



Somerset County Council

Report of Internal Audit Activity

Plan Progress 2020/21- July Update

Internal Audit ■ Risk ■ Special Investigations ■ Consultancy

Contents

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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 11th 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
- 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	

SWAP Performance - Summary of Limited 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/Other Work Finalised

Debt Management

The primary purpose of the audit was to verify the extent to which the framework to support the active management and recovery of all debts due to the Council is being complied with.

We have again identified that there is a low level of compliance by services with the Income Code of Practice's timescales and recording requirements. It is likely that Covid-19 has had some impact, as debt recovery was suspended for three months until the end of June 2020 and finance staff resources were stretched during the year due to redeployment.

It is recognised that the central exchequer team has completed some key actions in recent years, but their direct influence in securing further improvement is becoming more difficult to achieve. Therefore, this time we have directed our recommendations directly to Service Finance Managers where issues were found. It is hoped that this approach will drive the increased accountability that is needed.

The audit report has been scheduled as an agenda item at July's Governance Board meeting which will provide an opportunity to raise awareness of the remaining issues to senior staff across the Council.

Baseline Assessment of Maturity in relation to Fraud

This corporate assessment of fraud maturity was carried out across eleven partner councils. An amber rating was given across the six themed areas covered and areas of improvement were identified. The report was received positively by SCC and will be used to drive improvement.

A summary of the SCC report can be found at Appendix C. A comparison across the partners has also been included, SCC is Council number 1.

Cyber Security Framework Review

This audit review has been undertaken using a framework of 20 key cyber security controls. The results will be used to highlight areas of risk that require immediate attention or further risk-based audit review. Detailed testing was not carried out and it is for this reason that an opinion has not been given.

A summary of the results can be found at Appendix D. Security awareness and training was assessed as 'Red' and therefore considered to require immediate attention. ICT acknowledged that more could be done to better support IS training and awareness and will use the report to raise the profile of this issue and to obtain the wider support needed to make improvement. A full review of training and awareness is planned for quarter 3 of 2021/22.



SWAP performance is subject to regular monitoring review by both the Board and at Member meetings. The respective performance results for Somerset County Council, using data to the end of June 2021 is as follows:

Performance Target	20/21 Performance	19/20 Performance
<u>Audit Plan – Percentage Progress</u> Final, Draft and Discussion In progress Not started	100% 0% 0%	90% 10% 0%
<u>Audit Plan – Delivery</u> On course to deliver at least 90% of plan by year end	Yes	Yes
<u>Quality of Audit Work</u> Customer Satisfaction Questionnaire	100%	98%

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 Performance

Previous progress updates have reported changes to the original plan largely due to the pandemic. This has included additional advisory and grant work as well as replacement adults and childrens audits, all of which have now been delivered. This gives a good basis for the 20/21 annual opinion.

Those audits that were not able to be delivered have been risk assessed and rescheduled to 2021/22 as appropriate. It has also been necessary to reschedule some planned follow-up reviews, as progress in implementing agreed recommendations has slowed due to resources being diverted to the Council's response to the pandemic.

Assurance Definitions	
None	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.
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 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
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.

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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									
Opinion Based Audits											
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	Final	Limited	28/09/2020	6		4	2	
SLT	Healthy Organisation	Healthy Organisation (HO)	2	Final	Medium Assurance	01/09/2020					
Adult services	Operational	Adults Budget Management	2	Final	Reasonable	06/08/2020	4		1	3	
Finance	Governance	COVID-19 Expenditure Approvals	2	Final	Substantial	06/08/2020	1			1	New
ECI	Operational	Big Bus Project	3	Final	Reasonable	15/01/2021	5		2	3	

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 = Major	↔	3 = Minor	Comments
								Recommendation			
								1	2	3	
Finance	Key Control	Debt Management	3	Final	Limited	29/01/2021	11		6	5	
Children's services	Operational	Independent Non Maintained Schools – contracts/IPAs	4	Final	Reasonable	01/03/2021	7		2	5	New
Adult Services	Operational	Absence Management – sickness and leave	4	Final	Reasonable	09/02/2021	7		1	6	New
Adult Services	Operational	Client Finances	4	Final	Reasonable	16/02/2021	4		1	3	New
Children's services	Operational	Effectiveness of the school's forum	4	Draft	Limited	22/03/2021	12		2	10	New
Finance	Governance	Baseline Assessment of Fraud Risk	4	Final	Overall controls assessed to be partially in place.	25/01/2021	6		6		New
Follow Ups											
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					Sufficient 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

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 =	↔	3 =	Comments
								Major		Minor	
								Recommendation			
1	2	3									
Children's Services	Follow-up	The Education of Children Looked After	1	Draft	n/a	22/02/2020					Sufficient progress made to remove from JCAD
Children's Services	Follow-up	The Virtual School	4	Draft	n/a	05/02/2020					New - Sufficient progress made to remove from JCAD
Grants											
ECl	Grant	Bus services support grant – Tranche 1	1	Complete		18/05/2020					New – Covid-19 Additional funding
ECl	Grant	DfT COVID-19 Bus Services Support Grant - Tranche 2	2	Complete		01/09/2020					New – Covid-19 Additional funding
ECl	Grant	Bus Subsidy Ring Fenced Revenue Grant	3	Complete		02/12/2020					New
Children & Families	Grant	Troubled Families – Phase 2 Claims	1-4	Complete		01/04/2020					Certification of claims completed through the year.
ECl	Grant	Local Transport Capital Funding (including Pothole Action Fund)	2	Complete		01/07/2020					
Advisory Work											
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	Advisory but found overall Council's response was reasonable.
ICT	ICT	ICT Governance Risk Scope Review	1	Final	n/a	29/06/2020	n/a				
ICT	ICT	Cybersecurity Framework Review	3	Final	n/a	04/01/2021	10	1	9		Advisory but overall evidence of controls in place or being developed across most areas.
ECl	Advice	Contractor Application for Payment Review	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
Business continuity	Governance	Business Continuity Plan Updates	3	Final	n/a	16/11/2020					New
ECl	Advice	Special Audit Review	3	Final	n/a	18/11/2020					New
Education	Advice	Avalon School Hydrotherapy Pool	2	Final	n/a	22/06/2020					New
All	Advice	SCC COVID-19 Response Advice - various	1	Final	n/a	01/04/2020					New
Finance	Advice	Debtors and Creditors Continuous Assurance	1	Final	n/a	30/04/2020					New – development of a continuous assurance offer for SCC
Governance	Advice	Assurance Mapping	2	Final	n/a	04/08/2020					New

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 =	↔	3 =	Comments
								Major		Minor	
								Recommendation			
1	2	3									
Finance	Advice	Financial Procedures	3	Final	n/a	2/11/2020					
Adults	Advice	CIFAS – Planning for Blue Badges/Adult Social Care	3	Final	n/a	03/12/2020					New – ongoing into 21/22
Audits Deferred/Removed from the Plan											
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							As above – follow-up deferred to 21/22
Adult services	Operational	Adult Commissioning	1	Deferred							Deferred to 21/22 due to Covid-19 at request of service. Alternative audit work agreed.
Health and safety	Follow-up	Corporate Management of Health and Safety	1	Deferred							Deferred to 21/22 due to Covid-19.
ECI	Operational	Community Asset Transfers	2	Removed							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							Actions dependant on implementation of Eclipse which is delayed. Follow-up deferred to 21/22.

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 =	↔	3 =	Comments
								Major		Minor	
								Recommendation			
1	2	3									
Finance	Follow-up	Cash Handling	2	Deferred							Deferred to 21/22 as audit requires onsite visits.
HR and OD	Follow-up	Lone Working	2	Deferred							Delayed progress due to Covid-19 – request to defer to 21/22.
Adult's Services	Follow-up	FAB Assessments	3	Deferred							Actions dependant on implementation of Eclipse which is delayed. Follow-up deferred to 21/22.
ECI	Operational	Corporate Landlord Model	3	Deferred							Deferred to 21/22 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 to 21/22 due to Covid-19 at request of service. Alternative audit work agreed.
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							Deferred to 21/22 as lack of capacity due to Covid-19.
ECI	Operational	Construction Design Management (CDM) Regulations	4	Deferred							Deferred to 21/22 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.

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 =	↔	3 =	Comments
								Major		Minor	
								Recommendation			
1	2	3									
Governance	Governance	Whistleblowing	4	Deferred							Request to defer as scheme has not been updated due to Covid-19.
Children's services	Operational	Early Help Assessments	1	Deferred							Processes not yet embedded. Alternative audit work agreed.
HR and OD	Follow-up	Role of the Somerset Manager	4	Deferred							Request to delay to 21/22 due to Covid-19.
Children's Services	Operational	Independent Placements – Financial Controls & Contract Management	2	Deferred							Request to delay due to Covid-19. Alternative audit work agreed.
Information management	Governance	Information Asset Register	4	Deferred							Request to delay due to Covid-19.
Children's services	Operational	Exclusions and Attendance	4	Deferred							Request to delay to 21/22 due to Covid-19. Alternative audit work agreed.
Procurement	Follow-up	Supplier Resilience	3	Deferred							Request to delay to 21/22 due to Covid-19.
ECl	Grant	BDUK Grant Certification	4	Deferred							Deadline for sign off 21/22
Procurement	Governance	Contract Management Framework	2	Deferred							Introduction of new contract management framework delayed because of Covid-19. Overview covered by HO.

Baseline Assessment of Six Themed Areas



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

Scope and Ambition

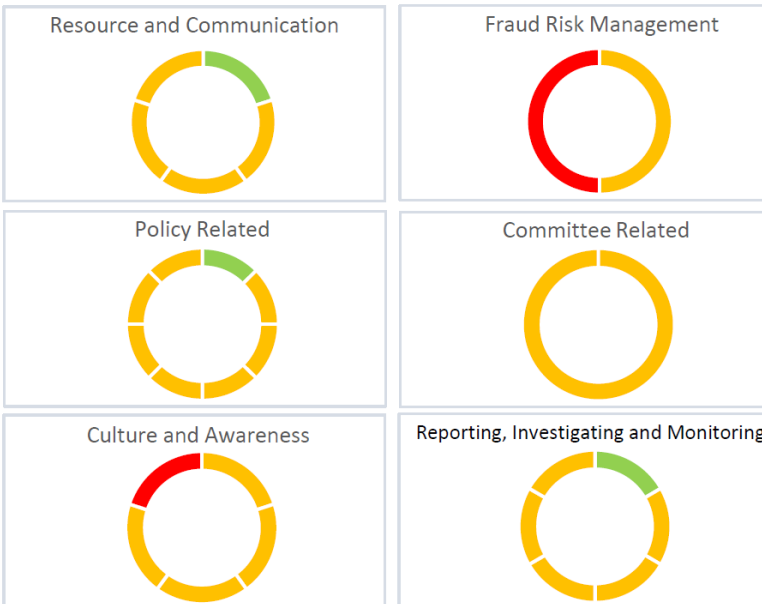
This baseline assessment is a corporate view of fraud maturity within the organisation. We recommend a revisit of the assessment in twelve months' time, with a view to an expected increase in the level of maturity. It is vital that management ensure the key findings from this work are considered and that they work with SWAP to reduce risk of fraud and to protect the public purse.

SWAP intends to share the results of this assessment across its wider partnership, to give opportunity for Councils to compare outcomes and where possible, share good practice. This exercise will anonymise the information from each Council.

Key Findings

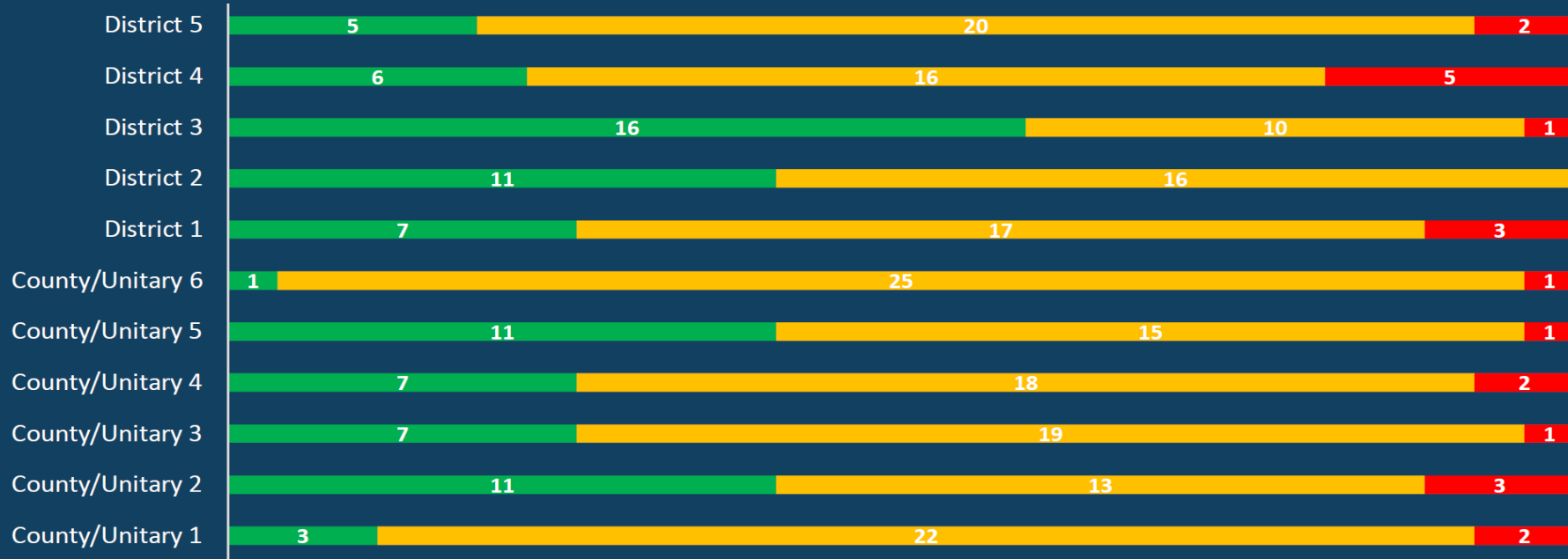
	There is no process for vetting candidates in respect of fraud, by assessing specific posts for financial fraud risk and conducting specific checks on the candidate's history.
	The Council does not have a live plan which aligns fraud risks to available resources. Risk assessments have not been completed to inform planning and fraud is not considered in the corporate risk management process.
	Audit Committees and Portfolio Lead roles do not refer to any responsibilities in respect of fraud. Counter-fraud activity and outcomes are not reported to key stakeholders outside of annual audit planning process.
	The Fraud and Corruption Policy and Strategy was not located online and is not easily accessible or communicated to stakeholders. The policy does not reference investigations, sanctions or risk assessment of allegations.
	Staff and Member Code of Conduct documents do not make direct reference to fraud and corruption. The Whistleblowing Policy is overdue for review.
	There is no agreed programme of training for staff and members in relation to ethics and anti-fraud.

Assessments per Area Reviewed



■ Assessed not to be in place/ operating ineffectively – requires significant improvement.
■ Assessed to be partially in place – requires improvement.
■ Assessed as in place/ operating effectively.

Total number of requirement assessment conclusions per Authority:



- Assessed not to be in place/ operating ineffectively – requires significant improvement.
- Assessed to be partially in place – requires improvement.
- Assessed as in place/ operating effectively.

Summary of Control Framework

We have provided outcomes for each of the 20 key controls below.

The detailed findings and conclusions to support each rating for all 20 high level key controls are available as a separate appendix to this report.

Key Control Area:	Fully compliant	Recommended for further review	Requires immediate attention
Cyber Security Governance and Management Support			
Existence and Maintenance of an Inventory of Hardware Assets			
Inventory of Software Assets (including Data Assets)			
Vulnerability Management Processes			
Control of Accounts with Administrative Privileges			
Deployment of Secure Hardware and Software Configurations			
Active Monitoring and Analysis of Audit Logs			
E-Mail and Web Browser Protections			
Deployment of Malware Defences			
Control of Network Ports, Protocols and Services			
Data Recovery Capabilities including Back Up and Restore			
Secure Configuration of Network Devices			
Boundary Defences are documented and understood			
Management controls for data in transit			
Management of Wireless Access Controls			
User Access Monitoring and Control			
Security Awareness and Training			
Development of Application Software and Security			
Incident Response and Management Procedures			
Programme of Penetration Testing			