

# Somerset County Council

## Report of Internal Audit Activity

### Plan Progress 2018/19 - September Update

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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 12<sup>th</sup> April 2018.

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
- School 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 2018/19. 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

#### **2017/18**

In completion of last years internal audit plan the following partial assurances were reported since the last progress update:

#### **Concessionary Fares – key control review**

Significant improvements have been made to the control framework for the Concessionary Bus Fare scheme. Since the last audit that took place in March 2017, a dedicated Concessionary Fares Officer has been appointed and validation of reimbursement claims is a key responsibility of this role.

Though a validation process is now in place, we identified some weaknesses with the accuracy of the data that is used by SCC for validation checks. This may result in discrepancies not being identified or followed up when required.

#### **IT Active Directory/User Administration**

The industry standard automated controls commonly used to mitigate risk in the management of logons were not in place at time of the audit. In addition, the movers process concentrates on setting up the new access required for the new role, without ensuring access needing to be removed is also identified. These control weaknesses increase the risk of inappropriate processing of information and possible financial or reputational impact for the Council.

There are projects in place to significantly improve access controls and when implemented will be risk based, automated and have a much more robust challenge response regime.

### 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

#### **2018/19**

#### **Childrens– Team Around the School (TAS)**

TAS is a means of early intervention for children and families requiring additional support and a mechanism for schools to meet with other key agencies on a regular basis, to share information about children and families to manage and mitigate the impact of existing issues. TAS is intended to target families assessed at level 2 of the Somerset Safeguarding Children Board (SSCB) early help thresholds, as part of a strategy to reduce the number of families requiring complex or acute support in the future.

The approach has been effective in establishing and strengthening connections between local agencies. Our review of a sample of cases indicates that TAS intervention has been effective in addressing issues faced by children and families referred to the service.

However, some significant issues do remain in place. Specifically, for 65% of cases we reviewed documented consent to share personal information amongst agencies had not been obtained, and 22% of cases did not have a completed Behaviour & Vulnerability Profiling Tool (BVPT) assessment. BVPT is currently the only method through which the impact of TAS intervention can be quantified, and therefore it is crucial that this tool is used both at the beginning and end of intervention.

## Plan Performance 2017/18

Update 2017/18 and 2018/19

Completed Assignments in the Period



### Internal Audit Work Programme Progress to Date

Refer to Appendix B for detail of the individual audits.

#### **2017/18**

In relation to the 2017/18 plan there is just one more audit to finalise and this is currently at draft report stage.

#### **2018/19**

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

- 4 final reports
- 1 draft report
- 13 in progress

There have been some delays experienced in the scheduling of work, with both requests made to move audits back to later in the year and to defer to the following year.

The majority of quarter 1 and 2 reviews now scheduled are in progress.

The Healthy Organisation review is underway which represents a substantial piece of work in this years plan.

In addition, 8 school visits have taken place so far this year.

We keep our audit plans under regular review so as to ensure that



### Approved Changes to the Plan



**we auditing the right things at the right time.**

The main changes agreed to the plan this year have been the result of requests made to delay audits to later in the year or to defer to the following year. Where audits have been deferred a replacement audit has been agreed. The result has been that time has been spent carrying out initial work where this has not then resulted in an audit starting. In addition, audit resources are largely fixed and there is a limit to the amount of work that it will be possible to carry-out in quarters 3 and 4 and there is a risk that not all audits will be deliverable as a result.



### Conclusion

Reasonable progress has been made with the majority of audits scheduled for quarters one and two underway. Although every effort will be made to deliver the plan in full this is now more difficult to achieve with the delays and deferrals that have taken place.

**Partial Opinion Comparison**



### SWAP – Comparison of Partial Opinions across the Partnership

The fully risk based approach followed at Somerset means that a high proportion of partial opinion audit reports are issued. At the June Audit Committee meeting a cross partner analysis of the proportion of partial opinion audits was requested to allow a comparison with Somerset to be made. For results of this work refer to Appendix C.

Other partners include individual schools within their analysis and therefore these have been added back to allow a more meaningful comparison to be made. It is the case that SCC did report the highest proportion of partial opinion audits in 2017/18, although the figures are very close to those of Herefordshire Council. The County Councils and Unitary Authorities do have higher proportions of partial opinions with the exception of Wiltshire Council. The audit plan at Wiltshire was found to have a higher proportion of key control audits and audits relating to previous district council functions which may help explain this lower percentage. As we have reported previously the approach at Somerset is to focus the audit plan to those areas of greatest risk. This approach is backed up with strong follow-up and scrutiny arrangements to help ensure action to mitigate the risks reported is taken.

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

<b>Substantial</b>	▲ ★ ★ ★	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.
<b>Reasonable</b>	▲ ★ ★ ★	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.
<b>Partial</b>	▲ ★ ★ ★	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.
<b>None</b>	▲ ★ ★ ★	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	1 = Major ↔ 3 = Minor			Comments
								Recommendation			
								1	2	3	
<b>2017/18</b>											
ICT	Follow-up	Hardware and Software Asset Management	Q4	Final		15/01/2018					Insufficient progress to be removed from JCAD. Will be revisited as part of Healthy Organisation review.
Adult Services	Follow Up	Adults Income Collection - Personal Finance Contributions	Q4	Final		23/01/2018					Will be followed up as part of our annual debt management key control reviews.
ECI	Key Control	Concessionary Fares - Key Control Review	Q4	Final	Partial	24/01/2018	5		2	3	
Adult Services	Follow Up	Direct Payments – ISP interface	Q4	Final		01/02/2018					Insufficient progress to be removed from JCAD. Gaps remain in control framework – further
Corporate	Governance	Corporate Contracts - Performance Management	Q3	Draft		15/01/2018					Relates to childrens independent placements contracts.
ICT	ICT	Active Directory/User Admin	Q4	Final	Partial	26/02/2018	4		4		
Childrens Services	Follow Up	Independent Placements for CLA and Education - Financial Controls	Q3	In Progress (merged with 18/19 audit)		09/01/2018					Now reported within 2018/19 audit plan.

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 = Major ↔ 3 = Minor			Comments
								Recommendation			
								1	2	3	
<b>2018/19</b>											
Adult Services	Operational	Adults Placements - Finance and Activity Related Controls	Q1	In progress		23/07/2018					
Finance	Key Control	Cash Handling	Q1	Not started							Moved back to Q4 to allow new policy to embed.
Childrens Services	Key Control	Troubled Families - Phase 2 Claims	Q1	In progress		22/06/2018					Certification of claims ongoing through the year
Procurement	Governance	Procurement - Category Management	Q1	Removed							Will pick up within Healthy Organisation review.
Finance and Performance	Governance	Performance Management	Q1	Removed							Will pick up within Healthy Organisation review.
Human Resources	Governance	Role of the Somerset Manager	Q1	Draft		14/05/2018					
ICT	Follow-up	RIPA Use of Internet as a means of Surveillance	Q1	Final	n/a	02/05/2018					Sufficient progress made to remove from JCAD
ICT	ICT	WAN Connection	Q1	Draft		20/06/2018					
Education	Operational	Team Around the School	Q1	Final	Partial	01/05/2018	6		2	4	
Finance and Performance	Follow-up	Dillington House Financial Controls	Q1	Final	n/a	04/05/2018					Insufficient progress made to be removed from JCAD.

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 = Major ↔ 3 = Minor			Comments
								Recommendation			
								1	2	3	
Education	Operational	Independent Placements for CLA and Education - Financial Controls	Q1	In progress		04/06/2018					
Schools	Schools	School Theme - Premises Health and Safety	Q1	In progress		22/05/2018				School visits took place during the summer term.	
Adult Services	Follow-up	Better Care Fund Follow-up	Q1	Not started						Moved to Q3 from Q1 due to review underway with CCG.	
ICT	Follow-up	Data Subject Access Request (DSAR)	Q1	Deferred						More officer time needed to complete agreed actions. Days transferred to Tax Evasion.	
Governance	Governance	Provision for Fraud and Corruption work	Q1	In progress		01/04/2018				To be used as required through the year	
Governance	Governance	Whistleblowing Allegation	Q1	Final	Advisory	04/04/2018				Audit work concluded that there was not a case to be pursued.	
Governance	Governance	Ethical Governance	Q2	In progress		18/07/2018					
Finance	Governance	Combating Tax Evasion	Q2	In progress		24/08/2018				Days increased to ensure all key areas can be covered.	
Governance	Governance	Healthy Organisation	Q2	In progress		5/06/2018					
Human Resources	Governance	People Strategy	Q2	Removed						Will pick up within Healthy Organisation.	

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 = Major	↔	3 = Minor	Comments
								Recommendation			
								1	2	3	
Adult Services	Operational	Management of Blue Badges	Q2	Not started							Moved back to Q4 to allow for changes in service delivery to take place.
Procurement	Follow-up	Corporate Contracts - Performance Management follow-up	Q2	In progress		09/08/2018					
Procurement	Governance	Corporate Contract Management	Q2	Not started							Move to Q3 to ensure procurement work is staggered.
Schools	Schools	Schools Financial Value Standard Moderation	Q2	In progress		11/09/2018					
ICT	ICT	Payment Card Industry (PCI)	Q2	Not started							Delays experienced in starting ICT audit work.
Adult Services	Operational	Client Finances	Q2	Not started							Moved to Q3 to allow for embedding of bank-line.
ICT	ICT	Back Ups - Azure	Q2	Not started							Delays experienced in starting ICT audit work.
ICT	ICT	Risk Analysis Full Lifecycle	Q2	Not started							Delays experienced in starting ICT audit work.
Adult Services	Operational	Learning Disabilities - Review to Improve Lives	Q2	Not started							
	Governance	Adults Residential Home – payments review	Q2	In progress							New - initial meeting 31/08

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 = Major	↔	3 = Minor	Comments
								Recommendation			
								1	2	3	
Finance	Follow-up	Payroll IR35	Q2	Not started							Will complete at same time as STAR payroll to improve efficiency and staff disruption.
Finance	Key Control	STAR Payroll	Q3	Not started							Addition to Plan replaces Procurement Category Management.
Property Services	Operational	Health & Safety - Premises Management	Q3	Not started							Initial meeting 22/08/2018
Schools	Schools	School Theme - Schools Financial Value Standard (SFVS)	Q3	Not started							
ICT	Follow-up	Readiness for General Data Protection Regulations (GDPR)	Q3	In progress		18/06/2018					
Childrens Services	Follow-up	Childrens Direct Payments	Q3	Not started							
Property Services	Follow-up	Strategic Asset Management	Q3	Not started							
Governance	Governance	MTFP - the new Approach	Q3	Not started							Moved to Q4 at request of Strategic Manager Finance.
Adults	Follow-up	Risk of Care Provider Failure	Q3	Not started							



Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 = Major	↔	3 = Minor	Comments
								Recommendation			
								1	2	3	
Procurement	Follow-up	Procurement - The Monitoring and Control of Savings Made	Q3	Not started							
Childrens Services	Follow-up	The Education of Children Looked After	Q3	Not started							
Adult Services	Follow-up	Mental Health - Care Plans	Q3	Not started							
Childrens Services	Follow-up	Use of Part-time Timetables	Q3	Not started							
ICT	Follow-up	IT - Information Sharing	Q3	Not started							
ICT	Follow-up	SAP – Key controls	Q3	Not started							
ICT	Follow-up	Network Resilience	Q3	Not started							
Property Services	Governance	Corporate Property Maintenance - Schools	Q3	Not started							Moved to Q4 at request of Head of Property
Human Resources	Governance	Workforce Planning	Q3	Not started							
Finance	Key Control	Debt Management	Q3	Not started							
ICT	ICT	BRM Infolink Azure	Q3	Not started							

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 = Major	↔	3 = Minor	Comments
								Recommendation			
								1	2	3	
Schools	School Theme	School Theme - Safer Recruitment	Q4	Not started							
Finance	Key Control	Creditors	Q3	Not started							
Adults	Operational	Adults - New Operating Model	Q4	Not started							
ICT	ICT	E5, MS Windows Defender, ATP, Security Suite Deployment	Q4	Not started							
Childrens Services	Operational	Childrens - Special Guardianship Allowances	Q4	Not started							
Property Services	Governance	Corporate Management of Health and Safety	Q4	Not started							
ECI	Operational	Section 106 Agreements	Q4	Not started							
Schools	Schools	School Theme - Sports and PE Grants	Q4	Not started							
Adults	Operational	LD - Discovery Contract	Q4	Not started							
ECI	Operational	Delivery of Major Transport Projects	Q4	Not started							

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 = Major ↔ 3 = Minor			Comments
								Recommendation			
								1	2	3	
ECI	Operational	Concessionary Fares	Q4	Not started							
ICT	ICT	Asset Management - Telephony	Q4	Not started							
<b>Schools</b>											
Schools	Follow-up	Stoke St Michael Primary - SFVS Follow-Up Audit	Q1	Final	n/a	17/07/2018					
Schools	School	Premises Management - Ash Primary	Q1	Draft		21/05/2018					
Schools	School	Premises Management - Fiveways	Q1	Draft		21/05/2018					
Schools	School	Premises Management - St Nicholas Primary	Q1	Draft		21/05/2018					
Schools	School	Premises Management - Ditcheat Primary	Q1	Draft		21/05/2018					
Schools	School	Premises Management - Blackbrook Primary	Q1	Draft		21/05/2018					

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 = Major	↔	3 = Minor	Comments
								Recommendation			
								1	2	3	
Schools	School	Premises Management - Haselbury Plucknett Primary	Q1	Final	Reasonable	21/05/2018	6			6	
Schools	School	Premises Management - Berrow Primary	Q1	Final	Reasonable	21/05/2018	7		1	6	

Partner		Substantial/ Reasonable	Partial/ None
Somerset - without individual schools		37%	63%
<b>Somerset - with individual schools</b>	County	<b>52%</b>	<b>48%</b>
Dorset	County	67%	33%
Wiltshire Council	Unitary	88%	12%
Herefordshire	Unitary	48%	52%
Powys	Unitary	75%	25%
Taunton Deane	Borough	60%	40%
Mendip	District	73%	27%
South Somerset	District	100%	0%
West Somerset	District	90%	10%
East Devon	District	100%	0%
Cotswold	District	85%	15%
West Oxfordshire	District	84%	16%
Forest of Deane	District	95%	5%
Cheltenham	Borough	90%	10%