








# Somerset County Council

Report of Internal Audit Activity

Progress Report- September 2021

# Internal Audit Update – September 2021/22 ‘At a Glance’

## The Headlines

	<b>Three limited opinions audits. No high corporate risks reported.</b>
	<b>Eight reviews completed as part of the 2021/22 Internal Audit Plan</b> <ul style="list-style-type: none"> <li>• Four assurance audits</li> <li>• One follow-up</li> <li>• One grant certification</li> <li>• Two advisory reviews</li> </ul>
	<b>Additions to the Plan</b> Six new reviews added to the plan.
	<b>Improvements from the implementation of agreed actions</b> Follow up activity is underway and a data dashboard is being built to support management overview. COVID-19 has impacted some delivery and follow up timelines which are currently under review.
	<b>Range of innovations and enhancements made to our internal audit process throughout the year</b> Data analytics continues to drive/support reviews; comparative benchmarking exercises offer useful insight and suggested practices.

## Internal Audit Assurance Opinions 2021/22

	Sept	YTD
Substantial	0	0
Reasonable	1	1
Limited	3	3
No Assurance	0	0
<b>Total</b>	<b>4</b>	<b>4</b>

## Internal Audit Agreed Actions 2021/22

	Sept	YTD
Priority 1	0	0
Priority 2	13	13
Priority 3	8	8
<b>Total</b>	<b>21</b>	<b>21</b>

## Summary

As part of our rolling plan reports, we will detail progress against the approved plan and any updates in scope and coverage.

We will also provide details of any significant risks that we have identified in our work, along with the progress of mitigating significant risks previously identified through audit activity.

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### Summary

#### Introduction

This is our first progress report for 2021/22 and reports against the plan agreed by this Committee in March 2021. The plan remains necessarily flexible and some new work and profiling adjustments have been agreed to reflect organisational priorities. The schedule provided at Appendix D contains a list of progress made to date and new work 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 C 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 Appendix A.

A follow-up review is performed in respect of all limited assurance opinion audits. This is important to provide evidence that recommendations have been implemented to reduce areas of risk identified. The results of follow-up reviews performed in the period can be found in Appendix B.

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.

# Internal Audit Plan Update

Our audit plan coverage assessment is designed to provide an indication of whether we have provided sufficient, independent assurance to monitor the organisation’s risk profile effectively.

For those areas where no audit coverage is planned, assurance should be sought from other sources to provide a holistic picture of assurance against key risks.



## SWAP audit plan coverage, changes to the plan, and performance measures

The table below provides a visual representation of how our completed audits and work in progress for 2021/22 financial year to date provides assurance over key strategic risks areas in the Internal Audit Plan. As the year builds and more work is completed, coverage across the key risk areas will increase. ‘Adequate’ coverage reflects delivery of planned assurance levels.

Risk Universe	Coverage
Climate Change	
Organisational resilience	Business continuity, hybrid working, data centre & back-ups
Supplier Disruption	
Sustainable MTFP	
Safeguarding Children	Schools safeguarding follow-up
External Influences and Uncertainties	Commissioning governance, adults commissioning
Market Management and development	Contract management advisory review
Partnership Working: Local Government Reorganisation	

	Good coverage complete
	Adequate coverage complete
	Coverage in progress
	No coverage to date

# Internal Audit Plan Update

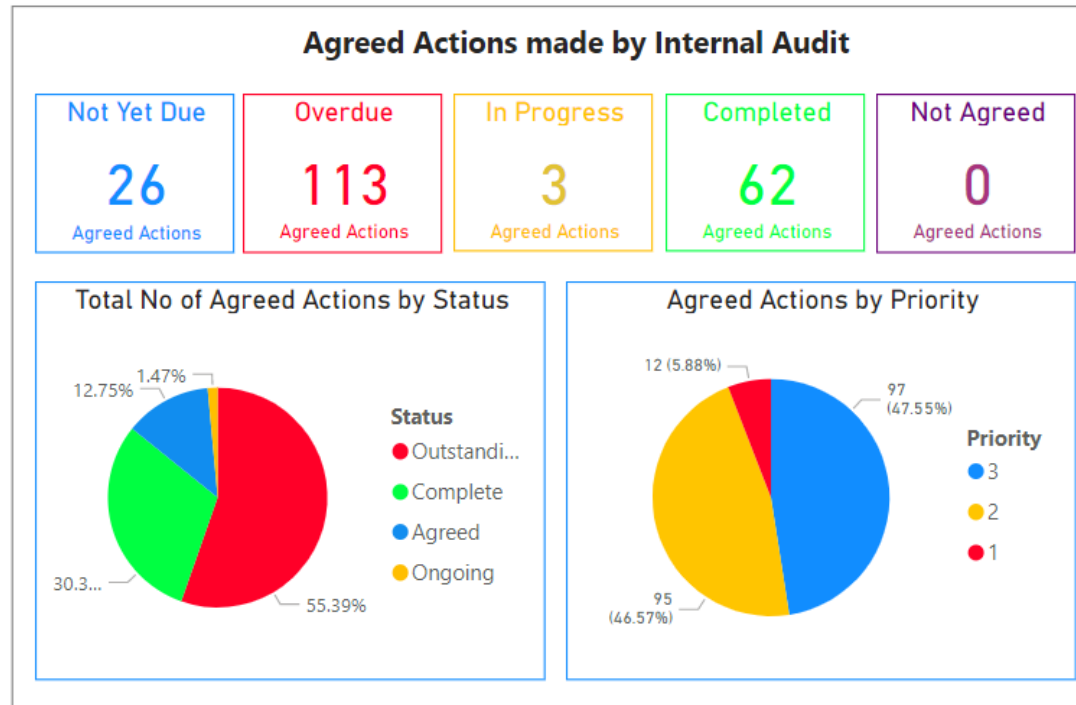
Follow up work confirms the responsive nature of management in implementing agreed actions to mitigate exposure to areas of risk.



## Follow-up Work

Follow up activity for agreed management actions arising from previous Internal Audit assurance activity is underway to establish the current implementation status for agreed actions.


A high level analysis of the current situation is shown below. A number of follow-up reviews were deferred from last year’s plan due to the pandemic and recommendations are reported as overdue as a result.



Assurance Definitions	
<b>No Assurance</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	
Risks	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.

Accounts Payable – Vendor Management	Audit Objective		Priority Actions			
	To ensure the Council has an effective control framework in place for vendor management within the Accounts Payable/Master Data function.		1	2	3	Total
			3	2	5	

This audit was included in the plan following a recent fraudulent change of bank details for a vendor. Following this a management instruction was issued to implement more stringent controls for vendor data changes which were tested as part of this audit.

**Summary of Findings**

- The documented guidance for vendor creation and amendment is outdated and Master Data staff have since developed their own individual process documents. The guidance also does not include anti-fraud processes, including incorporation of additional stages that were introduced following a recent fraud that prompted this review.
- The documented guidance also does not include direction on the acceptable circumstances when a vendor form can be sent to the vendor themselves for completion, despite this having become a common practice.
- Master Data Team log sheets do not show the vendor telephone number used in their verification checks or where it was obtained from. Therefore, whilst it is believed that the team are following the procedure to use only a telephone call to verify vendor details, compliance is not currently evidenced.
- Vendor cleansing has not been completed since 2017 resulting in a high number of duplicate vendors. Our analysis found 3,586 vendors with duplicate bank accounts and 1,300 vendors with duplicate VAT numbers.


School Exclusion Data	Audit Objective	 <p>Limited</p>	Priority Actions			
	To verify whether timely and consistent data is received from schools, reported at the appropriate level and is used effectively to identify and address issues.		1	2	3	Total
			5	1	6	

Controls around the collation and reporting of school exclusion data at Local Authority level, including the identification of anomalies requiring further investigation and corrective action were covered as part of this audit.

**Summary of Findings**

- There are persistent differences between the exclusion data obtained from school management information systems compared with data that SCC holds and school census data returns.
- School exclusion data queries are held in spreadsheets that do not have consistent data categories and query notes, making it difficult to analyse and address data difference themes.
- The School Exclusion Dashboard was not driven by management priorities and does not allow for comparative analysis against regional and national trends or contain trigger points for investigation/escalation.
- Schools using Scholar Pack as their Management Information System have a disproportionate number of exclusion data differences.



Data Centre Review	Audit Objective		Priority Actions			
To ensure that the Council's data centre facilities are managed appropriately to prevent loss and/or corruption of data, systems and communications.			1	2	3	Total
				3	2	5
<p>The audit focused on the effectiveness of the data centre arrangements to ensure the on-going security of the Council's data and support of those business activities that depend upon technology to function.</p> <p><b>Summary of Findings</b></p> <ul style="list-style-type: none"> <li>Insurance valuation of cover is not clearly linked to value of data centre equipment, cyber threats to systems and data, and remote data centre risks.</li> <li>Cleaning routines have lapsed and a deep clean is overdue.</li> <li>Door access controls for the data centre have a single point of failure dependency</li> </ul>						

Follow up Audit	Scope and Objective	Progress assessment				
		Completed	In progress	Not Started	Total	
Highways Maintenance – Application for Payment	To provide assurance that the agreed actions within the 2020-21 report have been implemented.	Priority 1	1	2	-	3
		Priority 2	1	2	-	3
		Priority 3	1	0	-	1
		<b>Total</b>	<b>3</b>	<b>4</b>	<b>-</b>	<b>7</b>

**Summary of Findings**

The follow-up review recognises that much has been achieved in a relatively short timescale and risk exposure is reducing as a result, however improvement work remains in progress.

At the time of reporting, a new Contract Management Team structure had been approved, representing increased investment in skilled resource. In addition, a new payments module within the CONFIRM highways management system was on the verge of being implemented. Once up and running this will replace the current Application for Payment (AfP) spreadsheet.

A number of our previous findings and recommendations related to the size, format and complexity of the AfP and while it remains in place, there have been several improvements to the monthly certification process. This includes the production of a task order detail report each month which provides a full breakdown of all in-month costs. There is now also a mandatory requirement to provide comments for all differences above £1,000 and a previous paid column has been introduced. In addition, approximately two days a month have been added to the certification process and 100% certification has been achieved since June 2020. The Highways Team are performing detailed monthly analyses to track compliance and the impact of changes.

The most significant issue identified was a high differential between the ordered cost of works, compared to the actual cost applied for by the contractor. Our analysis has identified that recently implemented improvements have had some impact on reducing these differentials, but further progress is required. The introduction of compensation events via the new payment system will be an important part of this moving forwards.

Further audit work will be required to assess satisfactory completion of the remaining actions, which will be in line with the revised implementation dates agreed for all recommendations that remain in progress.

Audit Type	Audit Area	Status	Opinion	No of Rec	Recommendation		
					1 = Major	↔	3 = Medium
					1	2	3
<b>Complete</b>							
Operational	Accounts Payable - Vendor Management	Final	Limited	5		3	2
Operational	School Exclusion Data	Final	Limited	6		5	1
ICT	Data Centre Review	Final	Limited	5		3	2
Operational	Adults - Commissioning Community Support	Final	Reasonable	5		2	3
Follow-up	Highways Application for Payment – Follow-up	Final	N/A				
Grant	BDUK Grant certification	Final	N/A				
Advisory	<b>New</b> - Updated Contract Management Framework	Final	N/A				
Advisory	<b>New</b> - Anti-Fraud and Corruption Policy Review	Final	N/A				
<b>Reporting</b>							
Governance	Hybrid Working	Draft					
Governance	Business Continuity	Draft					
<b>In Progress</b>							
Operational	SEND Costed Packages	In Progress					
Governance	Commissioning Governance	In Progress					
Governance	<b>New</b> - Fraud Risk Assessment	In progress					
Operational	Adults – Quality Assurance Framework	In Progress					

Audit Type	Audit Area	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
	1	2	3				
Follow-up	Safeguarding in Schools	In progress					
Follow-up	Compliance with Corporate Purchasing Policy	In progress					
Grant	Local Transport Capital Block Funding Grant Certification	In Progress					
Advisory	<b>New</b> - Whistleblowing Policy Review	In Progress					
Investigation	<b>New</b> - Project Management Investigation	In Progress					
Advisory	<b>New</b> - Adopt South-West	In Progress	Audit lead by Devon Audit Partnership				
Advisory	Recommendation Tracking	Ongoing					
Grant	Supporting Families Claims	Ongoing					
Advisory	CiFAS – Blue Badges	Ongoing					
<b>Waiting to go Live</b>							
Operational	School Deficit Balances	Waiting to go live	Request to reschedule to Q3 and extend scope to include surpluses				
Operational	Delivering Democratic Arrangements using virtual and/or hybrid meetings	Waiting to go live	Request to reschedule to Q3				
Operational	One Somerset	Waiting to go live	Days to provide audit resource as needed				
Follow up	Children’s Education, Health and Care Plans	Waiting to go live	Start Agreed for November				
Operational	Capital Accounting	Waiting to go live	Start Agreed for October				

Audit Type	Audit Area	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
1	2	3					
Operational	Property Condition - Schools	Waiting to go live	Start Agreed for October				
Operational	Property – Compliance with Regulations	Waiting to go live					
Operational	Project Management – Implementation of the Children’s Early Help Module	Waiting to go live					
Operational	Safeguarding – Complaints and Concerns	Waiting to go live					
Governance	ECl – Budget Management	Waiting to go live					
Grant	Covid Related Bus Services Support Grant Restart Tranche 3/4/5	Waiting to go live					
Grant	Test and Trace Support Grant	Waiting to go live					
Follow up	Lone Working	Waiting to go live					
Follow up	Corporate Management of Health and Safety	Waiting to go live					
<b>Deferred</b>							
Grant	Contain Outbreak Management Fund Grant Audit	Deferred	Sign-off requirement moved to 30/06/2022				
Governance	Election Delivery	Deferred	Elections deferred, audit moved to Q1 22/23				