completed*
Banking Arrangements			
Start the procurement process for a new banking contract *Priority Score: 2*	Status = In Progress Initial discussions between Strategic Procurement Manager and AD-Finance to consider procurement process and objectives. Preparation of procurement	Strategic Procurement Manager	31/07/20 *Revised target 31/10/2020*

Recommendation	Progress Update	Responsible Officer	Target Date
	options underway. Progress delayed due to COVID-19.		
Treasury Management			
Ensure that the Reconciliations between the investment and loan records and the General Ledger are carried out and brought up to date and are included in the work plan to ensure they are completed on a monthly basis *Priority Score: 2*	Status = Complete Treasury Case Manager has reconciled 2019/20 for the accounts, and updated procedures to follow for ongoing monthly reconciliations	Assistant Director for Finance	31/03/20 ***Completed***
Debtors			
Identify all outstanding debts to be raised and ensures that these invoices are created and issued as soon as possible *Priority Score: 1*	Meetings have established a route to clear the backlog of DLO invoicing and support has been provided from across the organisation.	Assistant Director for Customer	31/03/20
Ensure that reconciliations between Open Contractor and the General Ledger are completed. Procedure notes should be created so that another officer can pick up the reconciliation if required *Priority Score: 1*	Status = In progress Significant work undertaken to ensure the General Ledger for 2019/20 accounts is materially correct, involving officers from business support, housing, grounds and open spaces, and finance teams. We are currently recruiting to a vacant systems accountant post, which will provide additional capacity to formally establish procedures and documentation for ongoing regular reconciliation moving forward.	Assistant Director for Finance	31/03/20 *Revised target 30/09/2020*

Recommendation	Progress Update	Responsible Officer	Target Date
Ensure that debts referred back to the services are followed up and an officer takes responsibility for this, and periodic checks are undertaken to ensure they have been referred to legal is they are unable to resolve directly with the customer. There should also be increased senior management oversight on the debts returned to services to ensure this is progressing *Priority Score: 2*	This is being followed up with services and Business Intelligence are working on improved reporting to Senior Managers and these are almost ready to be issued. This includes new performance indicators beyond the top 30 currently reported.	Assistant Director for Customer	30/09/20
a) Ensure that a review of all non-responses to budget monitoring requests is carried out to ensure they are working within their budget and the expected income targets are on track to be met. b) That Directors ensure full engagement and compliance of budget holders within their areas to ensure budget management and reporting responsibilities are met. c) Ensure that Finance Specialists undertake a regular critical review of	Status = In Progress a) In 2020/21 budget monitoring will be undertaken monthly and reported to SMT. A risk-based approach will be applied within Finance if budget holders fail to report their financial performance, focussing on material and more volatile budgets. A more in depth review of gaps will be completed on a quarterly basis. b) This is agreed and will be reinforced through directorate management arrangements. Budget holders will be supported with advice and guidance from the Finance service. c) A finance specialist / business partner has been assigned to each directorate, and they will grow their knowledge and	d) Assistant Director for Finance e) Directors f) Assistant Director for Finance	30/06/20

Recommendation	Progress Update	Responsible Officer	Target Date
larger variances and appropriately challenge the accuracy of the reported variances/ non-variances *Priority Score: 2*	understanding of risk and issues in each area. This will enable effective advice and critical review for financial reporting.		
Main Accounting System			
Budget setting process and budgetary control: a) Investigate gaps in budget holder engagement and reports to SMT, and ensures that a risk-based review is undertaken where budget holders fail to report and advice given to the S151 Officer and SMT of key financial control risks/issues requiring attention b) SMT/Directors ensure full engagement and compliance of budget holders within their areas to ensure budget management and reporting responsibilities are met c) Ensure that finance specialists undertake a regular critical review of larger variances and appropriately challenge the accuracy of reported variance/ non-variances	Status = In Progress See response to same recommendations included in Debtors audit actions above	a) Assistant Director for Finance b) Directors c) Assistant Director for Finance	30/06/20

Recommendation	Progress Update	Responsible Officer	Target Date
Priority Score: 2			
Ensure that a process to reconcile the OC system to the General Ledger is developed and a procedure written *Priority Score: 2*	Status = In progress See response to same recommendations included in Debtors audit actions above	Assistant Director for Finance	31/03/20 *Revised target 30/09/2020*
Ensure that the OC codes are amended to ensure they post to the correct location on import *Priority Score: 2*	Status = Completed Codes assigned to jobs in OC cannot be changed in the system. A conversion table is used replace old codes with new ones when files are posted to the ledger. Once legacy jobs are completed the old codes are disabled in OC so they are no longer used. A further monthly check will be undertaken to ensure all old codes are reviewed and disabled. Following the recent restructure of budgets a further check will be undertaken to ensure new codes for 20/21 are used for new jobs.	Assistant Director for Finance	31/03/20 **Completed**
Ensure work is completed promptly to confirm that the E5 system is updated to show the correct opening balances, and ensures a checking process is implemented following approval of the final accounts each year to ensure they have been correctly updated *Priority Score: 2*	Status = Completed Opening balances fully reconciled, and this action included as part of the standard annual final accounts work plan.	Assistant Director for Finance	09/03/20 **Completed**

Recommendation	Progress Update	Responsible Officer	Target Date
Business Continuity Planning			
Ensure that: • Management across all services have brainstormed all potential risks to the delivery of their service functions, documented them and assigned responsibility for mitigating controls • Management have fed high level risks that have a corporate impact into the Corporate Risk Register and in turn these are recognised within the Corporate BCP *Priority Score: 2*	Management has had to respond in a unique way to COVID and thus demonstrated flexibility and that existing processes have supported business continuity both locally and regionally, supporting all of the national Emergency Planning framework. High level risks have been and continue to be fed in real time into Gold command. This has occurred against a backdrop of changing legislative framework as the incident has unfolded. Outside of the emergency incident, teams are capturing this information which will also feed into lessons learned	Director for External Operations	30/09/20