

South Somerset District Council

Report of Internal Audit Activity

2020-21 Outturn Report May 2021

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Internal Audit Plan Progress 2020-21

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 approved by the Audit and Governance Committee at its meeting in May 2020.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes:

- Operational Audit Reviews
- Cross Cutting Governance Audits
- Annual Review of Key Financial System Controls
- IT Audits
- Grants
- Other Special or Unplanned Review

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Senior Management Team. This year's Audit Plan was reported to and approved by this Committee at its meeting in May 2020. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

Internal Audit Plan Progress 2020-21

Outturn to Date:

We rank our recommendations on a scale of 1 to 3, with 3 being minor or administrative concerns to 1 being areas of major concern requiring immediate corrective action.



Internal Audit Work programme Update

The schedule provided at **Appendix B** contains a list of all audits as agreed in the Annual Audit Plan 2020/21. 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 on **Appendix A** of this document.

The following table summarised Audits finalised since the last update in March 2020:

Audit Area	Quarter	Status	Opinion
Creditors	3	Final	Reasonable
Income Generation Service Improvements	3	Final	Limited
Budget Planning and Monitoring	3	Final	Reasonable
NEW: Council Baseline Assessment of maturity for Fraud	4	Final	Non-Opinion
ICT Governance and Risk Scope Review	4	Final	Non-Opinion
NEW: Business Grants - Post Assurance Review	4	Final	Substantial
Ethical Governance	4	Final	Reasonable

Internal Audit Plan Progress 2020-21

Significant Corporate Risks

Identified Significant Corporate Risks should be brought to the attention of the Audit Committee.

Completed Assignments:

Summary of work completed with a focus on the high priority issues that we believe should be brought to the attention of the Audit Committee.

- Limited or No Assurance Opinions
- Follow-ups



Significant Corporate Risks

We provide a definition of the 3 Risk Levels applied within audit reports and these are detailed in **Appendix A**. For those audits which have reached report stage through the year, I will report risks we have assessed as 'High'.

In this update there are no final reports included with significant corporate risks.



Summary of Work Completed – Limited or No Assurance Opinions

Income Generation – Limited Assurance

The Council approved a Commercial Strategy which included a target for increasing the yield across all Council services by 5% annually. The audit was carried out to assess how the Council was progressing against this target. In 2018/19 the Council achieved 4.5% overall. For the 2019/20 financial year the calculations to identify how the Council did against their target was not completed before the audit was completed in Q4, delays in completing this are due to Covid-19. Without this information we are unable to provide anything more than Limited assurance as we are unable to assess the impact of the work that has been undertaken.

The audit identified that while good templates had been developed for assessing fees and charges and for completing new business cases needed to help ensure the Council can reach the targets these had not been rolled out. The progress of this has been greatly hindered due to Covid-19 diverting resource away for this work towards Covid recovery and the increased work for the service areas reducing their availability to work through this.

Internal Audit Plan Progress 2020-21

No	Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Agreed Date of Action
Income Generation – Service Delivery					
1	2019/20 progress against target had not been calculated	Council failed to meet their target reducing the available financial resources	Move towards real time data for performance monitoring which will capture the progress towards the 5% target.	Agreed	1 st January 2022
2	Fees and Charges have only been calculated for 2 service areas	Council are undercharging and not covering their own costs or achieving income where allowed reducing the financial resources available	Six to eight services completed for by the time of the fee and charges annual review.	Agreed	31 st October 2021

Completed Assignments:

Summary of work completed with a focus on the high priority issues that we believe should be brought to the attention of the Audit Committee.

- Limited or No Assurance Opinions
- Follow-ups



Summary of Work Completed

Baseline Assessment of Maturity in relation to Fraud

Local authorities have responsibilities for the effective stewardship of public money and for safeguarding against losses due to fraud and corruption. The audit committee should have oversight of the authority's counter fraud strategy, assessing whether it meets recommended practice and governance standards and complies with legislation such as the Bribery Act 2010.

To assist in this oversight a baseline assessment has been completed at South Somerset District Council in line with requirements of the Fighting Fraud and Corruption Locally Strategy. Each of the 27 requirements have been given a red, amber or green, rating based on a corporate view across the organisation. The report for this work comes complete with an action roadmap for improvement and can be revisited in 12 months' time to demonstrate the direction of travel and any progress, including the improvement of maturity position. A full copy of the report and findings has been shared with the Audit Committee, together with the wider benchmarking report. The below chart summarises the assessments outcomes against the 6 key theme area.

Baseline Assessment of Six Themed Areas



- Resource and Communication
- Fraud Risk Management
- Policy Related
- Committee Related
- Culture and Awareness
- Reporting, Investigating and Monitoring

Internal Audit Plan Progress 2020-21

The Assistant Director for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.



SWAP Performance

SWAP now provides the Internal Audit service for 24 public sector bodies. SWAP performance is subject to regular monitoring review by both the Board and the Member Meetings. The respective outturn performance results for South Somerset District Council for the 2020/21 (as of 10 May 2021) were as follows:

Performance Target	Target Year End	Average Performance
<p><u>Audit Plan – Percentage Progress</u> Final, Draft and Discussion In progress Yet to complete</p>	>90%	90% 10% 0%
<p><u>Quality of Audit Work</u> Customer Satisfaction Questionnaire</p>	>95%	100%
<p><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></p>	>95%	100%

Internal Audit Plan Progress 2020-21

We keep our audit plans under regular review so as to ensure that we are auditing the right things at the right time. Due to Covid-19 the plan priority areas will be agreed on a quarter-by-quarter basis.



Approved Changes to the Plan

The audit plan for 2020/21 is detailed in **Appendix B**. Due to the impact of Covid-19 and the requests for some additional work to be added to the plan during the year we have had to remove some audits from the annual plan. The Plan has remained flexible throughout the year and targeted short-term priorities as agreed with SLT on a quarterly basis. There are no changes to the 2020-21 Audit Plan since our last update report to Audit Committee in March 2021.

Assurance Definitions

No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control are inadequate to effectively manage risks to the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Substantial	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
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.

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.

Audit Type	Audit Area	Qtr	Status	Opinion	No of Rec	1 =	↔	3 =	Comments
						Major		Minor	
						Recommendation			
1	2	3							
FINAL									
Fraud, Corruption and Governance	Boden Mill & Chard Regeneration Scheme Accounts Review	Q1	Final	Advisory	0	0	0	0	
Fraud, Corruption and Governance	New: Growth Deal Capital Expenditure Certification	Q1	Final	Advisory	0	0	0	0	
Fraud, Corruption and Governance	Yeovil Cemetery & Crematorium Annual Accounts Controls Assurance	Q1	Final	Advisory	0	0	0	0	
Covid-19 Support	New: Covid-19 Support/Advice	Q1	Final	Advisory	0	0	0	0	
Governance Fraud & Corruption	Project Governance - Regeneration Projects	Q1	Final	Limited	5	0	3	2	
Follow Up	Combined Follow up	Q1	Final	Follow up	0	0	0	0	
Covid-19 Support	NEW: Grant Funding Schemes Assurance for Local Authorities (Risk Assessment)	Q1	Final	Advisory	0	0	0	0	
Governance Fraud & Corruption	NEW: Health & Wellbeing	Q2	Final	Reasonable	2	0	0	2	
Operational	Homelessness	Q2	Final	Limited	5	0	3	2	
ICT	Cyber Security Framework Review	Q3	Final	Advisory	20 key Control areas reviewed. Reported separately to Audit Committee.				
Covid-19 Support	NEW: Local restriction Grant Support	Q3	Final	Advisory	0	0	0	0	Support work

Summary of Work Plan

Appendix B

Audit Type	Audit Area	Qtr	Status	Opinion	No of Rec	1 =	↔	3 =	Comments
						Major		Minor	
						Recommendation			
1	2	3							
Governance Fraud & Corruption	Income Generation Service Improvements	Q3	Final	Limited	3	0	2	1	
Key Control	Budget Planning and Monitoring	Q3	Final	Reasonable	2	0	0	2	
ICT	ICT Governance and Risk Scope Review	Q3	Final	Advisory	0	0	0	0	
Governance Fraud & Corruption	NEW: Covid-19 Grant Processing Support	Q4	Final	Advisory	0	0	0	0	Support work
Covid-19 Support	NEW: Grant Support – Bank detail checks	Q4	Final	Advisory	0	0	0	0	Support work
Governance Fraud & Corruption	NEW: Council Baseline Assessment of maturity for Fraud	Q4	Final	Advisory	0	0	0	0	Action plan provided – Report provided to Audit Committee Members
Covid-19 Support	NEW: Business Grants - Post Assurance Review	Q4	Final	Substantial	0	0	0	0	
Key Control	Creditors	Q4	Final	Reasonable	3	0	1	2	
Governance Fraud & Corruption	Ethical Governance	Q4	Final	Reasonable	5	0	1	4	Survey Report and Framework Report
Governance Fraud & Corruption	NEW: Compliance & Enforcement Grant	Q4	Final	Advisory	0	0	0	0	
Draft									
Transformation	Transformation closedown	Q2	Draft						
Follow Up	Information Governance GDPR Follow Up	Q4	Draft						

Audit Type	Audit Area	Qtr	Status	Opinion	No of Rec	1 =	↔	3 =	Comments
						Major		Minor	
						Recommendation			
1	2	3							
Operational	S106 & CIL	Q4	Draft						
Governance Fraud & Corruption	NEW: Fraud Risk – Impact of Covid-19	Q4	Drafting						
In Progress									
Governance Fraud & Corruption	Commercial Investments	Q3	In progress						
Governance Fraud & Corruption	Risk Management	Q4	In Progress						
Governance Fraud & Corruption	NEW: Fraud Risk Assessment	Q4	In Progress						
Deferred or Removed									
Transformation	Civica Digital Systems Review	Q2							Combined with Transformation Close down
Governance Fraud & Corruption	Somerset Districts Cooperation/collaboration FOLGIS	Q4							NEW: Covid-19 Support/Advice NEW: Grant Funding Schemes Assurance for Local Authorities (Risk Assessment)
Governance Fraud & Corruption	Climate Change	Q4							
ICT	Digital Strategy & Transformation	Q3							Pushed back due ICT audits bottleneck. Replaced by Health & Wellbeing
Governance Fraud & Corruption	Yeovil Innovation Centre (YIC) Phase 2	Q4							NEW: Local restriction Grant Support Q3 NEW: Grant Support – Bank detail checks Q4

Audit Type	Audit Area	Qtr	Status	Opinion	No of Rec	1 =	↔	3 =	Comments
						Major		Minor	
						1	2	3	
Key Control	Council Tax & NNDR	Q4				NEW: Council Baseline Assessment of maturity for Fraud NEW: Fraud Risk Assessment NEW: Fraud Risk – Impact of Covid-19 NEW: Covid-19 Grant Processing Support Q4 NEW: Compliance & Enforcement Grant			
Key Control	Housing Benefits	Q4							
Governance Fraud & Corruption	Procurement – Leisure Contract	Q4				Management provided an update to Audit Committee in March for Housing Benefits and CTax. Procurement – Leisure is earmarked for Q1 2021-22			