

Somerset County Council

Report of Internal Audit Activity

Plan Progress 2017/18- January Update

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The contacts at SWAP in connection with this report are:

Gerry Cox

Chief Executive

Tel: 01935 848540

gerry.cox@southwestaudit.co.uk

Ian Baker

Director of Quality

Tel: 01935 848540

ian.baker@southwestaudit.co.uk

Lisa Fryer

Assistant Director

Tel: 01823 355299

lisa.fryer@southwestaudit.co.uk



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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 finding from this audit has been summarised below.

Payment Card Industry Data Security Standard Compliance (PCI-DSS)– ‘Partial’

The PCI-DSS is a Worldwide standard that was set up to ensure that businesses process card payments securely and reduce payment card fraud. One of the major requirements of the PCI-DSS is for the Merchant (SCC) to complete an annual Self Assessment Questionnaire (SAQ) and Attestation of Compliance Form (AOC). These were completed by SCC in April 2016, but still have areas outstanding for 2017. Attestations have been given for some areas and there was evidence that SCC is working towards a complete attestation, though at the time of the audit there was no confirmed timescale for the completion of this work.

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.

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

- 24 final reports
- 3 draft report/discussion document/fieldwork complete
- 15 in progress

In addition, 18 school visits and 11 early years visits have taken place so far this year.

There remain 21 audits yet to start, a significant number of which have initial meetings scheduled for January. Some of the start dates of these audits have been delayed during the year and where this is the case it is shown against the audit at Appendix B.

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	45%	31%
<u>Draft Reports</u> Issued within 5 working days	73%	71%
<u>Final Reports</u> Issued within 10 working days of discussion of draft report	76%	69%
<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

As reported previously a number of additional audit reviews have been added to the plan this year, particularly during Q3. 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. This meant that some planned audit work scheduled for Q3 was delayed. It has also been necessary to defer some audits to accommodate this additional work, some 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, some work has been commissioned in addition to the plan and SWAP will be paid separately for this.



Conclusion

Additional audit work carried out in Q3 has meant that completion of planned work has been delayed. In addition, requests have been made for some audits to be delayed to Q4 and together this has created a heavy workload for the final quarter. Delivery will be a challenge and audit additional resources have been secured to help address this but this will mean that work will be ongoing into the first quarter of the new 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	
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.
ICT	ICT	RIPA Use of Internet as a means of Surveillance	Q1	Final	Partial	01/05/2017	5	0	1	4	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	
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							
ECI	Operational	Use of Agency staff	Q2	Final	Advisory	08/09/2017							
Childrens Services	Early Years	Early Years Themed & Follow Up Report	Q2	Final	Reasonable	31/07/2017							

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	
Procurement	Governance, Fraud & Corruption	Social Value Policy	Q1	Final	Reasonable	26/06/2017							
Schools	School	School Theme - Schools Financial Value Standard (SFVS)	Q3	Final	Reasonable	09/10/2017	15	0	1	14	0	0	Based on autumn term school visits.
ICT	ICT	Payment Card Industry Data Security Standard compliance	Q2	Final	Partial	11/07/2017	12	0	1	11	0	0	
Children and Families	Operational	Financial Controls - Childrens Centre	Q2	Final	Advisory	28/08/2017							
Finance and Performance	Governance, Fraud & Corruption	Local Preparations for Managing National Fraud Risks	Q2	Final	Advisory	03/08/2017	4	0	0	4	0	0	
Public Health	Operational	Vulnerable Person Resettlement Programme	Q3	Final	Advisory	08/11/2017	7	0	3	4	0	0	Commissioned audit in addition to plan.
Finance & Performance	Follow Up	Cash Handling - Implementation of Policy Follow-Up	Q3	Draft		11/12/2017							
Children Services	Operational	Childrens Direct Payments	Q2	Discussion Document		01/08/2017							
Business Development	Governance, Fraud & Corruption	Procurement - The Monitoring and Control of Savings Made	Q2	Fieldwork completed		11/09/2017							

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	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		01/04/2017						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.	
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							
Education	Operational	The Education of Children Looked After	Q2	In progress		31/07/2017							
ICT	ICT	Business Applications - Business Critical System Capita One	Q2	In progress		11/07/2017							
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							

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	In Progress		08/01/2018							
Finance & Performance	Key Control	Debt Management	Q3	In Progress		9/11/2017							Initial meeting 8/11/2017
ICT	ICT	SAP - Financial System IT Controls	Q3	In Progress		12/12/2017							
Education	Follow Up	Health & Safety - Premises Management Schools and non schools Follow-Up	Q3	In Progress									
Finance & Performance	Key Control	Creditors	Q4	In Progress									Initial meeting 13/11/2017
ICT	ICT	Network Resilience and Authentication	Q3	Not Started									
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. Initial meeting 18/01/2018
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									Initial meeting 9/01/2018

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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	Project Management - Of Projects Outside of Core Council Programme including Benefit Realisation	Q3	Not started								Start delayed - awaiting confirmation of projects to include.	
Adults Services	Follow Up	Adults Placements	Q4	Not started								Deferred from Q2 to allow sufficient time for agreed actions to be implemented. Initial Meeting 18/01/2018	
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. Initial Meeting 01/02/2018.	
Corporate	Governance, Fraud & Corruption	Corporate Management of Health and Safety	Q3	Not started								Schedule start after follow-ups complete.	
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								Initial Meeting 15/01/2018	
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. Initial Meeting 09/01/2018	

Internal Audit Plan Progress 2017/18

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								Recommendation					
								5	4	3	2	1	
ECI	Governance, Fraud & Corruption	Strategic Asset Management	Q4	Not started									Initial meeting 17/01/2018
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. Initial Meeting scheduled for 08/01
ECI	Key Control	Concessionary Fares - Key Control Review	Q4	Not started									Initial meeting 17/01/2018
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									Initial meeting 10/01/2018
Finance & Performance	Governance, Fraud & Corruption	Performance Management - Service Planning	Q4	Deferred									Deferred to Q1 2018/19 due to additional time spent on audits added to the plan in the year.
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 and replaced with advisory 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 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	
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	

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	
Schools	School	School Theme – SFVS Ashcott	Q3	Final	Reasonable	09/10/2017	12	0	0	12	0	0	
Schools	School	School Theme – SFVS Avalon	Q3	Final	Reasonable	09/10/2017	11	0	0	11	0	0	
Schools	School	School Theme – SFVS Cheddar First	Q3	Final	Reasonable	09/10/2017	12	0	0	9	3	0	
Schools	School	School Theme – SFVS Vallis First	Q3	Final	Reasonable	09/10/2017	13	0	1	9	3	0	
Schools	School	School Theme – SFVS West Huntspill	Q3	Final	Reasonable	09/10/2017	15	0	0	12	3	0	
Schools	School	School Theme – SFVS Castle Cary	Q3	Final	Reasonable	12/10/2017	13	0	0	13	0	0	
Schools	School	School Theme – SFVS St Benedict's	Q3	Final	Reasonable	09/10/2017	16	0	0	16	0	0	
Schools	School	School Theme – SFVS Norton Sub-Hamdon	Q3	Final	Reasonable	09/10/2017	15	0	0	11	4	0	
Early Years													
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	

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	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	
Childrens Services	Early Years	Charlotte Hamlin (Merriott)	Q3	Final	Reasonable	23/11/2017	4	0	1	3	0	0	
Childrens Services	Early Years	Community Kids (Bruton)	Q3	Final	Reasonable	27/11/2017	4	0	1	3	0	0	
Childrens Services	Early Years	Steiner Academy (Frome)	Q3	Draft	Partial	1/12/2017	4	0	1	3	0	0	
Childrens Services	Early Years	Holyrood Playgroup (Chard)	Q3	Draft	Partial	5/12/2017	5	0	1	4	0	0	
Childrens Services	Early Years	Next Steps Childcare (Shepton Mallet)	Q3	Draft	No Assurance	04/12/2017	3	0	2	1	0	0	