

Somerset County Council

Report of Internal Audit Activity

Plan Progress 2017/18- November 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



Plan Performance:

Progress to Date

Page 5

SCC Performance

Page 6

Changes to the Plan

Page 7

Conclusion

Page 8



Appendices:

Appendix A – Audit Framework Definitions

Page 9

Appendix B – Summary of Work Plan

Page 10 – 20

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

Summary of Work 2017/18

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'.

In this update there are no final reports included with significant corporate risks.

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

One audit finalised in the period were awarded partial assurance. The significant findings from this audit have been summarised below.

Better Care Fund – ‘Partial’ (2016/17)

The Better Care Fund (BCF) is part of the Government’s vision to encourage local authorities and health services to pool resources and give people better care closer to home. A National Audit Office (NAO) report in February 2017 concluded that there are still real challenges to achieving closer integration between health and social care. The NAO concluded that *“in the face of increased demand for care and constrained finances, the Fund has not yet achieved its potential to manage demand for healthcare; support out-of-hospital care; improve outcomes for patients; or save money.”* The situation at Somerset echoes the national picture, with constant challenges and demands placed on the services provided by both the NHS and Clinical Commissioning Group (CCG).

This audit had a restricted scope to look at the overarching governance arrangements for the performance and delivery of the Better Care Fund. As such this review focussed primarily on the reporting arrangement to the boards with responsibility for the Fund – the Health and Wellbeing Board and the Joint Commissioning Board. In terms of governance the audit identified weakness in the reporting and monitoring arrangements in place covering finance, performance and risk to both boards. Without adequate information being provided there is reduced assurance in relation to the sufficiency of scrutiny and oversight of the Better Care Fund. Given the challenges in Better Care Fund delivery the achievement of these improvements is really important.

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

The plan is now complete.

2017/18

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

- 19 final reports
- 2 draft report
- 15 in progress

In addition, 18 school visits and 6 early years visits have taken place so far this year.

Follow-up Audits

There have been delays experienced in the scheduling of some follow-up audits due to more time being needed to implement recommendations. As a result, these reviews are now scheduled to take place later than planned and a number are now scheduled for the final quarter of the year. Given the need to schedule additional work during quarter 3, detailed in the Changes to the Plan section that follows, SWAP has been able to accommodate these delays. However, it is now important that these follow-up reviews do take place in quarter 4 to provide the evidence that recommendations have been implemented. Only then will SWAP be able to give assurance that the significant risks reported within the original audit reports are now being adequately controlled.

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 October 2017 is as follows:

Performance Target	SCC Performance	Partners Performance
<u>Audit Plan – Percentage Progress</u> Final, Draft and Discussion Reports	32%	27%
<u>Draft Reports</u> Issued within 5 working days	71%	70%
<u>Final Reports</u> Issued within 10 working days of discussion of draft report	74%	61%
<u>Quality of Audit Work</u> Customer Satisfaction Questionnaire	86%	91%

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

Additions to the Plan

Members will note that a number of additional audit reviews have been added to the plan this year. The plan needs to be flexible to be able to respond to such requests to ensure that areas of high priority and risk can be accommodated. As a result some planned audit work scheduled this quarter has been delayed. It has also been necessary to defer some audits to accommodate this additional work, three of these audits directly related to the healthy organisation work and these will be treated as priority audits in next year's plan. To prevent having to compromise the plan by deferring further work, the latest additions have been commissioned in addition to the plan and SWAP will be paid separately for this work.

Follow-up reviews – Risks Tolerated

Our agreed process is to follow-up all audits where a partial assurance is awarded. Where recommendations have not been fully implemented a second follow-up takes place. There are three audits where this process has been followed but ongoing risks remain and are unlikely to reduce with further audit work:

- Deprivation of Liberty Standards (DoLS)
- Adults casework system – AIS
- Childrens foster care allowance calculation – Homefinders

In relation to DoLS the service has made some improvements as agreed in the action plan. However, the backlog of assessments reported is a nationwide problem and until legislation changes, which is planned, significant reduction in risk will not take place.

In the case of AIS implementation of outstanding recommendations requires further system development work but given agreement has been made to replace it, no further investment will be made. Similarly, a decision is awaited on the future use of Homefinders and until this takes place there will be no significant investment in the system.

For all three of these audits risks reported remain outstanding but further audit work will not be effective in reducing these any further. An agreement has therefore been made to convert these risks on JCAD to service risks that are tolerated, with a requirement for them to be reviewed by the service every six months.



Conclusion

During the period audit resources have focused on the delivery of additional audit work and some of the quarter 3 audits have slipped both as a direct result of this, as well as due to client requests. Some of the quarter 4 plan has been deferred to the start of the following year to accommodate the additional work and although timely delivery of the remainder of the plan will be a challenge, it should be achievable.

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													
Adult Services	Operational	Better Care Fund	Q4	Final	Partial	9/03/2017	10	0	5	5	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	
ICT	Follow Up	Homefinders - Follow Up	Q1	Final	n/a	12/07/2017	0	0	0	0	0	0	Follow-up work complete and ongoing risk being tolerated.
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	Addition to Plan – opinion based review to be performed next year.
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.

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	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.
Adult Services	Follow Up	Deprivation of Liberty Follow-Up	Q1	Final	n/a	10/07/2017							Follow-up work complete and ongoing risk being tolerated.
Schools	School Theme	Financial Governance, Budget Planning and Monitoring	Q1	Final	Reasonable	12/06/2017	14	0	1	13	0	0	Based on summer term school visits.
Property Services	Operational	Contract Letting and Management	Q1	Final	Advisory	26/07/2017							
HR	Operational	People Strategy	Q2	Final	Advisory	10/08/2017							Advice on new people strategy
Schools	Advice	Schools Financial Value Standard Moderation	Q2	Final	n/a	07/09/2017							
Human Resources	Governance, Fraud & Corruption	Staff Benefit Scheme – HMRC compliance	Q2	Final	Reasonable	08/08/2017	3	0	0	3	0	0	Addition to Plan
Human Resources	Operational	Staff Benefit Scheme	Q2	Final	Advisory	22/08/2017							
ECl	Operational	Use of Agency staff	Q2	Final	Advisory	08/09/2017							

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	
Childrens Services	Early Years	Early Years Themed & Follow Up Report	Q2	Final	Reasonable	31/07/2017							
Procurement	Governance, Fraud & Corruption	Social Value Policy	Q1	Final	Reasonable	26/06/2017							
Children and Families	Operational	Financial Controls - Childrens Centre	Q2	Draft		28/08/2017							
ICT	ICT	Payment Card Industry Data Security Standard compliance	Q2	Draft		11/07/2017							
Childrens Services	Key Control	Troubled Families certification of claims	Q1	In progress		28/07/2017						Claim periods spread over the year	
Corporate	Operational	Healthy Organisation Strategic Review - Follow-Up	Q1	In progress								Work to monitor this action plan will be ongoing throughout 17/18.	
Transport and infrastructure	Advice	Concessionary Fares	Q1	In progress		01/04/2017						Ongoing advice through the year.	
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							

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	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							
ICY	ICT	Business Applications - Business Critical System Capita One	Q2	In progress		11/07/2017							Terms of Reference agreed
Business Development	Governance, Fraud & Corruption	Procurement - The Monitoring and Control of Savings Made	Q2	In progress		11/09/2017							
Public Health	Operational	Vulnerable Person Resettlement Programme	Q3	In progress		08/11/2017							Commissioned audit in addition to plan.
Adult Services	Operational	Mental Health	Q3	In progress		13/11/2017							
Education	Operational	Use of Part-Time Timetables in Schools	Q3	In progress		13/10/2017							
Finance & Performance	Key Control	Payroll (including IR35)	Q3	In progress		02/10/2017							
Schools	School	School Theme - Schools Financial Value Standard (SFVS)	Q3	In progress		09/10/2017							Based on autumn term school visits.
Adult Services	Follow Up	Safeguarding Follow-Up	Q3	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	
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.	
Finance & Performance	Follow Up	Cash Handling - Implementation of Policy Follow-Up	Q3	Not started								Initial meeting scheduled for 11 th December.	
Business Development	Governance, Fraud & Corruption	Project Management - Of Projects Outside of Core Council Programme including Benefit Realisation	Q3	Not started								Initial meeting scheduled for 13/11.	
Adults Services	Follow Up	Adults Income Collection - Personal Finance Contributions Follow-Up	Q4	Not started								Deferred from Q2 to allow sufficient time for agreed actions to be implemented.	
Adults Services	Follow Up	Adults Placements	Q4	Not started								Deferred from Q2 to allow sufficient time for agreed actions to be implemented.	
Adult Services	Follow Up	Direct Payments – ISP interface Follow-Up	Q4	Not started								Deferred from Q2 to allow sufficient time for agreed actions to be implemented.	
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	
Finance & Performance	Key Control	Debt Management	Q3	Not started									Initial meeting 8 th November
Corporate	Governance, Fraud & Corruption	Corporate Management of Health and Safety	Q3	Not started									Schedule start after follow-ups complete.
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									
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.
Adult Services	Operational	The Efficiency and Effectiveness of the New Operating Model	Q4	Not started									
ECI	Governance, Fraud & Corruption	Strategic Asset Management	Q4	Not started									
Finance & Performance	Key Control	Creditors	Q4	Not started									Initial meeting 13/11/2017

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	
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									
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									

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	
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 advisory review.	
Corporate	Governance, Fraud & Corruption	Procurement - Category Management	Q4	Deferred								Deferred to Q1 2018/19	
Business Development	Governance, Fraud & Corruption	Project Management - Benefits Realisation of Projects Outside of Core Council Programme	Q3	Removed								Replaced with Contract Letting and Management advisory review. Benefits Realisation will be included in Q3 Project Management Audit.	
ICT	Follow Up	AIS - Data Quality Follow-Up	Q2	Removed								Follow-up work complete and ongoing risk being tolerated. Days added to Adults income collection.	
Education	Operational	Structural Failure of School Buildings	Q4	Removed								Removed from the plan to release time for additional advisory work.	

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	Final	Reasonable	05/07/2017	10	0	0	10	0	0	
Schools	School	School Theme – Financial Governance Critchill	Q1	Final	Reasonable	05/07/2017	11	0	1	10	0	0	
Schools	School	School Theme – Financial Governance Heathfield	Q1	Final	Reasonable	05/06/2017	8	0	0	8	0	0	
Schools	School	School Theme – Financial Governance St Marys	Q1	Final	Reasonable	05/06/2017	5	0	0	5	0	0	
Schools	School	School Theme – Financial Governance Stoberry	Q1	Final	Reasonable	05/06/2017	6	0	0	6	0	0	
Schools	School	School Theme – Financial Governance Swanmead	Q1	Final	Reasonable	05/06/2017	10	0	1	9	0	0	
Schools	School	School Theme – Financial Governance Wadham	Q1	Final	Partial	05/06/2017	15	0	3	12	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	School	School Theme – Financial Governance Winsham	Q1	Final	Partial	05/07/2017	11	0	2	9	0	0	
Schools	Follow-up	Churchstanton - SFVS Follow-Up	Q1	Final	n/a	04/07/2017	n/a	0	0	0	0	0	
Schools	Follow-up	Penrose School - School Balances Follow-Up	Q1	Final	n/a	26/06/2017	n/a	0	0	0	0	0	
Schools	School	School Theme – SFVS Ashcott	Q3	Final	Reasonable	09/10/2017	12	0	0	3	0	0	
Schools	School	School Theme – SFVS Avalon	Q3	Draft		09/10/2017							
Schools	School	School Theme – SFVS Cheddar First	Q3	In progress		09/10/2017							
Schools	School	School Theme – SFVS Vallis First	Q3	In progress		09/10/2017							
Schools	School	School Theme – SFVS West Huntspill	Q3	In progress		09/10/2017							
Schools	School	School Theme – SFVS Castle Cary	Q3	Draft		12/10/2017							
Schools	School	School Theme – SFVS St Benedict's	Q3	In progress		09/10/2017							
Schools	School	School Theme – SFVS Norton Sub-Hamdon	Q3	In progress		09/10/2017							
Early Years													

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	
Childrens Services	Early Years	Billy's Young Stars Nursery (Butlins Minehead)	Q1	Final	Reasonable	22/06/2017	4	0	0	4	0	0	
Childrens Services	Early Years	Churchfield Nursery (Highbridge)	Q1	Final	Partial	16/06/2017	6	0	2	4	0	0	
Childrens Services	Early Years	Little Otters Pre-School (Combwich)	Q1	Final	Reasonable	20/06/2017	5	0	0	5	0	0	
Childrens Services	Early Years	Sunny Ile Pre-School (Ilminster)	Q1	Final	Reasonable	06/06/2017	3	0	0	3	0	0	
Childrens Services	Early Years	Wellesley Park Pre-School (Wellington)	Q1	Final	Reasonable	13/06/2017	4	0	0	4	0	0	
Childrens Services	Early Years	Heron Pre-School (Ilchester)	Q1	Final	Reasonable	15/06/2017	3	0	0	3	0	0	