



SWAP

INTERNAL AUDIT SERVICES

Helping Organisations to Succeed

South Somerset District Council

Report of Internal Audit Activity

2021-22 Outturn Report May 2022

Contents

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Internal Audit Plan Progress 2021-22

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 March 2021.

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 2021-22 Audit Plan was reported to and approved by this Committee at its meeting in March 2021. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

Internal Audit Plan Progress 2021-22

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 2021/22. 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 summarises Audits finalised since the last update in February 2022:

Audit Area	Opinion
Council Tax and NDR	Limited
Audit Committee Terms of Reference	Advisory
S106 Follow Up	Follow Up
ICT & Digital Minimum Viable Products (MVP)	Advisory
Debtors	Reasonable
Covid-19 External Recovery Plan	Advisory

Internal Audit Plan Progress 2021-22

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

One audit completed in the period received Limited Assurance, **Council Tax and NDR**. A one-page summary of our findings is included in **Appendix C**.

One follow-up report was completed in the period for **Section 106**. A one-page summary of progress against previous recommendations is included in **Appendix C**.

Internal Audit Plan Progress 2021-22

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



SSDC Plan 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 2021/22 (as of May 2022) were as follows:

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

Internal Audit Plan Progress 2021-22

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



Approved Changes to the Plan

We will regularly re-visit and adjust our rolling programme of audit work to ensure that it matches the changing risk profile of the organisation's operations, systems, and controls. Details of our current work areas are provided in **Appendix B**.

Unplanned work, special reviews or projects carried out on a responsive basis which are requested as new and emerging risk areas and which result in significant changes to the agreed plan will be reported to the Audit Committee.

The following table highlights changes to the plan since the February update report. There are also some required/requested timing changes of reviews which would be separately identified if considered to be significant.

Assignment	Amendment	Reason
User Access Management arrangements	Deferred	User Access Management Arrangements replaced with ICT & Digital Minimum Viable Products. A collective work to support the Unitary arrangements.
ICT & Digital Minimum Viable Products (MVP)	Added	
NEW: Decarbonisation Grant CIA Sign-Off	Deferred	Sign-off not required until 22/23
Covid-19 Discretionary grants	Deferred	This work was deferred due to the Omicron grants. It will now be included in our rolling audit plan for future prioritisation.
Covid-19 Grants – Post Payment Assurance Restart Grant	Deferred	This work was deferred due to the Omicron grants. Will now be undertaken as part of the 22/23 audit plan.
Audit Committee Terms of Reference Support	Added	Support provided on developing the Audit Committee Terms of Reference.

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	Status	Opinion	No of Rec	1 = Major	↔	3 = Minor	Comments
					Recommendation			
					1	2	3	
Completed Work								
Advisory	Fraud Risk Assessment	Final	Advisory	0	0	0	0	
Assurance	Boden Mill & Chard Regeneration Scheme Accounts Review	Final	Advisory	0	0	0	0	
Assurance	New: Growth Deal Capital Expenditure Certification	Final	Advisory	0	0	0	0	
Assurance	Yeovil Cemetery & Crematorium Annual Accounts	Final	Advisory	1	0	0	1	
Assurance	New: Patch Management	Final	Reasonable	2	0	0	2	
Assurance	Procurement	Final	Reasonable	4	0	1	3	
Assurance	Homelessness Follow Up	Final	Follow Up (Advisory)	5	0	3	2	Relates to outstanding recommendations raised in 2020-21
Assurance	Chard Regeneration Project – Lessons Learnt	Final	Advisory	-	-	-	-	No formal recommendation raised but lessons learnt have been captured for future work.
Grant Certification	Green Homes Grant	Final	Grant Certification	-	-	-	-	
Confidential matter	Lufton depot investigation	Final	Advisory	-	-	14	-	Review includes separate controls assurance report.
Assurance	Project Governance Regeneration Projects Follow Up	Final	Follow Up (Advisory)	3	-	2	1	Two recommendations complete. 1 P2 and 1 P3.
Assurance	Covid-19 - External Recovery plan	Final	Advisory					

One page summary of Limited Assurance/Follow Up audits

Appendix C

Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major	↔	3 = Minor	Comments
					Recommendation			
					1	2	3	
Assurance	Council Tax & NNDR	Final	Limited	5	-	4	1	
Assurance	Debtors	Draft	Reasonable	3	-	-	3	
Advisory	Audit Committee Terms of Reference Support	Final	Advisory	-	-	-	-	
Advisory	ICT & Digital Minimum Viable Products (MVP)	Final	Advisory	-	-	-	-	
Assurance	NEW: S106 Follow up Audit	Final	Follow Up	2	-	2	-	
Reporting								
Advisory	NEW: Unitary Lessons Learned	Drafting	Advisory					
In Progress								
Assurance	Opium arrangements	In Progress						
Assurance	Commercial investments	In Progress						
Deferred (moved to rolling schedule of Audits) or Removed (no longer risk/area to audit)								
Fraud, Corruption and Governance	Complaint Procedures	Deferred	Reported to Audit Committee July 2021					
ICT	Incident management or Information Security (IS)	Deferred	Reported to Audit Committee October 2021					
Follow Up	Income Generation Follow up	Removed	Separate update on recommendations to be provided from management					


Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major	↔	3 = Minor	Comments
					Recommendation			
					1	2	3	
Operational	Health & Safety Framework	Deferred	Reported to Audit Committee October 2021					
Key Control	Housing Benefit	Deferred	Reported to Audit Committee October 2021					
Advisory	Covid-19 - Financial Impacts and Lessons learned	Removed	Reported to Audit Committee October 2021					
Assurance	Restart Grants – Bank Account Check	Removed	Reported to Audit Committee July 2021					
Assurance	Planning policy Change - Phosphate	Deferred	Reported to Audit Committee July 2021					
Grant Certification	Decarbonisation Grant	Deferred	Reported to Audit Committee July 2021					
Assurance	User Access Management arrangements	Deferred	See page 6 of this report.					
Assurance	Covid-19 Discretionary grants	Deferred	See page 6 of this report.					
Grant Certification	Covid-19 Grants – Post Payment Assurance Restart Grant	Deferred	See page 6 of this report.					
Grant Certification	NEW: Decarbonisation Grant CIA Sign-Off	Deferred	See page 6 of this report.					

Council Tax and NNDR – Final Report – March 2022








Audit Objective

To ensure key financial system controls are operating effectively for Council Tax and Business Rates, and the opportunities for error, fraud or corruption are minimised.

Assurance Opinion	Number of Actions		Risks Reviewed	Assessment
	Priority	Number		
 <p>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</p>	Priority 1	0	<p>The Council does not collect all Council Tax and Business rates due as a result of errors, omissions or fraud leading to financial loss or reputational damage.</p> <p>Medium</p>	
	Priority 2	4		
	Priority 3	1		
	Total	5		

Key Findings

	Completion reports are not being received from Building Control which stops them from reporting the changes to the Valuation Office for assessment.
	Evidence for the checking of the annual parameter updates has not been retained.
	Reviews of Single person discounts have not been carried out. It was last reviewed in 2016.
	Reconciliations for annual bills being posted have not been completed due to issues with the suppliers' processes.
	Recovery action restarted in August 2021. Currently the Council can only issue 100 reminders per day, and this is, therefore, slowing the recovery action and impacting on the collection of Council Tax and NNDR.

Audit Scope

The audit looked at the below controls.

- Ensuring that there is appropriate billing arrangements for all Tax/business rate payers
- Changes to property data are processed and authorised in a timely and accurate manner following notification of valuation office listing
- Amendment to bills are appropriate and proportionate and authorised
- Debts are collected for all Tax/Business Rate payers, unpaid debts enter debt recovery processes
- Debts are progressed to write-off where recovery has been exhausted and write-offs are authorised.
- Monitoring of processing is undertaken by management
- Performance of collection is undertaken, is accurate and overseen by senior managers
- Only authorised staff are able to complete processing on the system

Summary

Progress has been made since the last audit, but this has stalled due to the impact of Covid-19 on the team. Resources have been reduced due to the deployment of staff to manage the covid-19 business grants. This has caused a backlog of work; however, this is being prioritised and progress is being made. Recovery work also stopped due to Covid-19 and only restarted in August 2021. This impacts on the amount of income the Council is receiving; although it should be noted that it is on track to meet its income target for this financial year.

S106 Follow Up – Final Report – May 2022



Follow Up Audit Objective

To provide assurance that agreed actions to mitigate against risk exposure identified within the 2019/20 Limited opinion audit of the S106 report have been implemented.

Follow Up Progress Summary

Priority	Complete	In Progress	Not Started	Summary
Priority 1	0	0	0	0
Priority 2	2	2	0	4
Priority 3	1	0	0	1
Total	3	2	0	5

Follow Up Assessment

The original audit of S106 contributions was completed in July 2021 and received a Limited assurance opinion. The original audit objective was: To ensure that appropriate arrangements are in place to manage the receipt and expenditure of **S106** and CIL (Community Infrastructure Levy) contributions. The opinion was split for the original audit due to separate controls in place to monitor and manage S106 and CIL. CIL received 'Reasonable' assurance so therefore only the S106 aspect has been subject to a follow-up review.

The follow up audit has found that most of the actions have now been completed and a couple remain in progress. Key findings from the audit follow up have been summarised below.

Key Findings



The spreadsheet record of all S106 agreements has now been cleansed and all data is now accurately recorded within it. Some of the records within the spreadsheet have not been transferred to **Exacom** but this is a work in progress and is due to move from the testing phase to the live phase towards the end of 2022.



Work is ongoing with regards to monitoring and exception reports for S106. The delays in the implementation of **Exacom** have impacted this and discussions are due to take place with regards to budget for the public-facing module.



An internal process has now been introduced to monitor S106 contributions and notify relevant parties once received, although this does remain a manual process requiring two spreadsheets at present. Additional staff resource has been identified within Planning to support the CIL process which will also ensure that the officer responsible for S106 has additional capacity. The methodology to produce the Infrastructure Funding statement has now been amended and the previously identified error should therefore no longer take place. An officer in Strategy & Commissioning verified the accuracy of the data before the 2020/21 Infrastructure Funding Statement was published.

Follow Up Scope

Testing has been performed in relation to all priority 1 and 2 actions and supporting evidence obtained to support implementation of actions. Follow-up of the priority 3 actions is based on self- assessment by the responsible manager.