

Somerset County Council

Report of Internal Audit Activity

Plan Progress 2017/18- September Update

Contents

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Summary:

Role of Internal Audit

Page 1



Control Assurance:

Internal Audit Work Programme

Page 2

Significant Corporate Risks

Page 3

Summary of Partial Opinions

Page 4 - 6



Plan Performance:

Progress to Date

Page 7

SCC Performance

Page 8

Changes to the Plan

Page 9



Appendices:

Appendix A – Audit Framework Definitions

Page 10

Appendix B – Summary of Work Plan

Page 11 – 25

Summary

Our audit activity is split between:

- **Operational Audit**
- **School Themes**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **School and Early Years Reviews**
- **Follow-up Reviews**
- **Other Reviews**



Role of Internal Audit

The Internal Audit service for Somerset County Council is provided by South West Audit Partnership 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 and Governance Committee at its meeting on 30th March 2017.

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
- School and Early Years Reviews
- Follow-up Audits
- Other Special or Unplanned Reviews

Outturn to Date:

We rank our recommendations on a scale of 1 to 5, with 1 being minor or administrative concerns to 5 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 2017/18. 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 at Appendix A of this document.

To assist the Committee in its important monitoring and scrutiny role, in those cases where weaknesses have been identified in service/function reviews that are considered to represent significant service risks, a summary of the key audit findings that have resulted in them receiving a ‘Partial Assurance Opinion’ is given as part of this report.

In circumstances where findings have been identified which are considered to represent significant corporate risks to the Council, due to their importance, these issues are separately summarised.

Summary of Audit Work 2017/18

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 4 Risk Levels applied within audit reports. For those audits which have reached report stage through the year, we have assessed the following risks as 'High' or 'Very High'.

Review/Risks	Auditors Assessment
<u>Readiness for the New General Data Protection Regulations (GDPR)</u> 1. The updated control framework needed to ensure the Council's compliance to GDPR is not put in place prior to May 2018 resulting in financial and reputational loss to the Council.	High
<u>Data Subject Access Requests (DSAR)</u> 2. The Authority is non-compliant with timescales and fulfilment of Data Subject Access Requests under the current and future General Data Protection Regulations, resulting in customer dissatisfaction, ICO investigations and/or financial penalties.	High

For more detail on the above refer to the next section on audits awarded a partial opinion.

SWAP Performance - Summary of Partial Opinions

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



Summary of Partial Opinions

Three IT audits finalised in the period were awarded partial assurance. The significant findings from these have been summarised below.

Readiness for the New General Data Protection Regulations (GDPR) – ‘Partial’

GDPR is the new legislation currently covered by the Data Protection Act (DPA). This audit was requested by SCC Information Governance Team to help ensure that the Council is aware of the areas where work is required to improve controls, in readiness for the introduction of the regulations in May 2018.

GDPR has an increased focus on accountability over DPA. This manifests itself as a greater need for documentation both of policies/processes/procedures as well as the recording in a centrally retrievable manner with evidence for controls having been implemented and used. At the time of the audit the scale of the work needed for GDPR compliance across the authority was not fully understood and a project plan had yet to be produced. More significantly with just nine months to go before GDPR becomes law, there was a lack of assurance that resources were sufficient both within the information governance team and services to complete this work on time.

Data Subject Access Requests (DSAR) – ‘Partial’

A Data Subject Access Request (DSAR) is the process by which a citizen can obtain copies of the information held about them by an organisation and the current requirements are enforced by the Data Protection Act (DPA). The organisation must reply to requests within 40 days. The audit found that the Council are consistently failing to comply with this requirement. The introduction of the General Data Protection Regulation (GDPR) in May 2018 will amend the deadline for DSAR completion, in the main speeding this process up and also introduce large fines for non-compliance.

It was also identified that there are differing DSAR practices across services, different systems used or in some cases a lack of a system as well as inconsistencies between records within the services who process DSARs. A single casework system is needed to help address this and to ensure that effective management and monitoring of requests can take place, to minimise complaints and financial penalties.

Regulation of Investigatory Powers Act 2000 (RIPA) Use of Internet as a means of Surveillance– ‘Partial’

The Office of Surveillance Commissioners has throughout the first half of 2017 had a high profile campaign to raise awareness of possible non compliance in this area and this audit was requested to determine services current and future requirements for use of the Internet for investigative and research purposes.

It was identified that the internet and especially social media is being regularly used as an investigative tool by Council officers and that they were not aware of how they should be using the internet during investigations. As this is a relatively new area for concern the low level of awareness, controls and assurance found in the audit is not surprising.

There is now a need for a documented policy to say how and when the internet should be used for investigation and surveillance purposes, as well as procedures established for services to follow that are in line with this policy.

Summary of Audit Work 2017/18

Update 2016/17 and 2017/18

Completed Assignments in the Period



Internal Audit Work Programme Progress to Date

Refer to Appendix B for detail of the individual audits.

2016/17

In relation to the 2016/17 plan there is just one more audit to finalise and this is currently at draft report stage.

2017/18

After five months delivery of the plan progress can be summarised as follows:

- 9 final reports
- 1 draft report
- 18 in progress

There have been some delays experienced in the scheduling of work, particularly in relation to follow-ups and it has been agreed to reschedule some reviews to later in the year to give more time for recommendations to be implemented. In response to this all managers with follow-ups in the plan have been written to reminding them of the importance of implementing the action plan in line with agreed dates. Delays have been offset to some extent by the request for additional audit work in quarter 2.

In addition, 10 school visits and 6 early years visits have taken place so far this year.

Plan Performance 2017/18

The Assistant Director for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.



SWAP Performance

SWAP performance is subject to regular monitoring review by both the Board and at Member Meetings. The respective performance results for Somerset County Council and other SWAP partners, using data to the end of August 2017 is as follows:

Performance Target	SCC Performance	Partners Performance
<u>Audit Plan – Percentage Progress</u> Final, Draft and Discussion Reports	19%	15%
<u>Draft Reports</u> Issued within 5 working days	69%	65%
<u>Final Reports</u> Issued within 10 working days of discussion of draft report	86%	82%
<u>Quality of Audit Work</u> Customer Satisfaction Questionnaire	86%	91%

Plan Performance 2017/18

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



Approved Changes to the Plan

Members will note that some changes to the plan have been made already this year; one of the key reasons for this is management requests to review identified high risk areas. All changes made have been subject to agreement with the appropriate Strategic Manager and the Strategic Manager – Finance Governance. These changes ensure that our focus continues to be directed to the most important areas.



Conclusion

Overall delivery of the plan is satisfactory despite some delays experienced, and the reminder sent regarding the scheduling of follow-ups is aimed to minimise this for the remainder of the year.

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

- Substantial
- Reasonable
- Partial
- None



Audit Framework Definitions

Control Assurance Definitions

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.
None	▲ ★ ★ ★	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.

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.

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
2016/17													
Childrens Services	Operational	Libraries – Consortium Arrangements	Q4	Final	Reasonable	12/01/2017	9	0	0	9	0	0	
Business Development	Governance, Fraud & Corruption	Strategic Commissioning	Q4	Final	Reasonable	16/01/2017	12	0	1	11	0	0	Waited for the completion of a number of commissioning intention plans before finalising.
Business Development	Governance, Fraud & Corruption	Procurement – Home Care	Q2	Final	Advisory	16/10/2016	n/a	0	0	0	0	0	Position Statement produced.
Education	Operational	Team Around the School	Q4	Final	Advisory	09/01/2017	7	0	3	4	0	0	School visits continued up to June.
Adult Services	Operational	Better Care Fund	Q4	Draft		9/03/2017	0	0	0	0	0	0	There have been delays in receipt of information.
2017/18													
Childrens Services	Follow Up	Retention of Foster Carers Follow-Up	Q1	Final	n/a	07/04/2017	0	0	0	0	0	0	Further work required - not removed from JCAD.
Childrens Services	Follow Up	Multi Agency Safeguarding Board Follow-Up	Q1	Final	n/a	10/04/2017	0	0	0	0	0	0	Satisfactory progress - removed from JCAD.
ICT	ICT	Readiness for the New General Data Protection Regulations (GDPR)	Q1	Final	Partial	01/05/2017	9	0	4	5	0	0	

Internal Audit Plan Progress 2017/18

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
ICT	Follow Up	Homefinders - Follow Up	Q1	Final	n/a	12/07/2017	0	0	0	0	0	0	Low corporate risk
Information management	Governance, Fraud & Corruption	Data Subject Access Requests (DSAR)	Q1	Final	Partial	02/05/2017	9	0	2	7	0	0	
Finance and Performance	Operational	Dillington House Financial Controls Review	Q1	Final	Advisory	05/05/2017	10	0	3	7	0	0	An opinion based review will be completed as part of next years plan.
Adult Services	Follow Up	Personal Budgets Follow-Up	Q1	Final	n/a	01/04/2017	0	0	0	0	0	0	Satisfactory progress - removed from JCAD.
ICT	ICT	RIPA Use of Internet as a means of Surveillance	Q1	Final	Partial	01/05/2017	5	0	1	4	0	0	
Health and safety	Follow Up	Health & Safety - Premises Management SCC Establishments Follow-Up	Q1	Final	n/a	02/06/2017	0	0	0	0	0	0	Further audit work required - not removed from JCAD. Scheduled for Q3.
Childrens Services	Early Years	Early Years Themed & Follow Up Report	Q2	Draft		31/07/2017							
Childrens Services	Key Control	Troubled Families certification of claims	Q1	In Progress	Certification	28/07/2017							Claim periods spread over the year
Adult Services	Follow Up	Deprivation of Liberty Follow-Up	Q1	In Progress		10/07/2017							
Corporate	Follow Up	Healthy Organisation Strategic Review - Follow-Up	Q1	In Progress									Work to monitor this action plan will be ongoing throughout 17/18.

Internal Audit Plan Progress 2017/18

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
Schools	School Theme	Financial Governance, Budget Planning and Monitoring	Q1	In Progress		12/06/2017							Based on summer term school visits.
Procurement	Governance, Fraud & Corruption	Social Value Policy	Q1	In Progress		26/06/2017							
Transport and infrastructure	Advice	Concessionary Fares	Q1	In Progress		01/04/2017							
Property Services	Advice	Contract Letting and Management	Q1	In Progress		26/07/2017							Addition to plan
Children Services	Operational	Childrens Direct Payments	Q2	In Progress		01/08/2017							
Adult Services	Operational	Risk of Care Provider Failure	Q2	In Progress		14/08/2017							Deferred from Q1 due to restructure within Adult Services.
Finance & Performance	Governance, Fraud & Corruption	MTFP - The Commissioning Lead Approach	Q2	In Progress		16/08/2017							
HR	Governance, Fraud & Corruption	People Strategy	Q2	In Progress		10/08/2017							
Education	Operational	The Education of Children Looked After	Q2	In Progress		31/07/2017							
Finance and Performance	Governance, Fraud & Corruption	Local Preparations for Managing National Fraud Risks	Q2	In Progress		03/08/2017							

Internal Audit Plan Progress 2017/18

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
Schools	Advice	Schools Financial Value Standard Moderation	Q2	In Progress		07/09/2017							
Human Resources	Governance, Fraud & Corruption	Staff Benefit Scheme – HMRC compliance	Q2	In Progress		08/08/2017							Addition to Plan
Human Resources	Advice	Staff Benefit Scheme	Q2	In Progress		22/08/2017							Addition to Plan
Children and Families	Advice	Financial Controls - Childrens Centre	Q2	In Progress		28/08/2017							Addition to Plan
ICT	Follow Up	AIS - Data Quality Follow-Up	Q2	Not started									
Adult Services	Follow Up	Safeguarding Follow-Up	Q3	Not started									Deferred from Q1 to allow sufficient time for agreed actions to be implemented.
Childrens Services	Operational	Independent Placements for CLA and Education - Financial Controls	Q3	Not started									Deferred from Q1 to allow sufficient time for agreed actions to be implemented.
ECI	Advice	Use of Agency staff	Q2	Not started									Addition to Plan
ICT	ICT	Payment Card Industry Data Security Standard compliance	Q2	Not Started									
ICY	ICT	Business Applications - Business Critical System Capita One	Q2	Not Started									

Internal Audit Plan Progress 2017/18

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
Business Development	Governance, Fraud & Corruption	Procurement - The Monitoring and Control of Savings Made	Q2	Not Started									
Finance & Performance	Follow Up	Cash Handling - Implementation of Policy Follow-Up	Q3	Not Started								Deferred from Q2 to allow sufficient time for agreed actions to be implemented.	
Business Development	Governance, Fraud & Corruption	Project Management - Of Projects Outside of Core Council Programme including Benefit Realisation	Q3	Not Started								Deferred from Q1 to release resources to carry out Contract Letting and Management review.	
Adults Services	Follow Up	Adults Income Collection - Personal Finance Contributions Follow-Up	Q3	Not Started								Deferred from Q2 to allow sufficient time for agreed actions to be implemented.	
Adults Services	Follow Up	Adults Placements including ISP Interface Follow-Up	Q3	Not Started									
Adult Services	Follow Up	Direct Payments Follow-Up	Q3	Not Started									
Adult Services	Operational	Mental Health	Q3	Not Started									
Education	Follow Up	Health & Safety - Premises Management Schools and non schools Follow-Up	Q3	Not Started									

Internal Audit Plan Progress 2017/18

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
Education	Operational	Use of Part-Time Timetables in Schools	Q3	Not Started									
Finance & Performance	Key Control	Debt Management	Q3	Not Started									
Finance & Performance	Key Control	Payroll	Q3	Not Started									
Corporate	Governance, Fraud & Corruption	Corporate Management of Health and Safety	Q3	Not Started									
ICT	ICT	SAP - Financial System IT Controls	Q3	Not Started									
ICT	ICT	Network Resilience and Authentication	Q3	Not Started									
Business Development	Governance, Fraud & Corruption	Value for Money Strategy and Reporting	Q3	Not Started									
Corporate	Governance, Fraud & Corruption	Corporate Contracts - Performance Management	Q3	Not Started									
Schools	School	School Theme - Schools Financial Value Standard (SFVS)	Q3	Not Started									
School Theme	Follow-up	The Planned use of school balances follow-up	Q4	Not Started									Deferred from Q1 to allow sufficient time for agreed actions to be implemented.

Internal Audit Plan Progress 2017/18

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
Adult Services	Operational	The Efficiency and Effectiveness of the New Operating Model	Q4	Not Started									
Education	Operational	Structural Failure of School Buildings	Q4	Not Started									
ECI	Governance, Fraud & Corruption	Strategic Asset Management	Q4	Not Started									
Finance & Performance	Key Control	Creditors	Q4	Not Started									
Business Development	Follow Up	Hardware Asset Management - Follow Up	Q4	Not Started									
ICT	Follow Up	Incident/Problem/Change Management - Follow Up	Q4	Not Started									
ICT	ICT	Active Directory/User Admin	Q4	Not Started									
ICT	ICT	Position Statement on Outstanding Follow-Up Audits including Software and Healthy Organisation	Q4	Not Started									
ICT	ICT	Threat Management	Q4	Not Started									

Internal Audit Plan Progress 2017/18

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
ECI	Follow Up	Section 106 Agreements Follow-Up	Q4	Not Started									Deferred from Q1 to allow sufficient time for agreed actions to be implemented.
Finance & Performance	Governance, Fraud & Corruption	Performance Management - Service Planning	Q4	Not Started									Deferred from Q2 to allow sufficient time for agreed actions to be implemented. Focus will be on updated arrangements and not limited to service planning.
ECI	Key Control	Concessionary Fares - Key Control Review	Q4	Not Started									
Education	Operational	The Transport of Children	Q4	Not Started									
School	School Theme	School Theme – E-Safety	Q4	Not Started									
HR	Governance, Fraud & Corruption	Workforce Planning	Q4	Deferred									Deferred to Q1 2018/19 and replaced with Staff Benefit Scheme review.
Corporate	Governance, Fraud & Corruption	Procurement - Category Management	Q4	Deferred									Deferred to Q1 2018/19 and replaced with West Somerset Children Centre and ECI agency arrangements reviews.
Business Development	Governance, Fraud & Corruption	Project Management - Benefits Realisation of Projects Outside of Core Council Programme	Q3	Removed									Replaced with Contract Letting and Management review. Benefits Realisation will be included in Q3 Project Management Audit.

Internal Audit Plan Progress 2017/18

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
Schools													
Schools	School	School Theme – Financial Governance Beech Grove	Q1	Draft	Reasonable	05/07/2017	10	0	0	10	0	0	
Schools	School	School Theme – Financial Governance Critchill	Q1	Draft	Reasonable	05/07/2017	11	0	1	10	0	0	
Schools	School	School Theme – Financial Governance Heathfield	Q1	Draft	Reasonable	05/06/2017	8	0	0	8	0	0	
Schools	School	School Theme – Financial Governance St Marys	Q1	Draft	Reasonable	05/06/2017	5	0	0	5	0	0	
Schools	School	School Theme – Financial Governance Stoberry	Q1	Draft	Reasonable	05/06/2017	6	0	0	6	0	0	
Schools	School	School Theme – Financial Governance Swanmead	Q1	Draft	Reasonable	05/06/2017	10	0	1	9	0	0	
Schools	School	School Theme – Financial Governance Wadham	Q1	Draft	Partial	05/06/2017	14	0	2	12	0	0	
Schools	School	School Theme – Financial Governance Winsham	Q1	Draft	Partial	05/07/2017	11	0	2	9	0	0	
Schools	Follow-up	Churchstanton - SFVS Follow-Up	Q1	Draft	n/a	04/07/2017	n/a	0	0	0	0	0	

Internal Audit Plan Progress 2017/18

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
Schools	Follow-up	Penrose School - School Balances Follow-Up	Q1	Final	n/a	26/06/2017	n/a	0	0	0	0	0	
Early Years													
Childrens Services	Early Years	Billy's Young Stars Nursery (Butlins Minehead)	Q1	Completed	Reasonable	22/06/2017	4	0	0	4	0	0	
Childrens Services	Early Years	Churchfield Nursery (Highbridge)	Q1	Completed	Partial	16/06/2017	6	0	2	4	0	0	
Childrens Services	Early Years	Little Otters Pre-School (Combwich)	Q1	Completed	Reasonable	20/06/2017	5	0	0	5	0	0	
Childrens Services	Early Years	Sunny Ile Pre-School (Ilminster)	Q1	Completed	Reasonable	06/06/2017	3	0	0	3	0	0	
Childrens Services	Early Years	Wellesley Park Pre-School (Wellington)	Q1	Completed	Reasonable	13/06/2017	4	0	0	4	0	0	
Childrens Services	Early Years	Heron Pre-School (Ilchester)	Q1	Draft	Reasonable	15/06/2017	3	0	0	3	0	0	