

# South Somerset District Council

Report of Internal Audit Activity

2018-19 Outturn Report June 2019

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## Internal Audit Plan Outturn 2018/19

### Our audit activity is split between:

- **Operational Audit**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **Other Reviews**

### Role of Internal Audit

The Internal Audit service for the South Somerset District 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 which was approved by the Audit Committee at its meeting in March 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
- Governance Audits
- IT Audits
- Grants
- Other Special or Unplanned Reviews

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Senior Leadership Team. The 2018-19 Audit Plan was reported to this Committee and approved at its meeting in March 2018.

Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

## Internal Audit Plan Outturn 2018/19

### Outturn to Date:

We rank our recommendations on a scale of 1 to 3, with 1 being a fundamental concern to the services/area being reviewed and 3 being a minor concern that requires management attention.

### 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 in **Appendix A**.

All audits from the 2018-19 plan have been completed to final report stage with the exception of Disaster Recovery Arrangements and Risk Management. Disaster Recovery was scheduled to commence at the end of March and is now drawing to conclusion. The Risk Management Audit was ‘Advisory’ on providing challenge to the new framework that is being developed and is scheduled to be completed by the end of June 2019.

### **Partial Assurance / No Assurance Audits**

As agreed with this Committee where a review has a status of ‘Final’ and has been assessed as ‘Partial’ or ‘No Assurance’, I will provide further detail to inform Members of the key issues identified. Since the previous update there is one ‘Partial Assurance’ review I need to bring to your attention, this being Lone Working. This audit was focusing on the lone working processes in place across the Council. We identified that there was no corporate approach to managing lone workers and different approaches were being used across and within teams. Further details can be found in **Appendix C**. A significant amount of work has been undertaken in this area by SSDC since the original audit to improve the controls. We will be undertaking a follow up Audit in 2019/20 to assess the work undertaken to date.

## Internal Audit Plan Outturn 2018/19

### Outturn to Date:

We rank our recommendations on a scale of 1 to 3, with 1 being a fundamental concern to the services/area being reviewed and 3 being a minor concern that requires management attention.

### Internal Audit Work Programme Continued

#### 'High' Corporate Risk

Our audits examine the controls that are in place to manage the risks that are related to the area being audited. We assess the risk at an inherent level i.e. how significant is the risk(s) at a corporate level on a scale of High, Medium or Low. Once we have tested the controls in place we re-evaluate the risk, based on how effective the controls are operating to govern that risk (Residual Risk). Where the controls are found to be ineffective and the inherent and residual risk is assessed as 'High', I will bring this to your attention.

Since our previous update there are no 'High' risks that I need to bring to your attention from our work. Whilst Lone Working returned a Partial Assurance, the Council does have a lone working policy in place and there are some controls in place to manage the lone workers even though there is no consistent approach. For this reason, the risk assessment at a corporate level returned a 'Medium' assessment rather than 'High'.

## Internal Audit Plan Outturn 2018/19

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

### Approved Changes to the Audit Plan

The audit plan for 2018/19 is detailed in **Appendix B**. Inevitably changes to the plan will be required during the year to reflect changing risks and ensure the audit plan remains relevant to South Somerset District Council. Members will note that where necessary any changes to the plan throughout the year will have been subject to agreement with the appropriate Manager and the Section 151 Officer.

Since the previous update the following changes have been made:

- The Benefits Realisation review has been moved to the 2019/20 plan to enable this work to be undertaken at a more suitable time as some changes are still bedding in. This will also allow for more evidence to be available to ascertain if benefits have been realised and services are running as expected.
- The Procurement/Contract audit was replaced by a special investigation. The risk around not covering this area will be taken into account with the 2019-20 plan and future audit plans.

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

- Substantial
- Reasonable
- Partial
- No Assurance
- Non-Opinion/Advisory

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.

Non-Opinion/Advisory – In addition to our opinion based work we will provide consultancy services. The “advice” offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

Recommendation are prioritised from 1 to 3 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

Audit Framework Definitions

**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.

- Priority 1: Findings that are fundamental to the integrity of the unit’s business processes and require the immediate attention of management.
- Priority 2: Important findings that need to be resolved by management.
- Priority 3: Findings that require attention.

**Definitions of Risk**

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



Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Minor			Comments
						Recommendation			
						1	2	3	
<b>FINAL</b>									
Cross cutting, Governance, Fraud and Corruption	Bank and Cash Procedures at Octagon and Westlands	1	Final	Advisory	0	0	0	0	
Annual Accounts Certification	Boden Mill	1	Final	Advisory / Certification	0	0	0	0	
Annual Accounts Certification	Yeovil Cemetery & Crematorium Accounts	1	Final	Advisory / Certification	1	0	0	1	
Cross cutting, Governance, Fraud and Corruption	Data Protection Query	1	Final	Advisory	0	0	0	0	
Cross cutting, Governance, Fraud and Corruption	EU General Data Protection Regulations Common Findings	1	Final	Advisory	0	0	0	0	
Cross cutting, Governance, Fraud and Corruption	Financial Resilience/Contract Monitoring	2	Final	Partial	3	1	1	1	
Operational	LED Leisure Contract Compliance	2	Final	Reasonable	1	0	0	1	
Key Financial Controls	Treasury Management and Bank Reconciliations	3	Final	Substantial	0	0	0	0	
Key Financial Controls	Payroll	3	Final	Substantial	0	0	0	0	
Cross cutting, Governance, Fraud and Corruption	Lone Working Arrangements	3	Final	Partial	5	0	4	1	

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Recommendation			Comments
						1 = Major	↔	3 = Minor	
						1	2	3	
Cross cutting, Governance, Fraud and Corruption	Commercial Strategy/Income Generation	3	Final	Reasonable	4	0	1	3	
Key Financial Controls	Cash Receipting	3	Final	Substantial	1	0	0	1	
Key Financial Controls	Accounts Receivable	3	Final	Reasonable	1	0	1	0	
Key Financial Controls	Main Accounting, Budgetary Control and Capital Accounting	3	Final	Reasonable	3	0	1	2	
Cross cutting, Governance, Fraud and Corruption	Transformation Programme - Re-engineering workshops	1,2,3	Final	Advisory	0	0	0	0	
IT Audit	<b>New:</b> Cyber Security Follow Up	3	Final	Advisory	0	0	0	0	
Cross cutting, Governance, Fraud and Corruption	Transformation Programme - Petters Way Front of House	1,2,3	Final	Advisory	0	0	0	0	
Cross cutting, Governance, Fraud and Corruption	Transformation Programme - Benefit Realisation Strategy	1,2,3	Final	Advisory	0	0	0	0	
Key Financial Controls	Accounts Payable	4	Final	Reasonable	2	0	0	2	
Special Investigation	<b>New:</b> Special Investigation	4	Final	Advisory	0	0	0	0	
Cross cutting, Governance, Fraud and Corruption	Housing Benefit Subsidy Claims	4	Final	Reasonable	6	0	0	6	

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 =	↔	3 =	Comments
						Major		Minor	
						Recommendation			
1	2	3							
<b>IN PROGRESS</b>									
Cross cutting, Governance, Fraud and Corruption	Risk Management	4	In Progress	Advisory work - due to finish end of June 2019					
IT Audit	Disaster Recovery	4	In Progress						
<b>Deferred/Removed</b>									
IT Audit	Agile Working	1,2,3							Replaced by Cyber Security
Operational	S106/CIL	4							Moved to 2019-20 plan due to staff absence in service area.
Cross cutting, Governance, Fraud and Corruption	Transformation Benefits Realisation	4							Moved to 2019-20 plan for timing purposes
Cross cutting, Governance, Fraud and Corruption	Procurement/Contract	4							Replaced with special investigation

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

## Summary of Audit Findings and High Priority Service Finding

The following information provides a brief summary of each audit review finalised since the last Committee update in January 2019. Each audit review is displayed under the relevant audit type, i.e. Operational; Key Control; Governance; Fraud & Corruption; ICT and Special Review. Since the January 2019 update there is one Partial Assurance audit opinion that I need to bring to your attention.

## Governance, Fraud and Corruption Audits

The Governance, Fraud and Corruption Audit process focuses primarily on key risks relating to cross cutting areas that are controlled and/or impact at a Corporate rather than Service specific level. It also provides an annual assurance review of areas of the Council that are inherently higher risk. This work will enable SWAP to provide management with assurance that key controls are in place. SWAP will use the findings of these reviews to support the assurance that is required as part of the Council's Annual Governance Statement; it will also provide assurance to the External Auditor on areas that they have requested specific assurance.

### Lone Working – Partial Assurance

The law requires employers to consider carefully, and then deal with any health and safety risks for people working alone. Our reason for awarding partial assurance is that:

- 59% of Risk Assessments were overdue for review which could result in offices being unprepared for new risks;
- 57% of lone workers had not received training which could result in officers not knowing how to deal with a dangerous situation;

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

### Governance, Fraud and Corruption Audits Continued

- Systems used are not consistent across service areas – this could mean that some officers are not being suitably protected by the system they are using;
- 64% of lone workers who should have access to the dangerous persons register do not have access, which could result in them unknowingly putting themselves into avoidable dangerous situations.

These weaknesses increase the potential risks to lone workers. The impact of transformation will no doubt change the way staff are working and how many staff are lone working. We note that the Lone Working Policy is out of date and now would be a reasonable time to review this policy to reflect the changes in the structure and to ensure the policy reflects the '*ways of working*' at SSDC within the new structure. It was positive to see that Managers are aware of their roles & responsibilities for lone working, which includes the new localities Manager. Updating the Lone Working Policy will ensure that a new and consistent approach to lone working is rolled out across the organisation and further enhance some of the good steps already being taken such as rolling out the use of Skyguard, a lone working protection system.

### June 2019 Update – Lone Working

A new draft policy has been prepared, following feedback from managers and the Safety Panel, this now requires final consultation and agreement by SLT. New target date end of July 2019. The four priority 2 recommendations from the review are listed below together with an update as at the beginning of June 2019.

No	Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Agreed Date of Action
<b>Lone Working</b>					
1	Risk assessments are not reviewed annually.	Risk assessments may not assess the correct risks officers face, resulting in inadequate control measures being in place to safeguard staff. Should an incident occur the Council would be open to legal recourse, finance loss and reputational damage.	We recommend that the Leadership and Management Team ensures risk assessments are updated and reviewed annually. An annual check should be carried out to ensure all have been reviewed and updated to show the date of review.	The risk assessments in place are likely to include a high degree of duplication. A review of these will be undertaken by end February in advance of a more rigorous approach to reviewing all risk assessments at least annually being developed by end March 2019.	March 2019
<p><b>Update June 2019:</b> A preliminary review of service-based risk assessments for lone working has been completed, which has confirmed a high degree of duplication. It is proposed that only three generic risk assessments are needed, in support of the lone working policy. The new risk assessments will be available shortly for further consultation / training within teams. Limiting the number of risk assessments will allow a focus on the key actions necessary to prevent or minimise the risk or harm to a lone worker. In future these risk assessments will be reviewed annually. Reports of near misses or other events are reviewed regularly by the Health &amp; Safety working group. Target date end of July 2019.</p>					
2	Training is not provided to all Lone workers.	An officer is injured due to insufficient lone working training resulting in legal, financial and reputational damage to the Council.	We recommend that the People Managers Forum ensures that the lone working training programme is reviewed and updated, and that all lone workers are complete this regardless of length of service. Annual refreshers should be carried out to update on any changes in protocols that have occurred and ensure the correct processes are being followed.	The people Managers' Forum will review and update the lone working training programme by end March. All lone workers will be asked to complete this training by end April 2019	April 2019
<p><b>Update June 2019:</b> No formal 'corporate' refresher training has been offered as yet as the content requires the reviewed policy &amp; risk assessments. However, managers have been reviewing risk assessments and agreeing operating practice (including use of the Skyguard tool) within individual teams</p>					

No	Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Agreed Date of Action
	where lone working takes place in the higher risk areas is identified (eg Locality, Specialists, Customer Focus). Training will be included in the new health induction & refresher training and made available through the Learning Management System. Target date end of July 2019.				
3	There is no consistency in lone working systems used across teams.	Multiple systems are not sufficiently monitored resulting in staff unsupported in dangerous situations resulting in injury to the officer and financial, legal and reputational damage to the Council.	<p>We recommend that the Lead Specialist Strategic Planning ensures that:</p> <ul style="list-style-type: none"> <li>• the need to use Skyguard is clearly communicated to all lone workers and their Managers;</li> <li>• training is provided on its use to all lone workers;</li> <li>• the method of raising the alarm is considered and communicated to all lone workers and their Managers.</li> </ul>	<p>Skyguard training will be included in the lone worker training being provided and undertaken by all lone workers by end April 2019.</p> <p>The method of raising the alarm to be agreed and communicated by end March 2019.</p>	April 2019
<b>Update June 2019:</b> All lone workers will use Skyguard. See recommendation 2 for further information.					
4	Not all officers have access to a register of dangerous persons or properties list.	A lone worker is assaulted resulting in injury to them and legal, financial and reputational damage to the Council.	We recommend that the Lead Specialist Environmental Health and the Specialist Service Manager ensures that a register of dangerous persons is produced and made available to all officers who may have to deal with customers on their own.	A register of dangerous persons to be produced and provided to all lone workers.	April 2019