



Somerset County Council

Report of Internal Audit Activity

Plan Progress 2019/20- November Update

Internal Audit ■ Risk ■ Special Investigations ■ Consultancy

Contents

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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 SWAP Internal Audit Partnership Limited. SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Chartered 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 28th March 2019.

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 2019/20

Outturn to Date:

We rank our recommendations on a scale of 1 to 3, with 1 being areas of major concern to 3, findings that require attention.



Internal Audit Work programme

The schedule provided at Appendix B contains a list of all audits as agreed in the Annual Audit Plan 2019/20. 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 2019/20

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 three 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'.

Review/Risks	Auditors Assessment
None have been reported during the period	N/A

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

Supplier Resilience

This audit has found that current arrangements are not effective in ensuring that the risk of supplier failure is being adequately controlled. Currently there is not a consistent and co-ordinated approach to supplier resilience.

Though due diligence checks are completed prior to procurement, we found that these checks could not always be evidenced. There is a requirement for contract managers to monitor the financial standing of their suppliers once a contract has been awarded; we found these checks are not carried out consistently and some contract managers were unaware they were responsible for conducting such checks.

Of further concern is that Business Continuity Plans prepared by SCC service areas do not consistently outline who their key suppliers are, or what steps would need to be taken in the event one of these suppliers failed. It is unrealistic to expect detailed contingency plans to exist at service level for every contract, however such plans should be prepared for critical contracts.

The Commercial & Procurement service is currently drafting a new Contract Management Framework. This Framework will need to include enhanced guidance for contract managers.



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 2019 is as follows:

Performance Target	SCC Performance	SWAP Performance
<p><u>Audit Plan – Percentage Progress</u> Final, Draft and Discussion In progress Not started</p>	<p>45% 30% 25%</p>	<p>30% 39% 31%</p>
<p><u>Audit Plan – Delivery</u> On course to deliver at least 90% of plan by year end</p>	<p>Yes</p>	<p>Yes</p>
<p><u>Quality of Audit Work</u> Customer Satisfaction Questionnaire</p>	<p>98%</p>	<p>93%</p>

Update 2019/20 continued

SCC Performance

SCC Performance

Please refer to Appendix B for detail of the individual audits.

Good progress can be demonstrated with the majority of quarter 1 and 2 audits now at the reporting stage and most quarter 3 audits now in progress.

As reported in the previous progress report the loss of SWAP's resource for the SCC IT audit plan has slowed delivery of IT audits. The engagement of specialist IT auditors on a consultancy basis is currently being investigated to cover the shortfall this year. A plan to upskill a number of SWAP staff to deliver IT audits as a longer term solution is also being agreed.

Plan Performance 2019/20

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

There have also been additions to the plan of an advisory or investigative nature and these have been resourced by audits that have been deferred. Approval was obtained from SCC ahead of making changes to the plan.



Conclusion

Good progress continues to be made and we are on track to deliver the internal audit plan.



Assurance Definitions	
None	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.
Partial	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.
Reasonable	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.
Substantial	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.

Definition of Corporate Risks	
Risk	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Categorisation of Recommendations	
In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:	
Priority 1	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 =	↔	3 =	Comments
								Major		Minor	
								Recommendation			
1	2	3									
Opinion Based Audits											
ECI	Operational	Passenger Transport – Driver Records	1	Final	Reasonable	09/04/2019	3		1	2	Sufficient progress made to remove this audit from JCAD.
Procurement	Governance	Supplier Resilience	1	Final	Partial	16/04/2019	9		6	3	
Children's services	Schools	School Expenditure	1	Final	Reasonable	16/05/2019	6		1	5	
Finance	Governance	Treasury Management	2	Final	Substantial	06/06/2019	0		0	0	
Human Resources	Governance	Use of Volunteers – DBS checks	2	Final	Reasonable	11/07/2019	7			7	
Finance	Governance	Payroll	2	Draft		26/06/2019					
Human Resources	Governance	Health and Wellbeing – Working Well Programme	1	Draft		09/05/2019					
ICT	ICT	ICT Strategy and Governance	1	Discussion document		11/04/2019					
Adult Services	Operational	Residential Homes – contracts	1	Discussion document		04/06/2019					
Finance	Governance	Cash Handling	3	Discussion Document		14/08/2019					
PMO	Governance	The Commissioning and Delivery of schools	1	In Progress		23/05/2019					Delays from change of scope request and sickness of key staff.

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 =	↔	3 =	Comments
								Major		Minor	
								Recommendation			
1	2	3									
Performance	Governance	Service Planning	2	In Progress		27/06/19					
Adult Services	Operational	Mental Health – Financial Decision Making	2	In Progress		15/07/19					
Children Services	Operational	Early Years – Compliance with Code of Practice	2	In Progress		25/07/19					Visits undertaken during September/October.
Children's services	Operational	Somerset Virtual School	2	In Progress		26/07/19					Delays experienced in progressing this audit.
Children's Services	Operational	Children's Education, Health and Care Plans (EHCPs)	3	In Progress		20/08/19					
Children's Services	Operational	Dillington House – Financial and Business Planning	3	In Progress		08/10/19					Originally scheduled for Q1, moved back to Q3 to review updated business plan.
Adult Services	Operational	FAB Assessments	3	In Progress		01/11/19					
Public Health	Operational	Transfer of Public Health Nursing Services	3	In Progress		19/9/19					
Children's Services	Operational	Children's Services Budget Management	3	In Progress		4/11/19					
Children's Services	School	Schools - Pupil Premium Grant	3	In Progress		05/09/19					
Finance	Key Control	Debt Management	3	In Progress		02/10/19					
Human Resources	Governance	Career Development and Pathways	2	Not Started							Agreed with Director of HR to move back to Q4

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 = Major	↔	3 = Minor	Comments
								Recommendation			
								1	2	3	
ICT	ICT	Vulnerability Management	2	Not Started							
ICT	ICT	Disaster Recovery	3	Not Started							Initial Meeting scheduled in November
Information Management	Governance	Data Subject Access Requests (DSARs)	3	Not Started							Initial Meeting scheduled in November
Adult and Children's	Operational	Direct Payments (including follow-up)	4	Not Started							
Children's Services	Operational	Independent Placements - Financial Controls & Contract Management	4	Not Started							
Performance	Governance	Value for Money Strategy and Reporting	4	Not Started							
Finance	Key Control	Creditors	4	Not Started							
Children's Services	School	Schools - Unofficial Funds	4	Not Started							
Libraries	Operational	Community Library Partnerships	4	Not Started							
PMO	Governance	Project Management - Use of Project Mobilisation Toolkit	4	Not Started							
Adult Services	Operational	Adults - Workforce Planning	4	Not Started							
ICT	ICT	Cloud Service Management	4	Not Started							

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								Major		Minor	
								Recommendation			
1	2	3									
ICT	ICT	Firewall Management	4	Not Started							
ICT	ICT	Agile ICT Audit Project Assurance	4	Not Started							
Finance	Key Control	MTFP	4	Not started							New
Follow Ups											
ICT	Follow-up	Software Asset Management	1	Final	n/a	12/04/19					Sufficient progress made to remove from JCAD
ICT	Follow-up	Hardware Asset Management	1	Final	n/a	12/04/19					Sufficient progress made to remove from JCAD
ICT	Follow-up	Active Directory	2	Final	n/a	02/07/19					Sufficient progress made to remove from JCAD
ICT	Follow-up	SAP – General IT Controls	2	Draft		01/08/19					
Children's Services	Follow-up	Team Around the School	3	In Progress		12/08/19					
	Follow-up	Healthy Organisation	3	In Progress		01/10/19					
Adult Services	Follow-up	Better Care Fund	2	Not Started							Delayed to allow time for recommendations to be implemented
Finance	Follow-up	Combatting Tax Evasion	3	Not Started							Delayed to allow time for recommendations to be implemented
Adult Services	Follow-up	Mental Health – Care Plans	3	Not Started							Agreed with Service to move back to Q4

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 =	↔	3 =	Comments
								Major		Minor	
								Recommendation			
1	2	3									
Property Services	Follow-up	Premises Management Health and Safety	3	Not Started							
Grant Certification Work											
ECI	Grant	Growth Deal – J25 M5 at Henlade	1	Final	n/a	27/06/19					New
ECI	Grant	Local Transport Capital Funding (including Pothole Action)	2	Final	n/a	23/08/19					New
Children & Families	Grant	Troubled Families – Phase 2 Claims	1	In Progress		03/05/19					Certification of claims completed through the year.
ECI	Grant	BDUK Grant Certification	4	Not Started							New
Advisory Work											
ECI	Advisory	Concessionary Fares – Reimbursement Calculation	1	Final	n/a	12/04/19	5		4	1	New
Children's	Advisory	Children's Direct Payment case review	All	In Progress		23/07/19					Service request.
All	Advisory	Organisational redesign	All	Not started							Advisory time to be used as projects develop.

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 =	↔	3 =	Comments
								Major		Minor	
								Recommendation			
1	2	3									
Audits Deferred/Removed from the Plan											
Commissioning	Governance	The Commissioning Gateway	1	Removed							Audit work will be part of the scope of the corporate contract management audit. Day reallocated to grant work required.
Children's services	Operational	SEN Data Management	1	Removed							Removed from plan due to lack of client response.
Human Resources	Operational	Apprenticeship Scheme	4	Removed							Deferred to 2020/21 to release days for Concessionary Fares work.
Procurement	Governance	Corporate Contract Management	3	Removed							The new will not be finalised in time for a useful audit to be conducted. Deferred until Q1 2020-21 and days allocated to new grant audits.
Schools											
Education & Skills	School	School Expenditure Bowlsh Infants	Q1	Final	Reasonable	03/06/19	4	0	1	3	
Education & Skills	School	School Expenditure Keinton Mandeville Primary	Q1	Final	Reasonable	03/06/19	6	0	1	5	
Education & Skills	School	School Expenditure Long Sutton Primary	Q1	Final	Reasonable	03/06/19	6	0	1	5	
Education & Skills	School	School Expenditure Lydeard St Lawrence Primary	Q1	Final	Reasonable	03/06/19	4	0	1	3	

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 = Major	↔	3 = Minor	Comments
								Recommendation			
								1	2	3	
Education & Skills	School	School Expenditure Misterton First	Q1	Final	Partial	03/06/19	6	0	2	4	
Education & Skills	School	School Expenditure St Andrews Junior	Q1	Final	Reasonable	03/06/19	6	0	1	5	
Education & Skills	School	School Expenditure St Louis Primary	Q1	Final	Partial	03/06/19	9	0	4	5	
Education & Skills	School	School Expenditure Wookey Primary	Q1	Final	Reasonable	03/06/19	6	0	1	5	
Education & Skills	School	E-Safety Follow-Up Elmwood School	Q1	Final	n/a	03/06/19					Sufficient progress made to now conclude as Reasonable
Education & Skills	School	Financial Governance Follow-Up Wadham School	Q1	Final	n/a	03/06/19					Sufficient progress made to now conclude as Reasonable
Education & Skills	School	Financial Governance Follow-Up Winsham Primary	Q1	Final	n/a	03/06/19					
Education & Skills	School	Tor School SFVS Follow-Up	Q1	Final	n/a	03/06/19					
Education & Skills	School	Bishop Henderson Primary SFVS Follow-Up	Q1	Final	n/a	03/06/19					
Education & Skills	School	Pupil Premium - Ilchester Primary	Q3	In Progress		01/10/19					
Education & Skills	School	Pupil Premium - Rockwell Green	Q3	In Progress		01/10/19					
Education & Skills	School	Pupil Premium - Frome, Christchurch	Q3	In Progress		01/10/19					

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 =	↔	3 =	Comments
								Major		Minor	
								Recommendation			
1	2	3									
Education & Skills	School	Pupil Premium - Yeovil, Birchfield	Q3	In Progress		01/10/19					
Education & Skills	School	Pupil Premium - Avalon	Q3	In Progress		01/10/19					
Education & Skills	School	Pupil Premium - Taunton, Holway Park	Q3	In Progress		01/10/19					
Education & Skills	School	Pupil Premium - Meare	Q3	In Progress		01/10/19					
Education & Skills	School	Pupil Premium - St Cuthbert's C of E	Q3	In Progress		01/10/19					