

Somerset West and Taunton Council

Audit and Governance Committee – 12 September 2022

SWAP Internal Audit Plan 2022-23 Progress Report

This matter is the responsibility of the Portfolio Holder for Communications and Corporate Resources, Councillor Benet Allen

Report Author: Alastair Woodland, SWAP Assistant Director

1 Executive Summary / Purpose of the Report

- 1.1 The Internal Audit function plays a central role in corporate governance by providing assurance to the Audit, Governance and Standards Committee, looking over financial controls and checking on the probity of the organisation.
- 1.2 The 2022/23 Annual Internal Audit Plan is to provide independent and objective assurance on SWTC's Internal Control Environment. This work will support the Annual Governance Statement

2 Recommendations

- 2.1 The Committee is recommended to note progress made in delivery of the 2022/23 internal audit plan and significant findings as identified in this update.

3 Risk Assessment

- 3.1 Any large organisation needs to have a well-established and systematic risk management framework in place to identify and mitigate the risks it may face. SWTC has a risk management framework, and within that, individual internal audit reports deal with the specific risks and issues that arise from the findings. These are translated into mitigating actions and timetables for management to implement.

4 Background and Full details of the Report

- 4.1 This report summarises the work of the Council's Internal Audit Service and provides:
 - Details of any new significant weaknesses identified during internal audit work completed since the last report to the committee in June 2022.
 - A schedule of audits completed during the period, detailing their respective assurance opinion rating, the number of recommendations and the respective priority rankings of these.
- 4.2 The SWAP Internal Audit Plan 2022/23 Progress Report is included as an appendix to this report.

5 Management Update

- 5.1 A separate report is provided to Audit and Governance Committee summarising progress in completing agreed management actions to address Priority 1 and Priority 2 recommendations arising from individual internal audit reports.
- 5.2 In the last report to committee on 13 June 2022 Members were advised of two (out of the seven) audits completed during the previous quarter where the SWAP's assurance Opinion was "Limited". This section of the report provides the Committee with a brief update on progress made addressing the control weaknesses reported.

Purchasing Cards

- 5.3 This report contains 7 recommendations that management has accepted and committed to action to address. Of the recommendations, 3 are Priority 1, and 4 are Priority 2. Management has made good progress addressing the issues concerned with all actions completed as summarised below:

	Recommendations	Completed	In Progress
Priority 1	3	3	N/A
Priority 2	4	4	N/A

- 5.4 Actions completed by management includes:

- An interim review of existing purchasing card credit limits has been completed with credit limits reduced where these exceeded current business need.
- The S151 Officer, with support from SMT, issued an immediate notice to all card holders reminding of the controls to be applied by all cardholders include stronger security of card details and improved administration of financial records for all purchases made. This included a warning that cards would be withdrawn if proper controls are not maintained.
- The S151 Officer has commissioned further focussed assurance work with a larger sample of transactions being tested. This is at draft report stage, and SMT including the S151 Officer have considered a measured response to the findings of this further information. Whilst there are some gaps in assurance in respect of some transactions, having reviewed the information SMT's judgment is that the risk of fraud or error is low and that the improvements being made to policy and process will provide adequate controls in future. A further reminder about accepted practice and valid use of cards will be issued to cardholders.
- Completely new Purchasing Card Policy and Guidelines together with a new Cardholder Declaration have been prepared that provide comprehensive information to cardholders and defines responsibilities of all those involved in the processes of approving, using, and administering the cards. This was approved by SMT on 31 August 2022.
- New card account arrangements are agreed and in process of implementation, with these being set up with the bank, following which new cards will be issued to all staff identified as requiring a card to meet business requirements under the new Policy. Requirements for individual officers to hold a purchasing card will be carefully considered by Service Managers/Assistant Directors with Procurement Officers to ensure a card is required to meet business need and establish an appropriate credit limit.

- Improved administration and supervisory procedures are completed and being implemented with the new purchasing cards when issued, with interim measures in place to strengthen the process pending the formal rollout. Managers or budget holders are required to review and sign off that the monthly card statements are complete and accurate, and the expenditure is properly authorised, to be submitted to Finance in a timely manner.

5.5 The S151 Officer is satisfied that SMT has given robust direction and support for purchase card controls to be improved and require much improved assurance that the improved financial procedures are maintained with compliance issues and concerns to be escalated to Directors promptly in future. The agreed actions in response to the audit have been addressed and either implemented or are in the course of implementation. The S151 Officer has discussed this also with the Chair of Audit and Governance who acknowledges the consideration of the issues and the rationale for this way forward.

Management of Material Supplies Chains (Stores)

5.6 This report contains 5 recommendations that management has accepted and committed to action to address. Of the recommendations, 1 is Priority 1, and 4 are Priority 2. Management has made good progress addressing the issues concerned with 1 action completed as summarised below:

	Recommendations	Completed	In Progress
Priority 1	1	0	1
Priority 2	4	1	3

5.7 Actions completed by management includes:

- A review of the current stocktaking process has been undertaken. This has established the need for training and a review of the stocktaking module of our Open Contractor software.
- Sharing of Purchasing Cards has ceased following instruction by the Assistant Director Finance (S151 Officer).
- A review of the current materials supply chain has been undertaken, and procurement of a specialist materials supply chain framework provider has subsequently been carried out and a preferred bidder selected.

5.8 Actions in progress includes:

- Training and a review of the stocktaking module of our Open Contractor software is currently being arranged for urgent implementation in a test database during 2022, and an initial baseline stocktake will then be undertaken as part of this process within the live database.
- Working with the newly procured specialist materials supply chain framework provider to develop and implement improved processes.
- A review of appropriate staff to approve orders and payments, incorporating separation of duties. Following this work, revised material supply management arrangements will be put in place.
- A review of suppliers used, and a communication strategy advising of their need to ensure they only fulfil orders that are supported by an approved requisition, in advance of supply, is being developed. A monitoring system is also to be put in

place with the support of our material supply chain framework partner.

6 Links to Corporate Strategy

6.1 Delivery of the corporate objectives requires strong internal control. The attached report provides a summary of the audit work carried out to date this year by the Council's internal auditors, SWAP Internal Audit Services.

7 Finance / Resource Implications

7.1 There are no specific financial implications or additional resource requirements within this report.

Unitary Council Financial Implications and S24 Direction Implications

7.2 Not applicable.

Democratic Path:

- **Audit and Governance Committee – Yes (12/09/2022)**
- **Executive – No**
- **Full Council – No**

Reporting Frequency: Quarterly

Appendices

Appendix	SWAP Internal Audit Plan Progress Report 2022/23
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