Somerset County Council

Report of Internal Audit Activity

Progress Report- March 2022

The Headlines

Opinion based reviews completed in the period

- Two Limited
- Two Reasonable

Satisfactory progress in relation to plan delivery

- 32 reviews completed/report stage
- 21 reviews in progress
- 3 reviews to start

Additions to the Plan

15 new reviews included in the plan.

Improvements from the implementation of agreed actions
A data dashboard has been produced to support management overview. Overdue actions have reduced by 53% during the year-to-date.

Range of innovations and enhancements made to our internal audit process throughout the year
Data analytics continues to drive/support reviews; comparative benchmarking exercises offer useful insight and suggested practices.

Internal Audit Assurance Opinions 2021/22

	Mar	YTD
Substantial	0	0
Reasonable	2	6
Limited	2	8
No Assurance	0	0
Total	4	14

Internal Audit Agreed Actions 2021/22

	Mar	YTD
Priority 1	2	9
Priority 2	16	50
Priority 3	11	34
Total	31	93

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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.

The contacts at SWAP in connection with this report are:

Lisa Fryer
Assistant Director
lisa.fryer@swapaudit.co.uk

David Hill
Chief Executive
david.hill@swapaudit.co.uk

Summary

This is the March progress update for 2021/22 and reports against the plan agreed by this Committee in March 2021. The schedule provided at **Appendix D** details progress made to date and new work agreed.

The assurance opinion ratings have been determined in accordance with the Internal Audit "Audit Framework Definitions" as detailed at **Appendix A** of this document. The Committee can take assurance that improvement actions have been agreed with management to address each finding reported.

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 the 'limited Assurance Opinion' can be found at **Appendix B**. There were two to report over the period as well as two reasonable opinion audits. In total there have been six Reasonable and eight Limited Assurance audits finalised over the year so far. A significant proportion of Limited Assurance Opinions is expected as the audit plan is focused towards those areas of highest risk to the Council. The completion of agreed actions have been scheduled during 2022/23 and follow-up audits will then be carried out.

A follow-up review is performed in respect of all Limited assurance opinion audits. The results of follow-up reviews performed in the period can be found in **Appendix C**. This is important to provide evidence that recommendations have been implemented to reduce areas of risk identified. In respect of the risk management follow-up review that was performed although work was in progress, all actions had yet to be implemented in full. We will continue to monitor progress and risk management will be an area of focus as part of our LGR audit work in 2022/23.

As well as assurance provided by follow-up audits, this year the managers responsible for agreed actions relating to limited assurance audits have provided progress updates to internal audit. The results can be seen on page 4 of this report. The total number of overdue actions has reduced over the period and taking the year as a whole, there has been a reduction of 53% of overdue actions reported.

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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 maps audit work to SCC's key strategic risks to provide assurance of coverage. As the year builds and more work is completed, coverage across the key risk areas has increased. 'Adequate' coverage reflects delivery of planned assurance levels. Over the period the Climate Change audit has needed to be deferred to 2022/23 due to a combination of resource and timing issues.

Risk Universe	Coverage
Climate Change	No coverage - audit deferred to 2022/23
Organisational resilience	• Business continuity • Emergency Planning • Data centre & back-ups
New - Adults Sufficiency and Capacity	• Adults commissioning community support
Supplier Disruption	• Commissioning governance • Adults commissioning community support
Sustainable MTFP	• School deficit/surplus balances • SEND costed packages
Safeguarding Children	• Schools safeguarding follow-up. • Safeguarding complaints and concerns • Children's social care recruitment and training
Local Government Reorganisation	• Org. resilience/MTFP audits (above) • Business Recovery – post Covid • Commissioning governance
Market Management and development	• Contract register • Contract management advisory review

🟩	Good coverage complete
⬜	Adequate coverage complete
🟨	Coverage in progress
⬜	No coverage to date

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Internal Audit Plan Update

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

Implementation of Agreed Management Actions

As well as assurance provided by follow-up audits, managers responsible for agreed actions relating to limited assurance audits have provided progress updates to internal audit. The results of the latest update is shown in the summary below.

The table below shows a total of 53 overdue actions remain, compared to 88 in January. There were 113 overdue actions in the September update, giving an overall reduction of 53% during the year to date.

Agreed Actions made by Internal Audit

Agreed/Not Yet Due	Outstanding	Ongoing	Completed	Not Agreed
80	53	0	72	0
Agreed Actions	Agreed Actions	Agreed Actions	Agreed Actions	Agreed Actions

Total No of Agreed Actions by Status

25.85% 39.02% 35.12%

Status
● Agreed
● Complete
● Outstandi...

Agreed Actions by Priority

85 (41.46%)   17 (8.29%)   103 (50.24%)

Priority
● 1
● 2
● 3

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Assurance Definitions

No Assurance	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

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.

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	Audit Objective		Priority Actions			
Management of School Balances	To verify whether Local Authority processes for identifying and supporting schools with budget deficits and surpluses are robust and are being consistently applied.	Limited	**1**	**2**	**3**	Total
			2	4	2	8

The School Funding and Accountancy Team are responsible for monitoring school's budget management in line with their allocated funding and expenditure. The Education service reviews school performance via Quality Performance Review Meetings (QPRM).

QPRM is a developing process and provides an opportunity for a more consistent and co-ordinated approach for raising, discussing, and agreeing the actions required for schools with budget surplus and deficit issues. We found there is currently no clear framework for the identified issues to be channelled through to QPRM's, to ensure that appropriate and timely intervention can take place.

Summary of Findings
- There is no formal procedure for how school budget issues should be escalated, which causes delays to concerns being addressed and budget plans being approved.
- There is only a light touch requirement for schools to provide information about the intended use and timescale for spending a surplus budget, regardless of the value or age of the issue.
- For many schools with deficit budgets, the requirements for a deficit recovery plan represents no additional information to what is ordinarily required.
- Current documented guidance for schools is out of date and includes Local Authority optional actions which are not used.
- There is a lack of proactive monitoring and intervention for schools with a risk of budget issues.

All agreed audit actions are due by the end of July 2022.

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Strategic Commissioning	Audit Objective		Priority Actions			
	To establish whether there is an effective corporate approach for commissioning.	Limited	**1**	**2**	**3**	Total
			0	5	2	7

This audit reviewed the strategic commissioning framework, rather than actual commissioning activity by services. During the audit we conducted benchmarking with SWAP partners and LACAN authorities. We received limited responses but have shared the results with Commissioning Development.

Summary of Findings

- Though the Operating Model is reasonable, it requires update to reflect new Business Plan priorities for commissioning. Lead commissioners are developing a new People and Place approach which will encourage further joint commissioning, but this has not yet been formalised.
- While the Strategic Commissioning Group (SCG) is responsible for overseeing the Commissioning Gateway process, items tend to only be presented at decision stage, meaning opportunities may be missed. SCG has limited oversight over the rest of the gateway points. SCG has no decision-making powers.
- There is a limited corporate commissioning pipeline in place. The council has been developing the Integr8 system, which would provide a corporate overview of all activity, but this has now been delayed due to Local Government Reorganisation (LGR).
- A commissioning skills framework is in place but has not been widely shared with commissioners and now requires update. There is no up-to-date organisational assessment of commissioning skills held against this framework.

We will need to conduct a follow up audit to confirm the agreed actions have been implemented as agreed, by April 2023. It is acknowledged that implementation will be subject to decisions made during the Local Government Review.

Follow up Audit	Scope and Objective	Progress assessment			
			Completed	In progress	Not Started	Total

Follow up Audit	Scope and Objective		Completed	In progress	Not Started	Total
Risk Management	To provide assurance that agreed actions to mitigate against risk exposure identified within the 2019-20 partial opinion audit of risk management have been implemented.	Priority 1	-	-	-	-
		Priority 2		2	2	**4**
		Priority 3		1	1	**2**
		Total		**3**	**3**	**6**

This is a second follow up audit on Risk Management. The original audit was completed in July 2019 and received a partial (limited) assurance opinion. That audit report emphasised the importance of the significant weaknesses identified being addressed, and risk owners taking more responsibility for the regular review of risks in the corporate risk register.

The first follow up audit was performed in December 2020 and found that six of the twelve audit actions had been completed and the remaining six were in progress. This report contains seven new audit actions, two of which are priority 2 and five priority 3. It is important that the target dates assigned are met so that risk management performance does not deteriorate.

This report has been shared with the Strategic Risk Management Group (SRMG). In view of the number of incomplete actions, a full audit of Risk Management will be needed – this is likely to be part of a larger review of all the Somerset Councils as part of the Local Government Review.

Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major	↔	3 = Medium
					Recommendation		
					1	2	3
Complete							
Operational	Accounts Payable - Vendor Management	Final	Limited	5		3	2
Operational	School Exclusion Data	Final	Limited	6		5	1
ICT	Data Centre and Back-up 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	Certified				
Advisory	**New** – Updated Contract Management Framework	Final	N/A				
Advisory	**New** – Anti-Fraud and Corruption Policy Review	Final	N/A				
Governance	Hybrid Working	Final	Reasonable	3			3
Governance	Business Continuity	Final	Reasonable	9		2	7
Advisory	**New** – Fraud Risk Assessment	Final	N/A				
Follow-up	Safeguarding in Schools	Final	N/A				
ICT	Secondary Data Centre Review – Advisory	Final	N/A				
Operational	Economic Recovery – Post Covid 19	Final	Reasonable	4		2	2
Operational	SEND Costed Packages	Final	Limited	5		4	1
Operational	Adults – Quality Assurance Framework	Final	Limited	8	2	5	1

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Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major	↔	3 = Medium
					Recommendation		
					1	2	3
Operational	**New** – Berkley School Financial Audit	Final	Limited	14	5	8	1
Follow-up	Apprenticeship Scheme	Final	N/A				
Follow-up	Transfer of Public Health Nursing Services	Final	N/A				
Follow-up	Compliance with Corporate Purchasing Policy	Final	N/A				
Grant	**New** - Additional Dedicated Home to School and College Transport Grant	Final	Certified				
Grant	**New** - Bus Subsidy Ring fenced (revenue) Grant	Final	Certified				
Governance	Contracts Register	Final	Reasonable	3		1	2
ICT	Incident Management	Final	Reasonable	4	0	0	4
Operational	School Surplus and Deficit Balances	Final	Limited	8	2	4	2
Governance	Strategic Commissioning	Final	Limited	7	0	5	2
Follow-up	Risk Management	Final	N/A				
Investigation	**New** – Project Management Investigation	Final	N/A	7	0	6	1
Reporting							
Operational	Children's Safeguarding – Complaints and Concerns	Draft					
Operational	**New** – Children's Social Care Safe Recruitment and Training	Draft					
Governance	Property Condition – Schools	Draft					
Advisory	**New** – Whistleblowing Policy Review	Draft					

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Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major	⟷	3 = Medium
					Recommendation		
					1	2	3
In Progress							
Operational	**New** - Transport – Governance/Budgets/Financial Control	In Progress					
Operational	Adults – Safeguarding (Eclipse System)	In Progress					
Governance	Emergency Planning	In Progress					
Advisory	**New** – Adopt South-West	In Progress	Audit lead by Devon Audit Partnership				
Advisory	**New –** S.151 Financial Assurance Map	In Progress					
Advisory	**New –** Committee Decision Paper Benchmarking	In Progress					
Follow-up	Supplier Resilience	In Progress					
Follow up	Lone Working	In Progress					
Follow-up	Health and Safety – Premises Management	In Progress					
Follow-up	Healthy Organisation	In Progress					
Follow up	Children's Education, Health and Care Plans	In Progress					
Follow up	Corporate Management of Health and Safety	In Progress					
Follow-up	Adults Mental Health – Financial Decision Making	In Progress					
Follow-up	Adults Mental Health – Care Plans & Reviews	In Progress					
Grant	Local Transport Capital Block Funding Grant	In Progress					

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Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major	⟷	3 = Medium
					Recommendation		
					1	2	3
Grant	Covid Related Bus Services Support Grant Restart Tranche 3/4/5	In Progress					
Grant	**New** - Covid Community Testing Funding Grant	In Progress					
Advisory	Recommendation Tracking	Ongoing					
Grant	Supporting Families Claims	Ongoing					
Advisory	CiFAS – Blue Badges	Ongoing					
Advisory	Somerset Unitary preparations	Ongoing					
Waiting to Go Live							
ICT	Follow-up - Cyber Security Framework Review	Not Started					
Follow-up	Role of the Somerset Manager	Not Started					
Grant	**New** - Emergency Active Travel Fund Grant	Not Started					
Deferred							
Governance	Election Delivery	Deferred	Elections deferred; audit moved to Q1 22/23				
Governance	Capital Accounting	Deferred	Audit deferred to release days for Fraud/Policies review				
Operational	Property – Compliance with Regulations	Deferred	Audit deferred and replaced with Project Management Investigation				
Operational	Property – Corporate Landlord Model	Deferred	Audit deferred and replaced with Project Management Investigation				

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Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major	↔	3 = Medium
					Recommendation		
					1	2	3
Governance	ECI – Budget Management	Deferred	Reviewed Children's & Adults in recent plans both reasonable. Deferred to release days for release days for Fraud/Policies review				
Operational	CDM Regulations (Construction Design Management) Maintenance and Infrastructure Highways	Deferred	Replaced with Street Works Permitting. Audit moved to 22/23				
Operational	Schools - SFVS	Deferred	Replaced with higher risk work				
Operational	Schools – Procurement Cards	Deferred	Replaced with higher risk work				
Follow-up	Cash Handling	Deferred	Request to defer to 22/23				
Operational	Adults – Workforce Planning	Deferred	Request to defer to 22/23				
Follow-up	Adults – FAB Assessments	Deferred	Deferred to 22/23 due to delayed implementation of new FAB system				
Operational	**New** – Street Works Permitting	Deferred	Recent external review undertaken and request to delay to 22/23				
Follow-up	Community Learning Partnerships	Deferred	Reschedule for 22/23 in line with implementation of agreed actions				
Follow-up	Career Development & Pathways	Deferred	Reschedule for 22/23 in line with implementation of agreed actions				
Operational	Delivering Democratic Arrangements using virtual and/or hybrid meetings	Removed	Arrangements in place – removed to release days for higher risk audit work				
Operational	Project Management – Implementation of the Children's Early Help Module	Removed	Removed to release days for Safeguarding review ahead of OFSTED inspection				
Governance	Climate Change	Deferred	Request to defer to 22/23				
Governance	Project Management – Benefits Realisation	Deferred	Request to defer to 22/23				

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					Recommendation		
					1	2	3
ICT	Follow-up – ICT Governance	Deferred	Request to defer to 22/23				
Follow-up	Creditors	Deferred	Request to defer to 22/23				

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