

# Somerset County Council

## Internal Audit Annual Opinion Report 2021/22

# Internal Audit Annual Opinion – 2021/22: ‘At a Glance’

## Annual Opinion



There is generally a 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.

## The Headlines

	<b>No high corporate risks reported in the year</b>
	<b>Plan substantially delivered</b> <ul style="list-style-type: none"> <li>• 47 reviews finalised</li> <li>• Three reviews at draft stage</li> <li>• Two reviews in progress</li> </ul>
	<b>Follow-ups</b> Nine completed. Evidence for all that risks reduced sufficiently and no further follow-up work needed for six of the reviews.
	<b>Healthy Organisation follow-up</b> The Healthy Organisation audit was also followed up and work was found to have started in relation to almost all of the agreed actions.
	<b>Improvements from the implementation of agreed actions</b> A data dashboard has been produced to support management overview. Overdue actions have reduced by 56% over seven months.

## Internal Audit Assurance Opinions 2021/22

Substantial	0
Reasonable	8
Limited	11
Medium (HO)	Ongoing

## Internal Audit Agreed Actions 2021/22

Priority 1	15
Priority 2	63
Priority 3	52
<b>Total</b>	<b>130</b>

## Executive Summary

Internal Audit provides an independent and objective opinion on the effectiveness of the Authority's risk management, control and governance processes.



### Purpose

The Head of Internal Audit (SWAP Assistant Director) should provide a written annual report to those charged with governance to support the Authority's Annual Governance Statement (AGS). This report should include the following:

- An opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment, including an evaluation of the following:
  - the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities;
  - whether the information technology governance of the organisation supports the organisation's strategies and objectives;
  - the effectiveness of risk management processes; and
  - the potential for the occurrence of fraud and how the organisation manages fraud risk.
- Disclose any qualifications to that opinion, together with the reasons for the qualification.
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies.
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement.
- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria.
- Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content and the Annual Internal Audit Opinion given.



# Executive Summary

## Three Lines Model

To ensure the effectiveness of an organisation's risk management framework, the Audit and Governance Committee and senior management need to be able to rely on adequate line functions – including monitoring and assurance functions – within the organisation.

The 'Three Lines' model is a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:

- the first line – functions that own and manage risk.
- the second line – functions that oversee or specialise in risk management, compliance.
- the third line – functions that provide independent assurance.

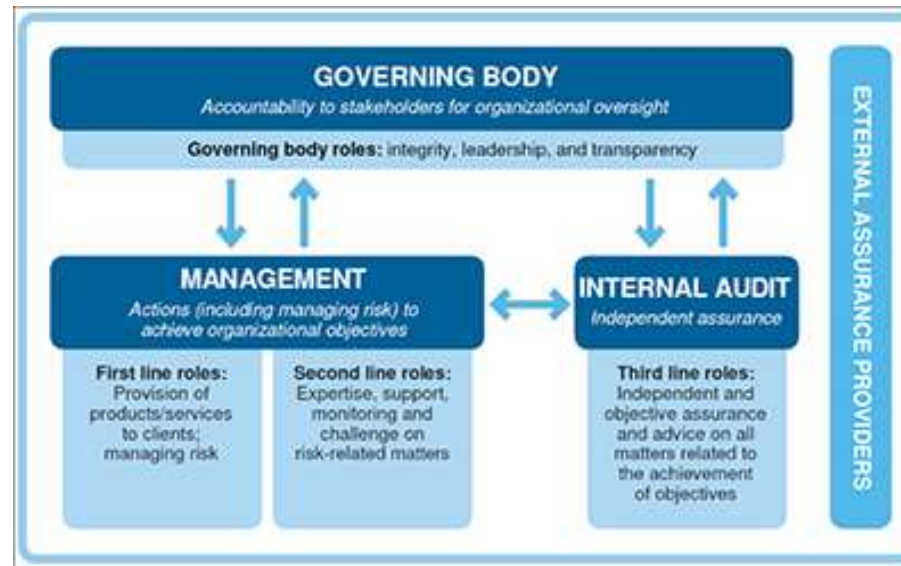


## Background

The Internal Audit service for Somerset County Council is provided by SWAP Internal Audit Services. The team's 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. The work of the team is guided by the Internal Audit Charter which is reviewed annually.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. This report summarises the activity of the Internal Audit team for the 2021/22 year.

The position of Internal Audit within an organisation's governance framework is best summarised in the Three Lines model shown below.



## Internal Audit Annual Opinion 2021/22

The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Annual Governance Statement.



### Annual Opinion

On the balance of our 2021/22 audit work for Somerset County Council, I am able to offer a **Reasonable Assurance** opinion in respect of the areas reviewed during the year.

A schedule of audit work delivered can be found at Appendix A.

The Annual Opinion is made based on the following sources of information:

- Completed audits which evaluate risk exposures relating to the organisation's governance, operations and information systems, reliability and integrity of information, efficiency and effectiveness of operations and programmes, safeguarding of assets and compliance with laws and regulations.
- Observations from consultancy/advisory support.
- Follow up of previous audit activity, including agreed actions.
- Grant certification work.
- Significant/material risk where management has not accepted the need for mitigating action.
- Notable changes to the organisation's strategy, objectives, processes or IT infrastructure.
- Assurances from other providers, including third parties, regulator reports etc.

In terms of breadth of coverage, audit work has been performed across the Council's key services and in relation to its strategic risks. A summary of audit work carried out against the Council's strategic risk areas is provided in the next section on page 6.

Healthy Organisation is a review of the corporate control framework and a key source of assurance. We conducted our most recent Healthy Organisation review at Somerset County Council during the previous year in 2020/21 and provided a Medium Assurance opinion. In this year's plan a follow-up audit was undertaken and showed that the council had started addressing or had addressed most of the Areas for Attention. Local Government

## Summary of Audit Work 2021/22

**The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Annual Governance Statement.**

Reorganisation (LGR) is the key reason most areas remain in progress, as the council needs to review many of its current strategies and procedures as part of this work. Refer to page 9 for further detail.

Over the year, the Internal Audit Team have found Senior Management of Somerset County Council to be generally supportive of Internal Audit findings and responsive to the recommendations made. In addition, there is a good relationship with Management whereby they approach Internal Audit where they perceive to be potential problems. This can be demonstrated by the ongoing updates and requests for advisory work that were made to the plan during the year. This has increasingly involved work associated with Local Government Reorganisation and it is encouraging that Internal Audit have been involved from an early stage in this work.

We follow a risk-based approach to our audit work which means that there is an ongoing focus on areas of the Council where there are uncertainties in relation to controls in place, in areas of change for example. This approach does mean that lower assurance levels are more likely and our follow-up work very important to demonstrate that improvements in the control framework have taken place.

The plan is substantially complete, with only two audits remaining in progress and three waiting to be finalised. In relation to completed audits, 19 have opinions with eight having received Reasonable Assurance and the remaining given Limited assurance. As stated above the internal audit plan is focused towards high risk areas.

Nine other follow-up audits were carried out during the year and generally, the follow up work confirms the implementation of agreed recommendations to mitigate exposure to areas of significant risk. For six of the nine audits completed the risks have been judged to have been reduced sufficiently for recommendation tracking to cease completely. For the other three audits work was found to be in progress and there were reasons why the implementation of recommendations was taking longer. For one of these the introduction of a new system was a major contributing factor and for the other two Local Government Reorganisation has meant that action to be taken has needed to be re-evaluated.

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 11 of this report. The total number of overdue actions has reduced since monitoring started at the beginning of September, with an overall reduction of 53% of overdue actions reported.



## Summary of Audit Work 2021/22

**The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Annual Governance Statement.**

To summarise, I believe that the Senior Management of Somerset County Council cooperate with the audit process, with our audit findings and recommendations agreed. The Council is also open about risks they are facing which enables us to produce a plan that is risk based and enables us to focus on the high risks of the council. The Healthy Organisation follow-up review demonstrates ongoing progress at a corporate control level. The ongoing limited assurance audits reviews has highlighted areas of risk to be addressed. The evidence overall from our follow-up work and monitoring of actions agreed demonstrates that actions agreed to reduce these risks are generally being taken.



## Summary of Audit Work 2021/22

Internal audit coverage should be aligned to key corporate priorities and key corporate risks.



### Audit Coverage by Strategic Risk

The table below maps audit work to SCC's key strategic risks to provide assurance of coverage. 'Adequate' coverage reflects delivery of planned assurance levels.

Strategic Risk	Coverage
Climate Change	Audit deferred to 2022/23
Organisational resilience	<ul style="list-style-type: none"> <li>Business Continuity</li> <li>Emergency Planning</li> <li>Data centre &amp; back-ups</li> </ul>
New - Adults Sufficiency and Capacity	<ul style="list-style-type: none"> <li>Adults commissioning community support</li> </ul>
Supplier Disruption	<ul style="list-style-type: none"> <li>Commissioning governance</li> <li>Adults commissioning community support</li> </ul>
Sustainable MTFP	<ul style="list-style-type: none"> <li>School deficit/surplus balances</li> <li>SEND costed packages</li> </ul>
Safeguarding Children	<ul style="list-style-type: none"> <li>Schools safeguarding follow-up.</li> <li>Safeguarding complaints and concerns</li> <li>Children's social care recruitment and training</li> </ul>
Local Government Reorganisation	<ul style="list-style-type: none"> <li>Org. resilience/MTFP related audits (above)</li> <li>Business Recovery – post Covid</li> <li>Commissioning governance</li> <li>PCI DSS (Unitary)</li> </ul>
Market Management and development	<ul style="list-style-type: none"> <li>Contract register</li> <li>Contract management advisory review</li> </ul>

#### Table Key

	Good internal audit coverage
	Adequate internal audit coverage
	Coverage in progress
	Proposed internal audit coverage removed



## Summary of Audit Work 2021/22

### Definitions of Corporate Risk

#### High Risk

Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

#### Medium Risk

Issues which should be addressed by management in their areas of responsibility.

#### Low Risk

Issues of a minor nature or best practice where some improvement can be made.



### Significant Corporate Risks

For those audits which have reached final report stage through the year, a number of audits have been assessed as being a medium corporate risk but none were assessed during the year as 'High'.



# Summary of Audit Work 2021/22

At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”:

## 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.



## Summary of Audit Opinion

Table 1: Summary of Audit Opinions

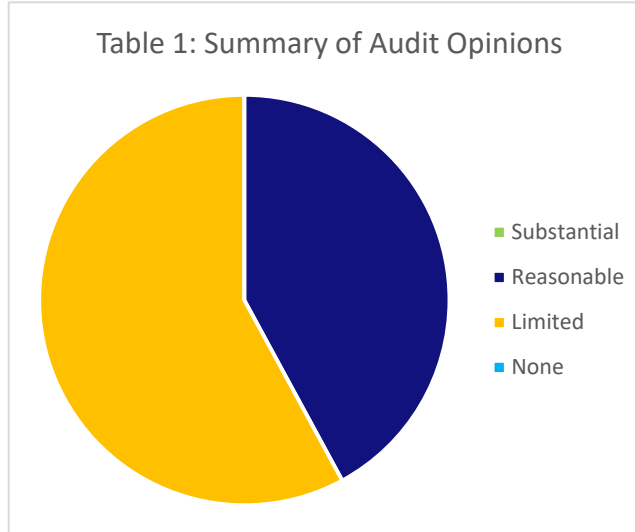


Table 2: Audit Work by Type

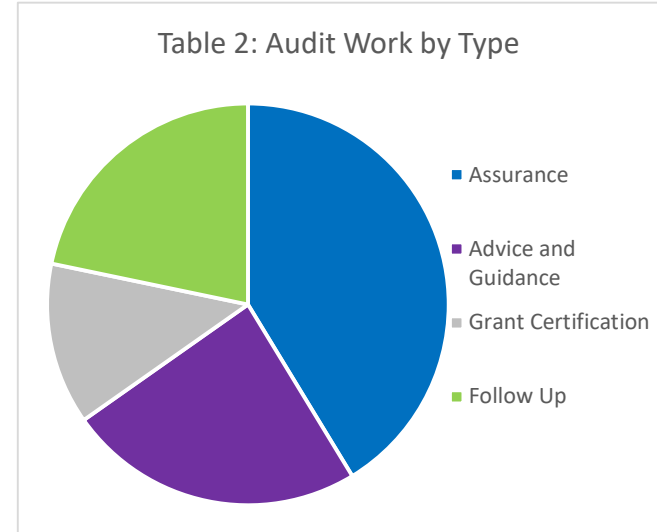


Table 1 above indicates the spread of assurance opinions across our work during the past year.

Table 2 indicates the audit work by type.



## Summary of Audit Work 2021/22

### Healthy Organisation

An objective assessment of the management control framework or 'Health' of an organisation.



### Healthy Organisation Follow-up

Across nine corporate themes this review contributes towards an overall assessment and understanding of the council as a 'Healthy Organisation.' We conducted our most recent Healthy Organisation review in 2020/21. We provided a Medium Assurance opinion.

A follow up review was carried out to determine whether there is evidence that the council has taken action to mitigate the Areas for Attention we identified in 2020/21.

Theme	2020/21 RAG	Total Areas for Attention	Complete	In Progress	Not Started
Corporate Governance	Green	7	3	4	0
Financial Management	Green	7	1	6	0
Risk Management	Amber	4	0	3	1
Performance Management	Green	5	0	5	0
Commissioning & Procurement	Amber	6	3	3	0
Programme & Project Management	Green	2	0	2	0
Information Management	Amber	6	0	6	0
People Management	Green	2	0	2	0
Asset Management	Amber	3	1	2	0
<b>TOTAL</b>		<b>42</b>	<b>8</b>	<b>33</b>	<b>1</b>

We found that the council had started addressing or had addressed almost all of the Areas for Attention. Local Government Reorganisation (LGR) is the key reason most areas remain in progress. As part of its preparations for LGR, the council is reviewing many of its current strategies and procedures, either within services or as part of a defined LGR workstream. In addition, the council has postponed some activity, such as developing the Integr8 system, until more about the new council is known. Considering the significant level of change due to take place over the next year, we believe this is reasonable.

## Summary of Audit Work 2021/22

### Healthy Organisation continued

There have been several positive developments since the last review. This includes the introduction of a new Contract Management Framework and Social Value Policy, and update of the Contract Procedure Rules. The No PO No Pay project has also resulted in a new Purchase Order Policy intended to ensure there is greater pre-authorization of expenditure. While there continues to be pressure on demand-led service budgets and the High Needs block, the council is expecting a small revenue budget underspend at outturn, and it has set a balanced budget for its final year of operations.



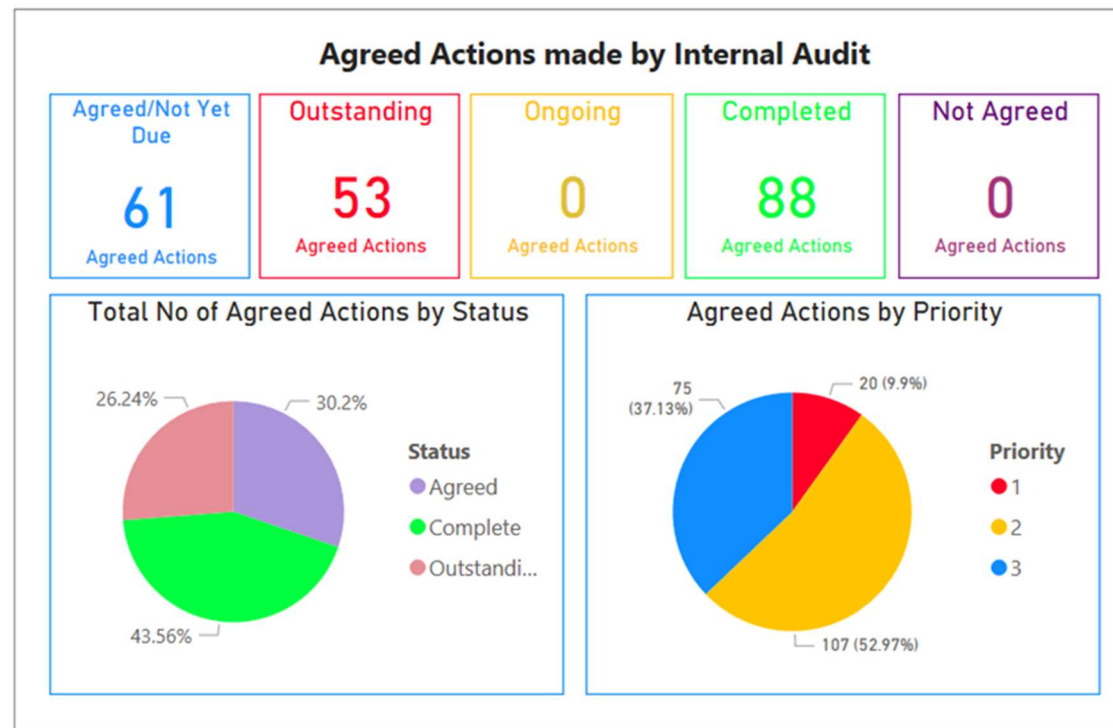
## Summary of Audit Work 2021/22

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

### Healthy Organisation Follow-up

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 53 overdue actions remain. This is the same as reported in March. There were 113 overdue actions in the September update, giving an overall reduction of 53% over a seven month period.



### Added Value

**Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.**



### Added Value

Throughout the year, SWAP strives to add value wherever possible going beyond the standard expectations of an assurance audit. The following are examples of this:

#### **Cross Partner Work**

During the year we have included benchmarking data as part of our audit work using information gained from either the SWAP partnership or from the wider reach of the Local Authority Chief Auditors Network (LACAN) for:

- Committee Decision Making
- SEND Costed Packages
- Safeguarding Complaints and Concerns

During the Business Continuity (BC) audit we facilitated a discussion between SCC and Dorset so SCC could start planning their approach to BC during and after LGR.

#### **Fraud Related**

- SWAP paid the annual subscription for 2021/22 to enable Somerset County Council to be part of CIFAS. This data matching service will help the Council to both detect and prevent fraud. SWAP is working with both CIFAS and the Council to facilitate data matching work in relation to blue badges, to help identify whether badges issued remain valid by checking badge holders to the deceased database.
- SWAP's Counter Fraud team issues alerts and newsletters to key officers in the Council.

#### **Other**

Our regular update SWAP News Round-up.

- In March we agreed a replacement audit management system, Auditboard. Once implemented in 2022/23 it will increase the efficiency of our audit process, provide better management information and allow partners to interact directly with the system.

## Plan Performance 2021/22

Internal audit is responsible for conducting its work in accordance with 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).



### SWAP Performance

SWAP's performance is subject to regular monitoring and review by both the SWAP Board of Directors and the Owners Board. The respective outturn performance results for Somerset County Council for 2021/22 year are:

Performance Target	Performance
<b><u>Audit Plan – Percentage Progress</u></b>	
Final, Draft and Discussion 90%	98%
In progress/Review	2%
Yet to complete	0%
<b><u>Customer Satisfaction Questionnaire</u></b>	
Feedback 95%	100%

SWAP work is completed to comply with the International Professional Practices Framework (IPPF) 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.

Under these standards we are required to be independently externally assessed at least every five years to confirm compliance to the required standards. SWAP was recently assessed in February 2020 and confirmed that we are in conformance to PSIAS.

Attribute Standard 1300 of the IPPF requires Heads of Internal Audit to develop and maintain a Quality Assurance and Improvement Programme (QA&IP). Standard 1310 continues this dual aspect by stating that the programme must include both internal and external assessments. This acknowledges that high standards can be delivered by managers, but it also implies that improvements can be further developed when benchmarking is obtained from outside the organisation and the internal audit function. Following our External Assessment, we have pulled together our QA&IP and included additional improvements and developments identified internally that we want to make, as aligned to SWAP's Business Plan. The QA&IP is a live document and will be regularly reviewed by the SWAP Board to ensure continuous improvement and delivery on our actions.



# Summary of Internal Audit Work 2021/22

# Appendix A

Audit Type	Audit Name	Status	Opinion/Other	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
<b>Complete</b>							
Operational	Accounts Payable - Vendor Management	Final	Limited	5	0	3	2
Operational	School Exclusion Data	Final	Limited	6	0	5	1
ICT	Data Centre and Back-up Review	Final	Limited	5	0	3	2
Operational	Adults – Commissioning Community Support	Final	Reasonable	5	0	2	3
Follow-up	Highways Application for Payment – Follow-up	Final	N/A				
Grant	BDUK Grant certification	Final	Certified				
Advisory	<b>New</b> – Updated Contract Management Framework	Final	N/A				
Advisory	<b>New</b> – Anti-Fraud and Corruption Policy Review	Final	N/A				
Governance	Hybrid Working	Final	Reasonable	3	0	0	3
Governance	Business Continuity	Final	Reasonable	9	0	2	7
Advisory	<b>New</b> – 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	0	2	2



## Plan Performance 2021/22

Audit Type	Audit Name	Status	Opinion/Other	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
Operational	SEND Costed Packages	Final	Limited	4	0	1	3
Operational	Adults – Quality Assurance Framework	Final	Limited	8	2	5	1
Operational	<b>New</b> – 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	<b>New</b> - Additional Dedicated Home to School and College Transport Grant	Final	Certified				
Grant	<b>New</b> - Bus Subsidy Ring fenced (revenue) Grant	Final	Certified				
Governance	Contracts Register	Final	Reasonable	3	0	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	<b>New</b> – Project Management Investigation	Final	N/A	7	0	6	1
Operational	Children’s Safeguarding – Complaints and Concerns	Final	Limited	8	2	3	3

## Plan Performance 2021/22

Audit Type	Audit Name	Status	Opinion/Other	No of Rec	1 = Major	↔	3 = Medium
					Recommendation		
					1	2	3
Operational	<b>New</b> – Children’s Social Care Safe Recruitment and Training	Final	Limited	5	2	2	1
Advisory	<b>New</b> – Whistleblowing Policy Review	Final	N/A				
Operational	Adults – Safeguarding (Eclipse System)	Final	Reasonable	4	0	1	3
Governance	Emergency Planning	Final	Reasonable	10	0	3	7
Advisory	<b>New</b> – Adopt South-West	Final	Audit lead by Devon Audit Partnership				
Advisory	<b>New</b> – Committee Decision Paper Benchmarking	Complete	N/A				
Follow-up	Lone Working	Final	N/A				
Follow-up	Healthy Organisation	Final	N/A				
Follow-up	Children’s Education, Health and Care Plans	Final	N/A				
Grant	Covid Related Bus Services Support Grant Restart Tranche 3/4/5	Final	Certified				
Grant	<b>New</b> - Covid Community Testing Funding Grant	Final	Certified				
ICT (Advisory)	<b>New</b> – Payment Card Industry Data Security Standard - PCI DSS (Unitary)	Final	N/A				
Advisory	Recommendation Tracking	Complete	N/A				
Grant	Supporting Families Claims	Complete	Certified				
Advisory	CiFAS – Blue Badges	Complete	N/A				

## Plan Performance 2021/22

Audit Type	Audit Name	Status	Opinion/Other	No of Rec	1 = Major	↔	3 = Medium
					Recommendation		
					1	2	3
Advisory	Somerset Unitary preparations	Complete	N/A				
Operational	<b>New</b> - Transport Budget Governance	Draft	Limited	10	2	4	4
<b>Reporting</b>							
Governance	Property Condition – Schools	Draft					
Follow-up	Supplier Resilience	Draft					
Follow-up	Adults Mental Health – Financial Decision Making, Care Plans & Reviews	Draft					
<b>In Progress</b>							
Grant	Local Transport Capital Block Funding Grant	In Progress	Awaiting last pieces of evidence				
Advisory	<b>New</b> – S.151 Financial Assurance Map	In Progress	N/A				
<b>Audits Deferred/Removed</b>							
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				



## Plan Performance 2021/22

Audit Type	Audit Name	Status	Opinion/Other	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
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	<b>New</b> – 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				

## Plan Performance 2021/22

Audit Type	Audit Name	Status	Opinion/Other	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
					1	2	3
Governance	Project Management – Benefits Realisation	Deferred	Request to defer to 22/23				
ICT	Follow-up – ICT Governance	Deferred	Request to defer to 22/23				
Follow-up	Creditors	Deferred	Request to defer to 22/23				
ICT	Follow-up - Cyber Security Framework Review	Deferred	Replaced with PCI DSS (Unitary)				
Follow-up	Role of the Somerset Manager	Deferred	Deferred to 22/23				
Grant	<b>New</b> - Emergency Active Travel Fund Grant	Deferred	Expenditure not yet complete – defer to 22/23				
Follow up	Corporate Management of Health and Safety	Deferred	Deferred to 22/23				

