

South Somerset District Council

Proposed 2020-21 Internal Audit Plan and Internal Audit Charter

The Internal Audit Plan: Summary

The internal audit plan represents a summary of the proposed audit coverage that the internal audit team will deliver throughout the 2020/21 financial year.

Delivery of an internal audit programme of work that provides sufficient and appropriate coverage, will enable us to provide a well-informed and comprehensive year-end annual internal audit opinion.

Introduction and Objective of the Internal Audit Plan

Internal audit provides an independent and objective opinion on the Authority's risk management, governance, and control environment by evaluating its effectiveness.

Prior to the start of each financial year, SWAP, in conjunction with senior management, put together a proposed plan of audit work. The objective of our planning process and subsequent plan is to put us in a position to provide a well-informed and comprehensive annual audit opinion, based on sufficient and appropriate coverage of key business objectives, associated risks, and risk management processes.

The outcomes of each of the audits in our planned programme of work, will provide senior management and Members with assurance that the current risks faced by the Authority in these areas are adequately controlled and managed.

It should be noted that internal audit is only one source of assurance, and the outcomes of internal audit reviews should be considered alongside other sources, as part of the 'three lines of defence' assurance model. Key findings from our internal audit work should also be considered in conjunction with completion of the Authority's Annual Governance Statement (AGS).

It is the responsibility of the Authority's Senior Leadership Team and the Audit Committee, to confirm that the audit coverage contained within the proposed audit plan is sufficient and appropriate in providing independent assurance against the key risks faced by the organisation.

When reviewing the proposed internal audit plan (as set out in Appendix 1), key questions to consider include:

- Are the areas selected for coverage this coming year appropriate?
- Does the internal audit plan cover the organisation's key risks as they are recognised by the Senior Leadership Team and Audit Committee?
- Is sufficient assurance being received within our annual plan to monitor the organisation's risk profile effectively?

The Internal Audit Plan: Approach

To develop an appropriate risk-based audit plan, SWAP have consulted with senior management, as well as reviewing key documentation, in order to obtain an understanding of the organisation’s strategies, key business objectives, associated risks, and risk management processes.

Approach to Internal Audit Planning 2020/21

The factors considered in putting together the 2020/21 internal audit plan have been set out below:



Due to the pace of change within Local Authorities and now the impact from Covid-19, it is becoming increasingly difficult to accurately predict longer-term key organisational risks. Our approach to delivering your internal audit plan will remain flexible to meet that change and respond to new and emerging risks. We will be embracing short-term prioritisation with regular review/updates to the audit plan to mirror the changing pace of risk and assurance needs. The plan for quarter 1 will remain flexible as risks and needs change. We will adopt an 'agile' approach and each quarter I will review the next quarter's plan to ensure that we are auditing the right areas at the right time; any necessary changes will of course be agreed with the Senior Leadership Team and the Audit Committee will be kept informed.

The Internal Audit Plan: Risk Assessment

A documented risk assessment prior to developing an internal audit plan, ensures that sufficient and appropriate areas are identified for consideration.

As above, it is the responsibility of the Authority's Leadership Team, and the Audit Committee to ensure that, following our risk assessment, the proposed plan contains sufficient and appropriate coverage.

Internal Audit Annual Risk Assessment

Our 2020/21 internal audit programme of work is based on a documented risk assessment, which SWAP will revisit regularly, but at least annually. The input of senior management as well as review of the Authority's risk register will be considered in this process. We are undertaking an on-going risk assessment throughout quarter 1 embracing short-term priorities as the risk environment changes.

Below we have set out a summary of the outcomes of the risk assessment for South Somerset District Council pre Covid19:



Note: Risk assessment will be updated post Covid-19 lockdown for a revised plan for the remainder of 2020-21.

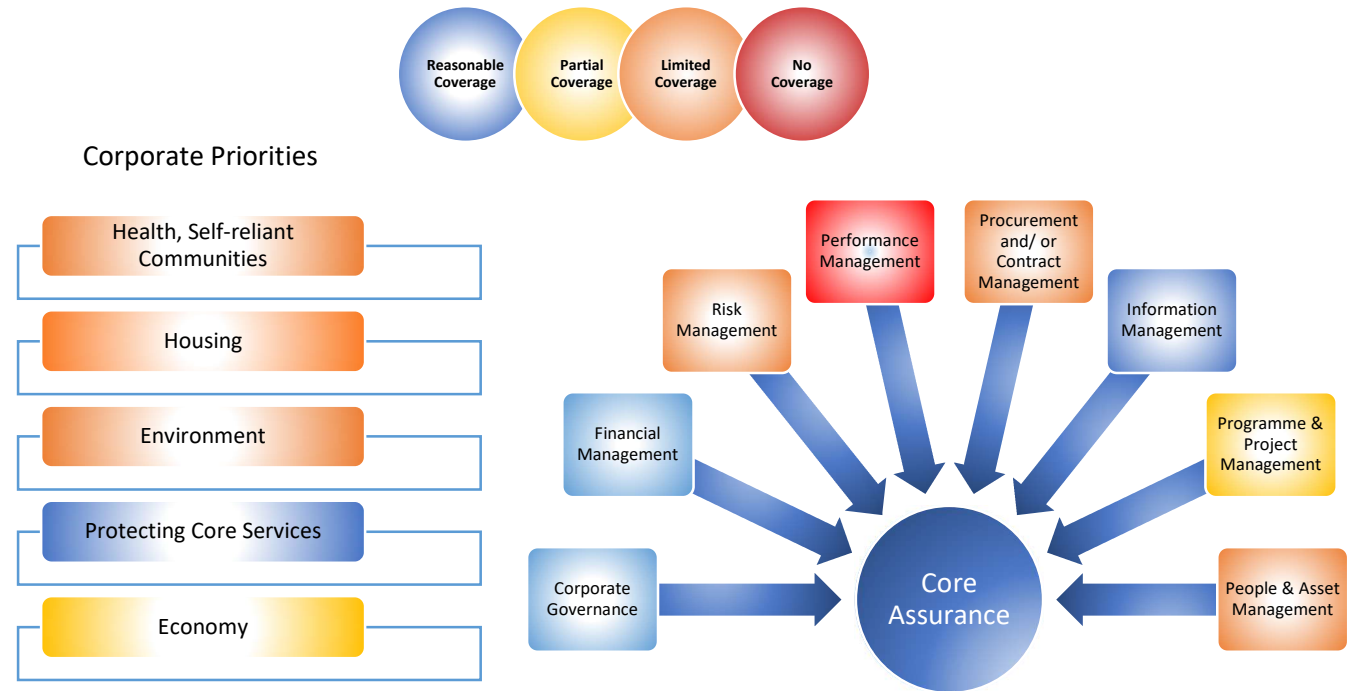
The Internal Audit Plan: Coverage

Following our SWAP Risk Assessment above, we have set out how the proposed 20/21 plan presented in Appendix 1 provides coverage of the Authority's key corporate outcomes, as well as our core areas of recommended coverage.

Internal audit is only one source of assurance; therefore, where we have highlighted gaps in our coverage, assurance should be sought from other sources where possible in order to ensure sufficient and appropriate assurances are received.

Internal Audit Coverage in 2020/21

Following our SWAP risk assessment (pre-Covid-19), we have set out below the extent to which the proposed plan presented in Appendix 1 provides coverage of the Authority's key corporate objectives, as well as our core areas of recommended coverage. Where we have highlighted limited or no coverage, Senior Management and Audit Committee should seek and document assurance from alternative sources, or consider re-focussing internal audit resource to provide coverage of these areas:



Internal audit coverage can never be absolute and responsibility for risk management, governance and internal control arrangements will always remain fully with management. As such, internal audit cannot provide complete assurance over any area, and equally cannot provide any guarantee against material errors, loss or fraud.

The Internal Audit Plan: SWAP

SWAP Internal Audit Services is a public sector, not-for-profit partnership, owned by the public sector partners that it serves. The SWAP Partnership now includes 26 public sector partners, crossing eight Counties, but also providing services throughout the UK.

As a company, SWAP has adopted the following values, which we ask our clients to assess us against following every piece of work that we do:

- Candid
- Relevant
- Inclusive
- Innovative
- Dedicated

Your Internal Audit Service

Audit Resources

The 2020/21 internal audit programme of work will be equivalent to 334 days. The current internal audit resources available represent a sufficient and appropriate mix of seniority and skill to be effectively deployed to deliver the planned work. The key contacts in respect of your internal audit service for South Somerset District Council are:

Alastair Woodland, Assistant Director – Alastair.woodland@SWAPaudit.co.uk, 07720312467
Adam Williams, Principal Auditor – Adam.williams@SWAPaudit.co.uk
Adele Mitchell, Senior Auditor – Adele.mitchell@SWAPaudit.co.uk

Conformance with Public Sector Internal Audit Standards

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Every three years, SWAP is subject to an External Quality Assessment of Internal Audit Activity. The last of these was carried out in February 2020 which confirmed conformance with the Public Sector Internal Audit Standards.

Conflicts of Interest

We are not aware of any conflicts of interest within South Somerset District Council that would present an impairment to our independence or objectivity. Furthermore, we are satisfied that we will conform with our IIA Code of Ethics in relation to Integrity, Objectivity, Confidentiality, and Competency.

Consultancy Engagements

As part of our internal audit service, we may accept proposed consultancy engagements, based on the engagement's potential to improve management of risk, add value and improve the organisation's operations. Consultancy work that is accepted, will contribute to our annual opinion and will be included in our plan of work.

Approach to Fraud

Internal audit may assess the adequacy of the arrangements to prevent and detect irregularities, fraud and corruption. We have dedicated counter fraud resource available to undertake specific investigations if required. However, the primary responsibility for preventing and detecting corruption, fraud and irregularities rests with

The Internal Audit Plan: SWAP

Over and above our internal audit service delivery, SWAP will look to add value throughout the year wherever possible. This will include:

- **Benchmarking and sharing of best-practice between our public-sector Partners**
- **Regular newsletters and bulletins containing emerging issues and risks**
- **Communication of fraud alerts received both regionally and nationally**
- **Annual Member training sessions**

management who should institute adequate systems of internal control, including clear objectives, segregation of duties and proper authorisation procedures.

Our Reporting

A summary of internal audit activity will be reported quarterly to senior management and the Audit Committee. This reporting will include any significant risk and control issues (including fraud risks), governance issues and other matters that require the attention of senior management and/or the Audit Committee. We will also report any response from management to a risk we have highlighted that, in our view, may be unacceptable to the organisation.

Internal Audit Performance:

As part of our regular reporting to senior management and the Audit Committee, we will report on internal audit performance. The following performance targets will be used to measure the performance of our audit activity:

Performance Measure	Performance Target
<u>Delivery of Annual Internal Audit Plan</u> Completed at year end	>90%*
<u>Quality of Audit Work</u> Overall Client Satisfaction <i>(did our audit work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation)</i>	>95%
<u>Outcomes from Audit Work</u> Value to the Organisation <i>(client view of whether our audit work met or exceeded expectations, in terms of value to their area)</i>	>95%

*Subject to impact of Covid-19

It should be noted that the audit titles and high-level scopes included below are only indicative at this stage for planning our resources. At the start of each audit, an initial discussion will be held to agree the specific terms of reference for the piece of work, which includes the objective and scope for the review.

Due to the outbreak of Covid-19, the audit plan for 2020/21 has to remain flexible. Therefore, the following audits are those that can be carried out in quarter one with minimal impact on the delivery of frontline services and agreed with the Senior Leadership Team. The Quarter 1 plan will remain flexible and focus on short-term prioritisation and regular review/updates to the audit plan to mirror the changing pace of risk and assurance needs. This work is still on-going.

Outline Quarter 1 subject to change

Audit Name	Areas of Coverage and Brief Rationale	Quarter	Link to Corporate Outcome	Healthy Organisation Theme	Link to Corporate Risk Register (if applicable)
<p>Governance, Fraud & Corruption: <i>Governance, Fraud and Corruption Audits focus 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.</i></p>					
Project Governance - Regeneration Projects	<p><i>SSDC have a number of regeneration projects in progress Assurance will be provided around the governance of these programmes as substantial sums of money is and will continue to be spent. The review will look at how the project is being directed and controlled and adherence to appropriate project management arrangements for successful delivery of the aims and objectives.</i></p>	1	Economy	Programme & Project Management	Poor execution of Projects
Boden Mill & Chard Regeneration Scheme Accounts	<p><i>Annual Audit to check statement of accounts for this scheme have been accurately produced against the budget monitor spreadsheet.</i></p>	1	Economy	Financial Management	Programme budget overspends/higher than anticipated costs
Yeovil Cemetery & Crematorium Annual Accounts	<p><i>Annual Audit to check the accounts for the Cemetery & Crematorium</i></p>	1	Protecting Core Services	Financial Management	Programme budget overspends/higher than anticipated costs

Audit Name	Areas of Coverage and Brief Rationale	Quarter	Link to Corporate Outcome	Healthy Organisation Theme	Link to Corporate Risk Register (if applicable)
<p>ICT/Information Management: <i>These audits provide the Authority with assurance with regards to their compliance with industry best practice. As with Operational Audits, an audit opinion is given.</i></p>					
<p>ICT Governance and Risk Scope Review</p>	<p><i>The ICT Governance and Risk Scope Review enables SWAP to react to recent major changes in ICT Enterprise, Infrastructure and Service Delivery across our partners. The capability within our partners to deliver technology has been driven by local government re-organisation, the installation of joint venture arrangements, the withdrawal from outsourced provision and the move towards cloud-based architecture, particularly for storage, contingency and business led applications. All of these have resulted in a differing focus for lead officer for ICT both in terms of governance, and resource in staff and money available to them.</i></p>	<p>1</p>	<p>Protecting core services</p>	<p>Information management</p>	<p>N/A</p>
<p>Follow -up: <i>Follow up reviews are undertaken where a previous audit has returned a 'Partial Assurance' or 'No Assurance'. This is to provide assurance that areas of weakness have been addressed. Follow up reviews will only focus on the areas of weakness identified in the original review.</i></p>					
<p>Combined Follow Up</p>	<p><i>Follow up of incomplete recommendations from 2019/20 follow ups to provide assurance to audit committee they have now been completed. Financial resilience and lone working must be included,</i></p>	<p>1</p>	<p>Protecting core services</p>	<p>Corporate governance</p>	<p>N/A</p>
<p>Planning, Advice and Support</p>					
	<p><i>Time for additional small-scale work, ad hoc advice committee reporting & attendance, planning and client liaison meetings. Focus currently on continuous assurance work around key financial systems and support on performance information.</i></p>	<p>1-4</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>

Quarters 2,3,4

The remainder of the proposed audit plan for 2020/21, covering quarters 2, 3 and 4, is set out below; however, this will be dependent on a revised risk assessment towards the end quarter 1 on changing priorities and SLT approval. Any changes will be communicated to the Audit Committee for agreement.

Audit Name	Areas of Coverage and brief Rationale	Quarter	Corporate Outcome	Organisation Theme	Risk Register (if applicable)
<p>Key Control: Key Control Audits are completed as an assessment of the Council's financial control environment. It is essential that all key controls are operating effectively to provide management with the necessary assurance that there is a satisfactory framework on internal control. Financial controls underpin the statement of accounts.</p>					
Council Tax & NNDR	<p>Audit completed in 2019/20 was awarded partial assurance. This area is being covered again to ensure recommendations are being actioned and improvements have been seen. Weaknesses identified in the lack of review of officer work, discounts and exemptions and suppressed accounts. These controls need to be in place to ensure correct billing and amendments are made and income can be collected.</p>	3	Protecting Core Services	Financial Management	Missed funding/ income
Creditors	<p>This review will seek to ensure key controls, such as Authorisations, master data controls, direct debit, access to the system, VAT, etc. is appropriately controlled. A new process which starts from the 'need to acquire/purchase' through to 'payment being made' rather than the previously agreed purchase order process is being rolled out from April 2020.</p>	3	Protecting Core Services	Financial Management	Challenge to integrity of the financial system
Housing Benefits	<p>With the roll out of Universal Credit the volume of work in HB has reduced. However, risks remain the same as before and it is imperative that claims are processed without error to avoid SSDC picking up the cost of incorrectly processed applications/amendments. The change in the organisation would increase the potential risk of error. Partial assurance awarded in 2019/20.</p>	3	Protecting Core Services	Financial Management	Statutory duties not being carried out
Budget Planning & Monitoring	<p>Budget planning and monitoring is a fundamental key control across any organisation. Previously budget controls have been covered as part of our Main Accounting review. In order to provide greater depth and challenge to the planning and monitoring processes a separate review will be undertaken. Changes in organisation structure and budget responsibilities increases the risk in this area.</p>	3	Protecting Core Services	Financial Management	Inability of the Council to achieve a balanced budget

Audit Name	Areas of Coverage and brief Rationale	Quarter	Corporate Outcome	Organisation Theme	Risk Register (if applicable)
	<i>There are budget holders with a substantial value budgets so effective monitoring is important.</i>				
Governance, Fraud & Corruption: <i>Governance, Fraud and Corruption Audits focus 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.</i>					
Ethical Governance	<i>Ethical governance is defined as a set of processes, procedures, cultures and values designed to ensure the highest standards of behaviour. This review would seek to confirm that processes, procedures, culture and values are aligned to the Nolan Principles and working effectively in SSDC. Covers both members and officers. We will also cover the trading company within this review, including their anti-bribery policy, etc.</i>	4	Protecting Core Services	Corporate Governance	Failure to achieve required cultural change across the council
Income Generation - service improvements	<i>As part of the Commercial Strategy there is a 5% yield increase required across the council services and a new income target of £250k. When we audited the strategy in 18/19 this area was still in development. Now progress has moved on this review will provide an insight to how well progress is being made against the targets. Looking at Improvement of services, cost saving and introduction of new income generating services. Deferred from 2019/20 so needs to be reviewed in 2020/21</i>	2	Economy	Financial Management	Inability of the Council to achieve a balanced budget
Yeovil Innovation Centre (YIC) Phase 2	<i>A review of the processes and procedures in place would be beneficial and an assessment of the project management and financial managing of the budget should provide assurance as to how well this is progressing. No sinking fund had been in place for building upkeep, although this has now been created in 2019/20. This review will provide an overview of performance against the business plan and collection of Business Rates against those using the YIC.</i>	4	Economy	Programme & Project Management	Programme budget overspends/higher than anticipated costs
Procurement - Leisure Contract	<i>Procurement has not been looked at for over 5 years. The organisation has been through a restructure with a new procurement manager who has been in post for 18 months so new processes should be in place and working.</i>	2	Protecting core Services / Healthy, Self-reliant Communities / Economy	Commissioning & Procurement	Failure to comply with corporate procedures

Audit Name	Areas of Coverage and brief Rationale	Quarter	Corporate Outcome	Organisation Theme	Risk Register (if applicable)
Risk Management	<i>Time spent in 2018-19 & early part of 2019-20 supporting the development of the Risk Management Framework. With Risk Management fundamental to good governance this review would seek to ensure the new framework is operating effectively and as intended within the RM Strategy.</i>	4	Protecting core services	Risk Management	Failure to comply with corporate procedures
Commercial Investments	<i>Commercial investments continue to be made by the council with significant member and public interest. The agreed budget for investments has been increased to £150m. Due to the value of investments being this should be looked at regularly. Rates of return at the point of making the decision are good but need to assess what's actually being received and how finances are being accounted for.</i>	3	Economy	Financial Management	Initiation of projects that are either unviable or not worthwhile
Somerset Districts Cooperation/collaboration FOLGIS	<i>The threat from Unitary hangs large on the horizon. Somerset Districts have agreed to ensure closer working together. With growing momentum at a national level for local government reorganisation and a report indicating that savings and improvements are available to the Councils, "no change" is undesirable for all Councils. Time to support collaboration programs.</i>	4	Protecting Core Services	Financial Management	N/A
Climate Change	<i>Across all Somerset Councils. Strategy likely to be agreed in September 2020 and the audit will likely focus on the actions plans from the strategy to give assurance that they are progressing as agreed.</i>	4	Environment	Corporate Governance	N/A
Transformation					
Transformation close down	<i>Transformation is to be closed down during this year. Lessons learned to be assessed, along with benefits identified, have they been achieved, Capacity of the Council, is this in the right places. Benefits work in 2019-20 will assess current position, but the organisation needs and pressures have moved on since the original business case.</i>	2	Protecting core services	Programme & Project Management	NWOW is not delivered as planned

Audit Name	Areas of Coverage and brief Rationale	Quarter	Corporate Outcome	Organisation Theme	Risk Register (if applicable)
Civica Digital systems review	<i>Transformation was to include new digital software to deliver the efficiencies required to allow for the reduction in staffing made. These have not yet been delivered in full. A review of the progress made and the plans in place to complete this would provide members with assurance that the required efficiencies are coming as the additional resource funded will not last the whole financial year in most cases.</i>	1-2	Protecting core services	Information Management	Booking system isn't delivered Damage to SSDC/Civica relationship Failure to achieve uptake of digital channel shift and NWOW not brought into by customers
ICT/Information Management: <i>These audits provide the Authority with assurance with regards to their compliance with industry best practice. As with Operational Audits, an audit opinion is given.</i>					
Cyber Security Framework Review	<i>The Cyber Security Framework Review is made up on 20 key controls using a high-level approach to compliance testing is undertaken as part of the audit. Although it is appreciated that the review does not constitute a full assurance-based audit, it provides the background for a fully resourced and focussed risk based cyber security audit programme that adds value to be undertaken at a later date based on risk.</i>	2	Protecting core services	Information Management	Data and information breaches or losses
Digital Strategy and Transformation	<i>The reviews surrounding Digital Strategy and Transformation will be risk-based assurance reviews. A standard work programme is currently being revised to match the agreed outcomes of digital ensuring that the outcomes. Other key risks include digital exclusion, unproven channel shift failure to undertake user experience/user interaction (UX/UI) processes, and a failure of the digital programmes to engage with other services including ICT. Technology underpins digital, it does not drive it.</i>	2	Protecting core services	Information management	N/A
Operational: <i>Operational audits are a detailed evaluation of a Service's control environment. A risk matrix is devised, and controls are tested that mitigate those risks. Where weaknesses or areas for improvement are identified, actions are agreed with management and target dated.</i>					
S106 & CIL	<i>Has been deferred the last 2 years. Needs to be looked at. Responsibility for managing this is split across accountancy, localities, planning and legal for various elements. Need to assess if this is the best solution to achieve value for money and</i>	2	Housing	Financial Management	Failure to comply with corporate procedures

Audit Name	Areas of Coverage and brief Rationale	Quarter	Corporate Outcome	Organisation Theme	Risk Register (if applicable)
	<i>ensure it is used by the set dates. Audit will need to cover the 3 year period where we were unable to audit this area and not just focus on the most recent areas.</i>				
Homelessness	<i>With the increase in homelessness across the country it is important to check how the council is managing their homelessness problems and identify how well this is managed. An increase in homelessness also increases the cost in dealing with this, how is this being managed. Changes in legislation in this area within the last couple of years with the Homeless Reduction Act.</i>	2	Housing	Corporate Governance	Failure to comply with corporate procedures
Follow -up: <i>Follow up reviews are undertaken where a previous audit has returned a 'Partial Assurance' or 'No Assurance'. This is to provide assurance that areas of weakness have been addressed. Follow up reviews will only focus on the areas of weakness identified in the original review.</i>					
Information Governance GDPR	<i>This is likely to go partial as issues are being identified therefore a follow-up will be required This is likely to go partial as issues are being identified therefore a follow-up will be required</i>	4	Protecting core services	Information management	Data and information breaches or losses
Planning, Advice and Support					
	<i>Time for additional small-scale work, ad hoc advice, time to support Anti-Money Laundering arrangements, committee reporting & attendance, planning and client liaison meetings.</i>	1-4	N/A	N/A	N/A

The Internal Audit Charter

Purpose

The purpose of this Charter is to set out the nature, role, responsibility, status and authority of internal auditing within South Somerset District Council, and to outline the scope of internal audit work.

Approval

This Charter was approved by the Audit Committee on 27th April 2017 and is reviewed each year to confirm it remains accurate and up to date. It was last reviewed by the Audit Committee on 26th March 2020*.

Provision of Internal Audit Services

The internal audit service is provided by the SWAP Internal Audit Services (SWAP). This charter should be read in conjunction with the Service Agreement, which forms part of the legal agreement between the SWAP partners.

The budget for the provision of the internal audit service is determined by the Council, in conjunction with the Members Meeting. The general financial provisions are laid down in the legal agreement, including the level of financial contribution by the organisation, and may only be amended by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment that was carried out when determining the organisation's level of contribution to SWAP. This is reviewed each year by the S151 Officer in consultation with the Chief Executive of SWAP.

Role of Internal Audit

The Accounts and Audit (England) Regulations 2015, state that: *"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the public sector internal auditing standards or guidance."*

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Organisation's operations. It helps the Council accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Responsibilities of Management, Audit Committee and Internal Audit

Management¹

Management is responsible for ensuring SWAP has:

- the support of management and the organisation; and
- direct access and freedom to report to senior management, including the Chief Executive and the Audit Committee.
- Notification of suspected or detected fraud, corruption or impropriety.

Management is responsible for maintaining internal controls, including proper accounting records and other management information suitable for running the Organisation. Management is also responsible for the appropriate and effective management of risk.

¹ In this instance Management refers to the Senior Management Team and Statutory Officers.

*Subject to approved in March 2020

Audit Committee²

The Audit Committee is responsible for approving the scope of internal audit work, receiving communications from the SWAP Assistant Director on the progress of work undertaken, reviewing the independence, objectivity, performance, professionalism and effectiveness of the Internal Audit function, and obtaining reassurance from the SWAP Assistant Director as to whether there are any limitations on scope or resources.

Internal Audit

The SWAP Assistant Director, as Head of Internal Audit, is responsible for determining the scope, except where specified by statute, of internal audit work and for recommending the action to be taken on the outcome of, or findings from, their work.

Internal audit is responsible for operating under the policies established by management in line with best practice.

Internal audit is responsible for conducting its work in accordance with the mandatory elements of the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. SWAP has been independently assessed and found to be in Conformance with the Standards.

Internal audit is not responsible for any of the activities which it audits. SWAP staff will not assume responsibility for the design, installation, operation or control of any procedures. SWAP staff who have previously worked for the organisation will not be asked to review any aspects of their previous department's work until one year has passed since they left that area.

Relationship with the External Auditors/Other Regulatory Bodies

Internal Audit will co-ordinate its work with others wherever this is beneficial to the organisation.

Status of Internal Audit in the Organisation

*The Chief Executive of SWAP is responsible to the SWAP Board of Directors and the Members Meeting. Appointment or removal of the Chief Executive of SWAP is the sole responsibility of the Members Meeting.

The Chief Executive for SWAP, the Executive Director and Assistant Director also report to the Section 151 Officer, and reports to the Audit Committee as set out below

The Assistant Director will be the first and primary point of contact for the organisation for all matters relating to the Audit Committee, including the provision of periodic reports, as per company policy. The Assistant Director is also responsible for the design, development and delivery of audit plans, subject to the agreement of South Somerset District Council.

Scope and authority of Internal Audit work

There are no restrictions placed upon the scope of internal audit's work. SWAP staff engaged on internal audit work are entitled to receive and have access to whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. In this regard, internal audit may have access to any records, personnel or physical property of the organisation.

Internal audit work will normally include, but is not restricted to:

² In this instance Audit Committee relates to "The Board" referred to in the PSIAS.

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- reviewing the reliability and integrity of financial and operating information used for operational and strategic decision making, and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management and communication of risks;
- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assist management and Members to identify risks and controls with regard to the objectives of the organisation and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether the organisation is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned, with performance and accountabilities established.
- reviewing the operations of the organisation in support of their anti-fraud and corruption policy, ethical expectations and corporate values, investigating where necessary.
- at the specific request of management, internal audit may provide consultancy services provided:
 - the internal auditor's independence is not compromised
 - the internal audit service has the necessary skills to carry out the assignment, or can obtain such skills without undue cost or delay
 - the scope of the consultancy assignment is clearly defined and management have made proper provision for resources the work.
 - management understand that the work being undertaken is not internal audit work.

Planning and Reporting

SWAP will submit to the Audit Committee for approval, an annual internal audit plan, setting out the recommended scope of their work in the period.

The annual plan will be developed with reference to the risks the organisation will be facing in the forthcoming year, whilst providing a balance of current and on-going risks, reviewed on a cyclical basis. The plan will be reviewed on a quarterly basis to ensure it remains adequately resourced, current and addresses new and emerging risks.

SWAP will carry out the work as agreed, report the outcome and findings, and will make recommendations on the action to be taken as a result to the appropriate manager and Director. SWAP will report at least two times a year to the Audit Committee or as agreed. SWAP will also report a summary of their findings, including any persistent and outstanding issues, to the Audit Committee on a regular basis.

Internal audit reports will normally be by means of a brief presentation to the relevant manager accompanied by a detailed report in writing. The detailed report will be copied to the relevant line management, who will

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already have been made fully aware of the detail and whose co-operation in preparing the summary report will have been sought. The detailed report will also be copied to the Section 151 Officer and to other relevant line management.

The Assistant Director will submit an annual report to the Audit Committee providing an overall opinion of the status of risk and internal control within South Somerset District Council, based on the internal audit work conducted during the previous year.

In addition to the reporting lines outlined above, the Chief Executive of SWAP and SWAP Directors and Assistant Directors have the unreserved right to report directly to the Leader of the Council, the Chairman of the Audit Committee, the organisation's Chief Executive Officer or the External Audit Manager.

Revised March 2020