

# Somerset County Council

## 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 AGS.

**It is the responsibility of the Authority's Leadership Team, and the Audit Committee, to determine 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:

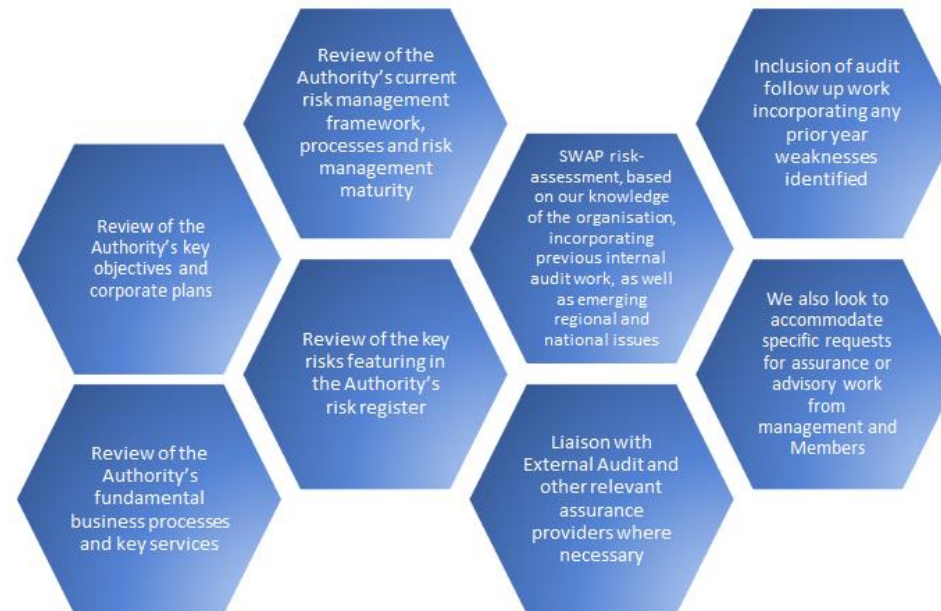
- Are the areas selected for coverage this coming year appropriate?
- Does the internal audit plan cover the organisation's key risks as they are recognised by the Leadership Team and Audit Committee?
- Is sufficient assurance being received within our annual plan to monitor the organisation's risk profile 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, transition and transformation within Somerset County Council, it is getting more difficult to accurately predict longer-term organisational risks within a fixed twelve month plan. This year we are already needing to make changes in response to the Covid-19 pandemic. It is important that we are flexible in our planning approach and responsive to changing organisational risk. This year we have therefore prepared an agile, risk-assessed work plan, containing key areas of coverage, that will be updated as the year progresses. We will regularly re-visit and adjust our programme of audit work to ensure that it matches the changing risk profile of the organisation's operations, systems and priorities. This will ensure that we are auditing the right areas at the right time.

# The Internal Audit Plan: Risk Assessment

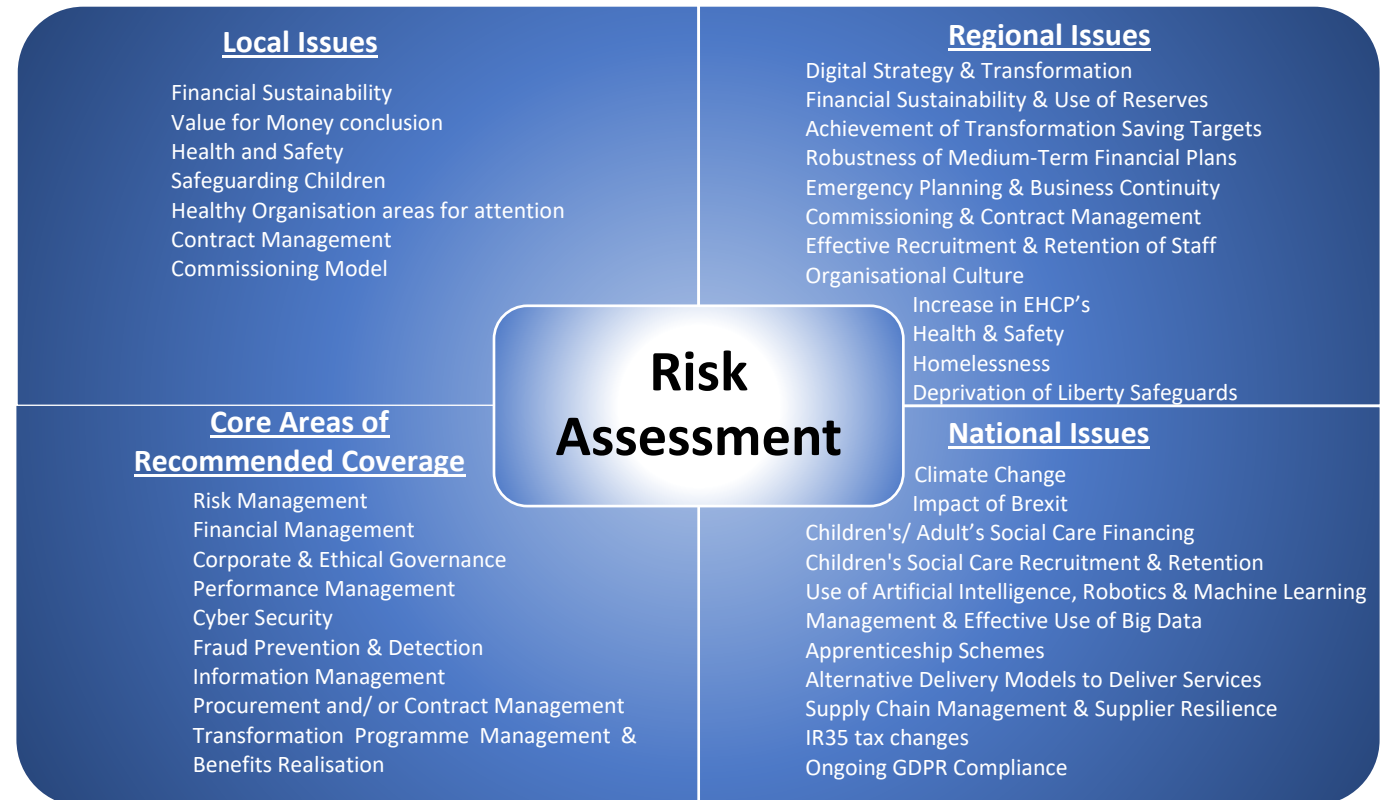
A documented risk assessment prior to developing an internal audit plan, ensures that sufficient and appropriate areas are identified for consideration.

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.

Below we have set out a summary of the outcomes of the risk assessment for Somerset County Council:



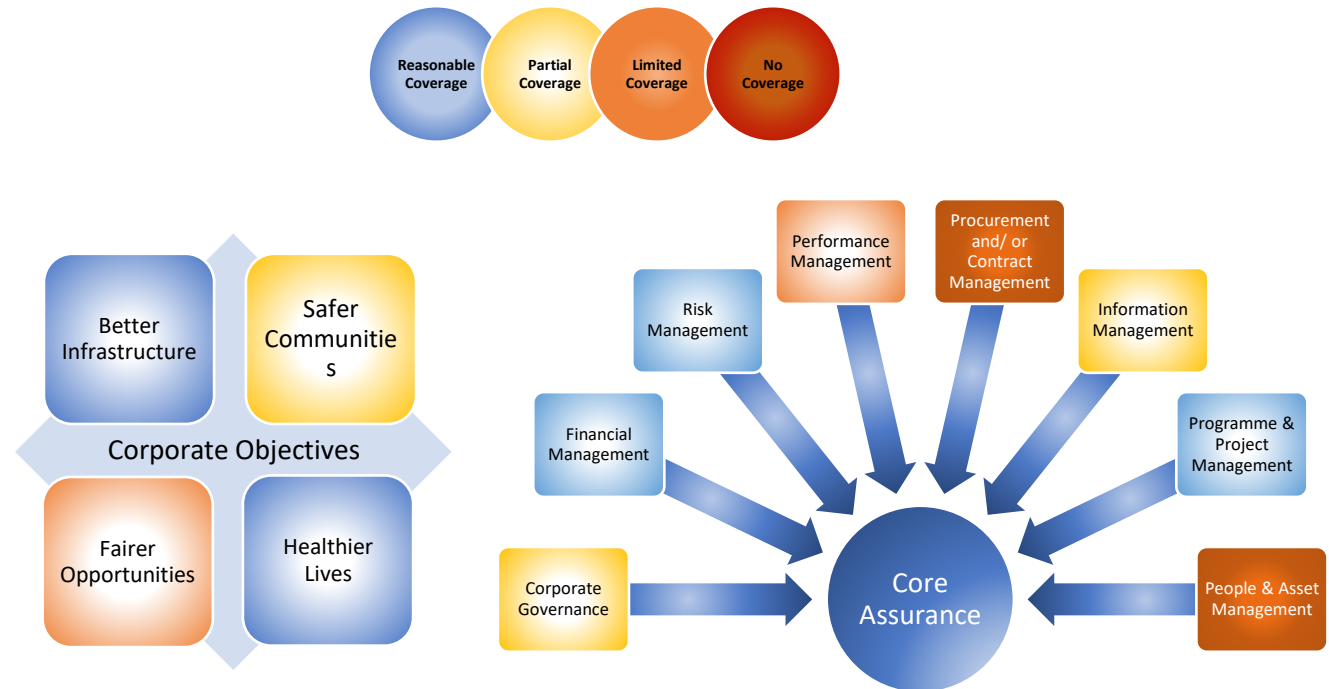
# The Internal Audit Plan: Risk Assessment

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 objectives and risks, as well as our core areas of recommended audit 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, 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 and risks, as well as our core areas of recommended audit 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 24 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 1,400 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 Somerset County Council are:

**Lisa Fryer, Assistant Director – [Lisa.Fryer@swapaudit.co.uk](mailto:Lisa.Fryer@swapaudit.co.uk) 07720 312465**

**Jenny Frowde, Principal Auditor – [Jenny.Frowde@swapaudit.co.uk](mailto:Jenny.Frowde@swapaudit.co.uk) 07920 014084**

**Darren Roberts, Assistant Director ICT – [Darren.Roberts@swapaudit.co.uk](mailto:Darren.Roberts@swapaudit.co.uk), 07720 312466**

#### External Quality Assurance

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 March 2016 which confirmed conformance with the Public Sector Internal Audit Standards.

#### Conflicts of Interest

We are not aware of any conflicts of interest within Somerset County 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, & 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 management who should institute adequate systems of internal control, including clear objectives, segregation of duties and proper authorisation procedures.

## The Internal Audit Plan: Approach

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 significant risks identified across the SWAP partnership
- Communication of fraud alerts received both regionally and nationally
- Annual Member training sessions

### 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 |
|--|--------------------|
| <p style="text-align: center;"><b><u>Delivery of Annual Internal Audit Plan</u></b><br/>Completed at year end</p>  | >90%               |
| <p style="text-align: center;"><b><u>Quality of Audit Work</u></b><br/>Overall Client Satisfaction<br/><i>(did our audit work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation)</i></p> | >95%               |
| <p style="text-align: center;"><b><u>Outcomes from Audit Work</u></b><br/>Value to the Organisation<br/><i>(client view of whether our audit work met or exceeded expectations, in terms of value to their area)</i></p>   | >95%               |

# Somerset County Council Proposed Internal Audit Plan 2020/21

## APPENDIX 1

*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.*

| Link to Corporate Objective/<br>Corporate Risk Register or<br>Healthy Organisation Theme  | Areas of Coverage and Brief Rationale   | Audit Sponsor/ Senior<br>Management Lead | Priority (H,M,L) &<br>Proposed Timing<br>(Earlier, Later) |
|---|---|--|---|
| <b>Better Infrastructure</b><br><i>A county infrastructure that drives productivity, supports economic prosperity and sustainable public services</i> | <b>Adults - Budget Management</b><br>To focus on compliance with budget management/monitoring requirements across the service.  | Director of Adult Social Care            | High/Earlier  |
|   | <b>Adults - Workforce Planning</b><br>To review effectiveness of workforce planning initiatives and consider whether gaps exist.  | Director of Adult Social Care            | High/Later  |
|   | <b>Property Services - Corporate Landlord Model</b><br>Properties are now being managed centrally. This review will consider the effectiveness of these new arrangements. | Lead Director of ECI and Commissioning   | High/Later  |
|   | <b>Community Asset Transfers</b><br>Consultancy review to inform future approach.   | Lead Director of ECI and Commissioning   | Medium/Earlier  |
|   | <b>Compliance with CDM (Construction Design Management) Regulations</b><br>Focus on maintenance and infrastructure in highways/transport commissioning.                   | Lead Director of ECI and Commissioning   | Medium/Later  |
|   | <b>School Transport Commissioning - Big Bus Initiative</b><br>SCC have purchased buses for school bus routes. Advisory review of this new initiative.                     | Lead Director of ECI and Commissioning   | High/Later  |
|   | <b>Enterprise Centre Design and Build</b><br>Assurance in relation to significant area of investment for SCC.   | Lead Director of ECI and Commissioning   | Medium/Later  |



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|--|--|--|---|
|  | <p><b>Governance of the LEP</b><br/>Inclusion reflective of fact that SCC is the accountable body for the LEP.</p> <p><b>Business Continuity</b><br/>Focus on plans for longer term incidents.</p>   | <p>Lead Director of ECI and Commissioning</p> <p>Lead Director of ECI and Commissioning/Director of Public Health</p>  | <p>High/Earlier</p> <p>High/Later</p>   |
| <p><b>Safer Communities</b><br/><i>Safe, vibrant and well-balanced communities able to enjoy and benefit from the natural environment.</i></p> | <p><b>Early Help Assessments</b><br/>Early help teams have been brought together. New processes have been introduced and the audit will consider whether these are being complied with.</p> <p>Somerset Waste Partnership has its own internal audit plan. This will include contract management review of new collection contract.</p>  | <p>Director of Children's Services</p>   | <p>High/Later</p>   |
| <p><b>Fairer Opportunities</b><br/><i>Fairer life chances and opportunity for all.</i></p>   | <p><b>Apprenticeship Scheme</b><br/>Compliance with scheme. Will consider retention of the apprentices and integration into the organisation.</p> <p><b>SEN – Caseloads</b><br/>No minimum standards currently exist.</p> <p><b>Children's – Education, Health and Care Plan Reviews (EHCPs)</b><br/>Consider the effectiveness of the review process in achieving outcomes.</p> <p><b>The Impact of the Exclusions and Attendance Protocol</b><br/>Review effectiveness of new protocol.</p> <p><b>Children's Independent Placements - Financial Controls &amp; Contract Management</b><br/>Covering both fostering and educational placements and contracts.</p> | <p>Director of HR &amp; OD</p> <p>Director of Children's Services</p> <p>Director of Children's Services</p> <p>Director of Children's Services</p> <p>Director of Children's Services</p> | <p>High/Earlier</p> <p>High/Earlier</p> <p>High/Later</p> <p>High/Later</p> <p>High/Later</p> |

| Link to Corporate Objective/<br>Corporate Risk Register or<br>Healthy Organisation Theme  | Areas of Coverage and Brief Rationale  | Audit Sponsor/ Senior<br>Management Lead                           | Priority (H,M,L) &<br>Proposed Timing<br>(Earlier, Later) |
|---|--|--|---|
| <b>Healthier Lives</b><br><i>Improved health and wellbeing and more people living healthy and independent lives for longer.</i>                               | <b>Adults Commissioning</b><br>Expect to focus on Home First delivery. To involve benchmarking work.<br><br><b>Adults Use of Eclipse</b><br>Eclipse implementation planned for Q1 2020/21. Agree scope once system has embedded. | Director of Adult Social Care<br><br>Director of Adult Social Care | High/Later<br><br>High/Later                              |
| <b>Healthy Organisation</b><br><i>Improved health and wellbeing and more people living healthy and independent lives for longer.</i>                          | This review gives a strategic overview across all areas of governance and is carried out every two years.  | Governance Board   | High/Later  |
| <b>Corporate Governance</b><br><i>Corporate Governance refers to the strategic management practices and values and beliefs by which the Council operates.</i> | <b>Whistleblowing</b><br>Review of revised protocol.   | Monitoring Officer   | Medium/Later  |

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|---|--|--|---|
| <p><b>Financial Management</b><br/><i>Effective Financial Management is the bedrock of any successful organisation and is vital to the ongoing ability of local authorities to deliver services that the public wants.</i></p>                                    | <p><b>Financial Procedures</b><br/>Review to provide assurance that these are up to date and readily assessable.</p> <p><b>Staff Expenses</b><br/>Review to provide assurance in relation to the validity of expenses.</p> <p><b>Parking Income</b><br/>Financial controls compliance of this important income stream.</p> | <p>Finance Director</p> <p>Finance Director</p> <p>Lead Director of ECI and Commissioning/Finance Director</p> | <p>High/Later</p> <p>Medium/Earlier</p> <p>Medium/Earlier</p> |
| <p><b>Risk Management</b><br/><i>Organisations which operate under a structured and active risk management approach, are far more likely to be able to focus upon their key priorities and outcomes and, in doing so, take informed and robust decisions.</i></p> | <p><b>Insurance Claims</b><br/>Assurance over validity of claims</p>   | <p>Finance Director</p>  | <p>Medium/Earlier</p>   |
| <p><b>Performance Management</b><br/><i>Performance management provides a transparent platform upon which the service is accountable to its citizens and service users for the effectiveness of its service provision and delivery of its objectives.</i></p>     | <p>No specific audits scheduled – overview will be provided by Healthy Organisation Review.</p>  |  |   |

| Link to Corporate Objective/<br>Corporate Risk Register or<br>Healthy Organisation Theme   | Areas of Coverage and Brief Rationale   | Audit Sponsor/ Senior<br>Management Lead | Priority (H,M,L) &<br>Proposed Timing<br>(Earlier, Later)                   |
|--|---|--|---|
| <p><b>Commissioning &amp; Procurement</b><br/><i>Assessing Procurement &amp; Commissioning activity of a Local Authority is a critical determinant in establishing its effectiveness in both being able to deliver benefit for its community, but also in showing whether it can maximise value for money for its taxpayers.</i></p> | <p><b>Corporate Contract Management</b><br/>This audit will review the updated Contract Management framework. Consistency of approach will be a consideration.</p> <p><b>Commissioning</b><br/>No specific audits scheduled – overview will be provided by Healthy Organisation Review.</p>   | Corporate Affairs Director               | High/Earlier  |
| <p><b>ICT/Information Management</b><br/><i>Effective ICT will facilitate and support effective working, better decision-making, improved customer service and business transformation.</i></p>  | <p><b>Cyber Security Framework Review</b><br/>Review of 20 key controls to provide assurance and to focus future risk based reviews.</p> <p><b>ICT Governance Risk Scope Review</b><br/>Position statement covering key areas of risk across SCC ICT enterprise and infrastructure.</p> <p><b>Detailed Cyber Security Reviews</b><br/>Full risk based audit work. Scope will be determined from outcomes of the cyber security framework review.</p> <p><b>Information Asset Register</b><br/>Review of updated register.</p> | Corporate Affairs Director               | <p>High/Earlier</p> <p>High/Earlier</p> <p>High/Later</p> <p>High/Later</p> |

| Link to Corporate Objective/<br>Corporate Risk Register or<br>Healthy Organisation Theme  | Areas of Coverage and Brief Rationale  | Audit Sponsor/ Senior<br>Management Lead  | Priority (H,M,L) &<br>Proposed Timing<br>(Earlier, Later) |
|---|--|---|---|
| <p><b>Programme &amp; Project Management</b><br/><i>Organisations which can demonstrate and operate under a structured and active approach are far more likely to be able to focus their efforts and successfully achieve the delivery of anticipated outcomes.</i></p> | <p><b>Project Management - use of Project Mobilisation Toolkit</b><br/>Review of new Project Mobilisation Toolkit. To include benefits realisation.</p>                              | Strategic Manager –<br>Business Change    | Medium/Later  |
| <p><b>People Management</b><br/><i>Organisations which can demonstrate and operate under a structured and active approach are far more likely to be able to focus resources against key priorities and, as a direct result, deliver improved outcomes.</i></p>          | <p>See also above already covered within corporate priorities:</p> <ul style="list-style-type: none"> <li>• Apprenticeship schemes</li> </ul>  | Director of HR & OD                       |   |
| <p><b>Asset Management</b><br/><i>Organisations which can demonstrate and operate under a structured and active approach are far more likely to be able to focus resources against key priorities and, as a direct result, deliver improved outcomes.</i></p>           | <p>See also above already covered within corporate priorities:</p> <ul style="list-style-type: none"> <li>• Corporate Landlord Model</li> <li>• Community asset transfers</li> </ul> | Lead Director of ECI and<br>Commissioning |   |

| Link to Corporate Objective/<br>Corporate Risk Register or<br>Healthy Organisation Theme                                | Areas of Coverage and Brief Rationale   | Audit Sponsor/ Senior<br>Management Lead   | Priority (H,M,L) &<br>Proposed Timing<br>(Earlier, Later)                              |
|---|---|--|--|
| <p><b>School Themes</b><br/><i>Visits are made to schools for all themes covered and overall findings reported.</i></p> | <p><b>Schools Safeguarding</b><br/>Scope to be informed by recent internal review.</p> <p><b>Schools Financial Value Standard (SFVS)</b><br/>First year of revised scheme.</p> <p><b>Early Years Funding</b><br/>Compliance with Somerset Code of Practice.</p>   | <p>Director of Children's Services</p>   | <p>High/Earlier</p> <p>Medium/Later</p> <p>High/Later</p>                              |
| <p><b>Grant Certification</b><br/><i>As required by funding stream.</i></p>   | <p><b>Troubled Families</b><br/>Internal audit requirement of DCLG to review claims submitted. Expect to audit six claim periods per year. Programme due to run until 2021.</p> <p><b>BDUK Audit Certification</b><br/>Annual certification is a requirement of BDUK to assess funding.</p> <p><b>Local Transport Capital Block Funding</b><br/>Annual certification is a requirement of Department of Transport.</p> | <p>Director of Children's Services</p> <p>Lead Director of ECI and Commissioning</p> <p>Lead Director of ECI and Commissioning</p> | <p>Across the year</p> <p>Later</p> <p>Earlier</p>                                     |
| <p><b>Other</b></p>   | <p><b>Treasury Management Processes</b><br/>Advisory review to support move to digitalise Treasury Management functions.</p> <p><b>Organisational Redesign</b><br/>Advisory time to be used as required across the year.</p> <p><b>Provision for Fraud and Corruption</b><br/>Advice and review as required across the year.</p>  | <p>Finance Director</p> <p>SLT</p> <p>Finance Director</p>   | <p>Earlier</p> <p>As required through the year</p> <p>As required through the year</p> |

| Link to Corporate Objective/<br>Corporate Risk Register or<br>Healthy Organisation Theme                             | Areas of Coverage and Brief Rationale  | Audit Sponsor/ Senior<br>Management Lead  | Priority (H,M,L) &<br>Proposed Timing<br>(Earlier, Later) |
|--|--|---|---|
| <p><b>Follow-ups</b><br/><i>All partial opinion audits are followed up – as agreed with the audit committee.</i></p> | <p><b>Finance</b></p> <ul style="list-style-type: none"> <li>• Cash Handling</li> <li>• Debt Management</li> </ul> <p><b>Risk Management</b></p> <p><b>Performance Management</b></p> <ul style="list-style-type: none"> <li>• Service Planning</li> </ul> <p><b>Procurement</b></p> <ul style="list-style-type: none"> <li>• Supplier Resilience</li> </ul> <p><b>Human Resources</b></p> <ul style="list-style-type: none"> <li>• Lone Working</li> <li>• Corporate Management of Health and Safety</li> <li>• Role of the Somerset Manager</li> </ul> <p><b>Children’s</b></p> <ul style="list-style-type: none"> <li>• Education of Children Looked After</li> <li>• Children’s Education, Health and Care Plans (EHCPs)</li> </ul> <p><b>Adults</b></p> <ul style="list-style-type: none"> <li>• FAB Assessments</li> <li>• Mental Health - Financial Decision Making</li> </ul> <p><b>Public Health</b></p> <ul style="list-style-type: none"> <li>• Transfer of Public Health Nursing Services</li> </ul> <p><b>Corporate Property</b></p> <ul style="list-style-type: none"> <li>• Schools Corporate Property Maintenance</li> </ul> | <p>Finance Director</p> <p>Finance Director</p> <p>Corporate Affairs Director</p> <p>Corporate Affairs Director</p> <p>Director of HR &amp; OD</p> <p>Director of Children’s Services</p> <p>Director of Adult Social Care</p> <p>Director of Public Health</p> <p>Lead Director of ECI and Commissioning</p> | <p>Follow-up scheduled across the year</p>                |

| Link to Corporate Objective/<br>Corporate Risk Register or<br>Healthy Organisation Theme | Areas of Coverage and Brief Rationale   | Audit Sponsor/ Senior<br>Management Lead | Priority (H,M,L) &<br>Proposed Timing<br>(Earlier, Later) |
|--|---|--|---|
| <b>Advice and Support</b>  | <ul style="list-style-type: none"> <li>• Audit Advice and Planning including Head of Internal Audit role.</li> <li>• Committee Reporting and attendance at other corporate meetings.</li> <li>• Data Analytics – involvement in SWAP wide data analytics work.</li> </ul> |  |   |



## 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 Somerset County Council, and to outline the scope of internal audit work.

### Approval

This Charter was last approved by the Audit Committee on 28<sup>th</sup> March 2019 and is reviewed each year to confirm it remains accurate and up to date.

### 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 Somerset County 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 Somerset County 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

#### Management<sup>1</sup>

Management is responsible for ensuring SWAP:

- has the support of management and the organisation; and
- has direct access and freedom to report to senior management, including the Chief Executive and the Audit Committee
- is notified 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.

#### Audit Committee<sup>2</sup>

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

<sup>1</sup> In this instance Management refers to the Senior Management Team and Statutory Officers.

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

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 Somerset County 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:

- 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 (including fraud investigation 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 already have been made fully aware of the detail and whose co-operation in preparing the summary report will have been sought.

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 Somerset County 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.