



# Somerset County Council

Report of Internal Audit Activity

Plan Progress 2020/21- January Update

Internal Audit ■ Risk ■ Special Investigations ■ Consultancy

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# Summary

## Our audit activity is split between:

- **Operational Audit**
- **School Themes**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **School and Early Years Reviews**
- **Follow-up Reviews**
- **Other Reviews**



## Role of Internal Audit

The Internal Audit service for Somerset County Council is provided by SWAP Internal Audit Partnership Limited. SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Chartered 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 on 18<sup>th</sup> June 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
- School Reviews
- Follow-up Audits
- Other Special or Unplanned Reviews

## Summary of Work 2020/21

### Outturn to Date:

**We rank our recommendations on a scale of 1 to 3, with 1 being areas of major concern to 3, findings that require attention.**



### Internal Audit Work programme

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 at Appendix A of this document.

To assist the Committee in its important monitoring and scrutiny role, in those cases where weaknesses have been identified in service/function reviews that are considered to represent significant service risks, a summary of the key audit findings that have resulted in them receiving a ‘limited Assurance Opinion’ is given as part of this report.

In circumstances where findings have been identified which are considered to represent significant corporate risks to the Council, due to their importance, these issues are separately summarised.

## Summary of Audit Work 2020/21

### Significant Corporate Risks

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



### Significant Corporate Risks

We provide a definition of the three risk levels applied within audit reports.

For those audits which have reached report stage through the year, we have assessed the following risks as 'High'.

Review/Risks	Auditors Assessment
None to report in this period	

## Summary of Work 2020/21

### SWAP Performance - Summary of Partial Opinions

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



### Summary of Limited Opinions

There have been no audits completed with limited opinions since the last progress update.

## Plan Performance 2020/21

Update 2020/21

### SWAP Performance



### SWAP Performance

SWAP performance is subject to regular monitoring review by both the Board and at Member meetings. The respective performance results for Somerset County Council and other SWAP partners, using data to the end of December 2020 is as follows:

Performance Target	20/21 Performance	19/20 Performance
<b><u>Audit Plan – Percentage Progress</u></b> Final, Draft and Discussion In progress Not started	49% 24% 27%	56% 31% 13%
<b><u>Audit Plan – Delivery</u></b> On course to deliver at least 90% of plan by year end	Yes	Yes
<b><u>Quality of Audit Work</u></b> Customer Satisfaction Questionnaire	100%	98%

There have been some delays to starting audits due to the pandemic, as can be seen in the higher percentage of audits not started compared to the previous year. The expectation remains that the plan will be delivered.

We will build our audit plan as the year progresses to ensure that we are auditing the right things at the right time.



## SCC Plan Changes and Coverage

Please refer to Appendix B for detail of the individual audits.

Previous progress reports have detailed the impact of the Covid-19 pandemic on the 2020/21 plan with some activity having been flexed to certify Covid-19 related grants and perform other Covid related work. Further plan adjustments are presented in this report to reflect organisational priorities and the further impact of Covid-19 during recent months. Despite these changes to the plan, audits delivered this year have provided coverage in relation the Council’s current strategic risks. A cumulative overview of Internal Audit coverage to date against the Council’s strategic risk areas is provided in Table 1 below. Reasonable coverage is reported against strategic risks except safeguarding children. This is covered within the next section on audit opinions.

**Table 1**

Strategic Risk	Coverage	Audits Completed/in progress
ORG0009 – Safeguarding Children	Yellow	Safeguarding in Schools
ORG0043 – Maintaining a balanced budget	Dark Blue	Adults Budget Management, covid19 expenditure approvals, Healthy Organisation
ORG0053 – Organisational Resilience (including Business Continuity, Civil Contingencies, Health & Safety, cybersecurity, information management)	Dark Blue	Business Continuity, cyber security framework review, Apprenticeship scheme, Healthy Organisation
ORG0054 – Climate Change	Red	Strategy only recently launched – to include in 21/22
ORG0055 – Partnerships	Dark Blue	Local Enterprise Partnership Governance, Community Learning Partnership
ORG0056 – Covid19 pandemic effects on suppliers	Dark Blue	Response to Procurement Policy Note 02/20
ORG0057 – Sustainable MTFP	Dark Blue	Adults budget management, parking income, big bus, Treasury Management, Healthy Organisation

**TABLE KEY:**

Dark Blue	Reasonable coverage
Yellow	Partial coverage
Yellow with diagonal lines	Coverage planned but not started or completed
Red	No planned coverage
Red with diagonal lines	Proposed coverage removed



As part of our plan progress reports, we will provide an ongoing opinion to support the end of year annual opinion.



## Audit Opinion Update

Reviews completed to date highlight that, overall, risks are reasonably well managed with the systems of internal control working effectively. There has been more advisory and grant related work this year, the pandemic being the most significant reason for this. Outcomes from Internal Audit work not attracting an opinion level (e.g. follow up, grant work, advisory etc) will be appropriately reflected in the annual opinion.

CIPFA has recently issued guidance around providing annual opinions where there is *limitation of scope* from the impact of Covid-19 upon delivery of planned assurances. An example given is where assurance is insufficient due to significant engagements set out in the plan that the audit service could not complete. Given the resource impact of Covid-19 on front-line services there is a risk of this applying to Adults and/or Children's services. The Head of Internal Audit is currently working with these services to agree a programme of work that is deliverable and gives the necessary assurance.

Assurance Definitions	
<b>None</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
<b>Limited</b>	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.
<b>Reasonable</b>	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.
<b>Substantial</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Definition of Corporate Risks	
Risk	Reporting Implications
<b>High</b>	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
<b>Medium</b>	Issues which should be addressed by management in their areas of responsibility.
<b>Low</b>	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:	
<b>Priority 1</b>	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
<b>Priority 2</b>	Important findings that need to be resolved by management.
<b>Priority 3</b>	Finding that requires attention.

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Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 =	↔	3 =	Comments
								Major		Minor	
								Recommendation			
1	2	3									
<b>Opinion Based Audits</b>											
Human Resources	Governance	Apprenticeship Scheme	1	Final	Limited	19/03/2020	6		2	4	
Education	School	Safeguarding in Schools	1	Final	Limited	15/04/2020	5		2	3	
Finance	Key Control	Staff Expenses	2	Final	Reasonable	04/05/2020	5		1	4	
ECI	Operational	Parking Income	1	Final	Reasonable	23/04/2020	4		2	2	
Finance	Key Control	Treasury Management	2	Final	Substantial	04/08/2020	1			1	
ECI	Governance	Local Enterprise Partnership (LEP) Governance	2	Final	Reasonable	03/08/2020	10		1	9	
Education	School	School Theme – Community Learning Partnerships	3	Draft		28/09/2020					
Business continuity	Governance	Business Continuity – Review of Plans	3	Draft		16/11/2020					New – part 1.
SLT	Healthy Organisation	Healthy Organisation (HO) 2020/21	2	In Progress		01/09/2020					
Adult services	Operational	Adults Budget Management	2	In Progress		06/08/2020					
Finance	Governance	COVID-19 Expenditure Approvals	2	In progress		06/08/2020					New

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 =	↔	3 =	Comments
								Major		Minor	
								Recommendation			
1	2	3									
ICT	ICT	Cyber Security Framework Review	2	In Progress		04/01/2021					
ECl	Operational	Big Bus Project	3	In progress		15/01/2021					
Children's Services	Operational	Independent Placements – Financial Controls & Contract Management	2	Not started							Push back to Q4 at client request.
Procurement	Governance	Contract Management Framework	2	Not started							Request to defer until Q4
Business continuity	Governance	Business Continuity - long duration and consecutive incidents	4	Not started							
Information management	Governance	Information Asset Register	4	Not started							
ICT	ICT	Detailed Cyber Security reviews	3	Not started							
Children's services	Operational	Early Help Assessments	1	Not started							Processes not yet embedded – revisit in Q4.
Children's services	Operational	Exclusions and Attendance	4	Not started							

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 =	↔	3 =	Comments
								Major		Minor	
								Recommendation			
1	2	3									
<b>Follow Ups</b>											
Property services	Follow-up	Corporate property maintenance schools	1	Final	n/a	03/08/2020					Sufficient progress made to remove from JCAD
Performance	Follow-up	Service Planning	2	Final	n/a	03/08/2020					Sufficient progress made to remove from JCAD
Children & Families	Follow-up	Early Years Follow Up	4	Final	n/a	28/07/2020					Insufficient progress made to remove from JCAD
Finance	Follow-up	Risk management	2	Final	n/a	03/08/2020					Insufficient progress made to remove from JCAD
Children's Services	Follow-up	The Education of Children Looked After	1	Not Started	n/a						
HR and OD	Follow-up	Role of the Somerset Manager	3	Not Started	n/a						
Procurement	Follow-up	Supplier Resilience	3	Not Started	n/a						Deferred until Q4 – to be completed with contract management audit.
Finance	Key Control	Debt Management	3	Not started	n/a						
<b>Grants</b>											
ECI	Grant	Bus services support grant – Tranche 1	1	Complete		18/05/2020					New – Covid-19 Additional funding
Children & Families	Grant	Troubled Families – Phase 2 Claims	1	In Progress		01/04/2020					Certification of claims completed through the year.

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 =	↔	3 =	Comments
								Major		Minor	
								Recommendation			
1	2	3									
ECI	Grant	Local Transport Capital Funding (including Pothole Action Fund)	2	Complete		01/07/2020					
ECI	Grant	DfT COVID-19 Bus Services Support Grant - Tranche 2	2	Complete		01/09/2020					New – Covid-19 Additional funding
ECI	Grant	Bus Subsidy Ring Fenced Revenue Grant	3	Complete		02/12/2020					New
ECI	Grant	BDUK Grant Certification	4	Not started							
ECI	Grant	Track and Trace Service Support Grant	4	Not started							New – Covid-19 Additional funding
ECI	Grant	Additional Dedicated Home to School and College Transport Grant	3	Not started							New – Covid-19 Additional funding.
<b>Advisory Work</b>											
Education	Advice	Beech Grove PTA Fund	2	Final	n/a	02/07/2020					New
Procurement	Investigation	Procurement investigation	1	Final	n/a	18/05/2020					New
Finance	Investigation	Use of Procurement cards	2	Final	n/a	09/07/2020					New

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 = Major	↔	3 = Minor	Comments
								Recommendation			
								1	2	3	
Procurement	Advice	Response to Procurement Policy Note 02/20	1	Final	n/a	14/05/2020	4		2	2	New – compliance with Covid-19 procurement regulations
ICT	ICT	ICT Governance Risk Scope Review	1	Final	n/a	29/06/2020	n/a				
ECI	Advice	Contractor duplicate payments	1	Final	n/a	08/06/2020	7	3	3	1	New
Finance	Advice	Research – transformation and Budget Monitoring	3	Final	n/a	16/11/2020					New
ECI	Investigation	Special Audit Review	3	Draft	n/a	18/11/2020					New
Education	Advice	Avalon School Hydrotherapy Pool	2	Draft	n/a	22/06/2020					New
All	Advice	SCC COVID-19 Response Advice	1	In progress	n/a	01/04/2020					New
Finance	Advice	Continuous Assurance	1	In progress	n/a	30/04/2020					New – development of a continuous assurance offer for SCC
Governance	Advice	Assurance Mapping	2	In progress	n/a						
Finance	Advice	Financial Procedures	3	In progress	n/a	2/11/2020					
Adults	Advice	CIFAS – Plan for Blue Badges/Adult Social Care	3	In progress	n/a	03/12/2020					New
Finance	Advice	Fraud Risk Assessment	4	In progress	n/a						New – will help inform next year's plan

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 =	↔	3 =	Comments
								Major		Minor	
								Recommendation			
1	2	3									
<b>Audits Deferred/Removed from the Plan</b>											
Children's services	Operational	SEND casework	1	Deferred							Request to remove from plan as resources diverted to delivery of SEND action plan.
Children's Services	Follow-up	Childrens – Education Health and Care Plans (EHCPs)	1	Deferred	n/a						As above
Adult services	Operational	Adult Commissioning	1	Deferred							Deferred due to Covid-19 at request of service.
Health and safety	Follow-up	Corporate Management of Health and Safety	1	Deferred	n/a						Deferred due to Covid-19
ECl	Operational	Community Asset Transfers	2	Deferred							Replaced with new higher risk work.
Finance	Operational	Insurance Claims	2	Removed							Replaced with new higher risk work.
Children's services	Operational	Education Health & Care Plan Reviews	2	Deferred							Request to remove from plan as resources diverted to delivery of SEND action plan.
Adult Services	Follow-up	Mental Health – Financial Decision making	2	Deferred	n/a						Actions dependant on implementation of Eclipse which is delayed.
Finance	Follow-up	Cash Handling	2	Deferred	n/a						Deferred as audit requires onsite visits.
HR and OD	Follow-up	Lone Working	2	Deferred	n/a						Delayed progress due to Covid-19 – request to defer.



Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 = Major	↔	3 = Minor	Comments
								Recommendation			
								1	2	3	
Adult's Services	Follow-up	FAB Assessments	3	Deferred	n/a						Actions dependant on implementation of Eclipse which is delayed.
ECI	Operational	Corporate Landlord Model	3	Deferred							Deferred as FM form key contacts and due to Covid-19 do not have resource to support.
Adult services	Operational	Adults – Workforce Planning	3	Deferred							Deferred due to Covid-19 at request of service.
Project Management Office	Governance	Project Management – Use of Project Mobilisation Toolkit	3	Deferred							Delays have meant that toolkit insufficiently embedded for detailed review. Overview covered by HO.
Adult Services	Operational	Eclipse System Implementation	4	Deferred							System implementation delays – defer to 21/22
Public health	Follow-up	Transfer of Public Health Nursing Services	4	Deferred	n/a						Deferred as lack of capacity due to Covid-19.
Education	School	Early Years Funding Entitlement	4	Deferred							On site visits currently not possible - request to defer by service.
ECI	Operational	Construction Design Management (CDM) Regulations	4	Deferred							Deferred as consultant engaged to review this area.
ECI	Operational	Wells Enterprise Centre	4	Deferred							Request to defer due to delays in completion. Have certified associated growth deal funding.
Governance	Governance	Whistleblowing	4	Deferred							Request to defer as scheme has not been updated due to Covid-19.