

Somerset County Council

Report of Internal Audit Activity 2022/23

Progress Report – September 2022

Internal Audit Update – September 2022 – ‘At a Glance’

The Headlines

	<p>Opinion based reviews completed in the period</p> <ul style="list-style-type: none"> • One Reasonable • One Limited
	<p>Progress against the 2022/23 plan</p> <ul style="list-style-type: none"> • Nine planned reviews and support activities completed • Two reviews at draft stage • 12 reviews in progress • 21 additional grants certified
	<p>Follow-ups in the period</p> <p>Three completed. For two there is evidence that risks have reduced sufficiently, and no further follow-up work will be undertaken. One will require further follow up work.</p>
	<p>Additions to the Plan</p> <p>Two new reviews added to the plan following officer requests.</p>
	<p>Review of agreed management actions</p> <p>We have rationalised the recommendations we will continue to track based on risk and the impact of unitary. Where we have ceased tracking, we have highlighted the audit actions to the relevant LGR workstreams.</p>
	<p>Range of innovations and enhancements made to our internal audit process throughout the year</p> <p>Data analytics continues to drive and support reviews. Comparative benchmarking exercises offer useful insight and suggested practices.</p>

Internal Audit Assurance Opinions 2022/23

	YTD
Substantial	0
Reasonable	1
Limited	1
No Assurance	0
Advisory and Grants	4
Follow Up	3
Total	9

Internal Audit Agreed Actions 2022/23

	YTD
Priority 1	2
Priority 2	2
Priority 3	5
Total	9

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

This is the September 2022 progress update for 2022/22 and reports against the plan agreed by this Committee in March 2022. 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 Limited assurance opinions can be found at **Appendix B**. There was one Limited opinion audit to report over the period.

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. Three follow-up reviews were completed in the period. For two reviews, there was sufficient progress in implementing the agreed actions and no further audit work is required. For the other we concluded that further work is needed.

As well as assurance provided by follow-up audits, managers responsible for agreed actions relating to No or Limited assurance audits have provided us with progress updates. As part of the Legacy Audit Recommendations work, we are rationalising which recommendations we will continue to track based on risk and the impact of unitary. Where we have ceased tracking, we have highlighted actions from the reports to the relevant LGR workstream so the findings can be considered during unitary preparations. An updated tracked action position is included on page 4.

Appendix E is a summary of work agreed and completed in addition to the core Internal Audit Plan.

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 against strategic risks

The table below maps audit work to SCC’s key strategic risks to provide assurance of coverage. The map below is based on work completed and planned for the remainder of 2022-23.

Strategic Risk	Coverage
Climate Change	<ul style="list-style-type: none"> Climate Change Strategy Flood and Water Management
Organisational resilience	<ul style="list-style-type: none"> Adults Workforce Planning LGR workstream support
Adults Sufficiency and Capacity	<ul style="list-style-type: none"> Athena Contract Eclipse Benefits Realisation Adults Workforce Planning
Supplier Disruption	<ul style="list-style-type: none"> Contract Management
Sustainable MTFP	<ul style="list-style-type: none"> Staffing Establishment Review Good Financial Governance Baseline Fraud Assessment Follow Up Highways Application for Payment Follow Up
Safeguarding Children	<ul style="list-style-type: none"> Children Missing from Education Safeguarding Complaints Follow Up Safe Recruitment Follow Up Supporting Families Programme
Local Government Reorganisation	<ul style="list-style-type: none"> LGR workstream support (See Appendix D table 2) New Finance system support
Market Management and development	<ul style="list-style-type: none"> Contract Management LEP grants

	Good coverage
	Adequate coverage
	Light coverage
	No coverage

Internal Audit Plan Update

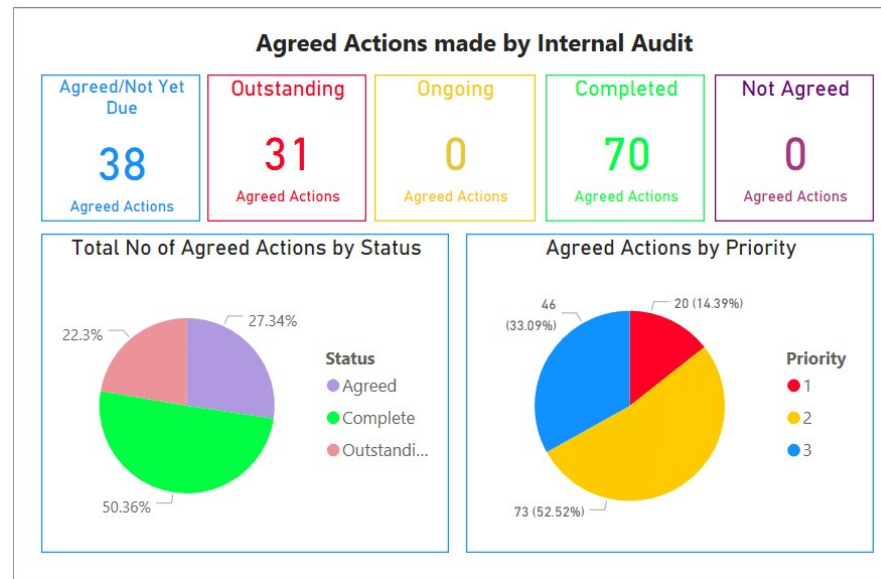
Follow up work confirms the responsive nature of management in implementing agreed actions to mitigate exposure to areas of risk.



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. As part of the Legacy Audit Recommendations work, we are rationalising which recommendations we will continue to track based on risk and the impact of unitary. Where we have ceased tracking, we have highlighted actions from the reports to the relevant LGR workstream so the findings can be considered during unitary preparations.

The chart below shows the current position after rationalising recommendations and accounting for additional officer self-assessments.



There are 31 overdue actions. 26 of these actions are rated Priority 1 or 2. All but one of these actions relate to Education, mostly Schools Finance areas and Berkley School. We have included follow up work for these areas in the 2022/23 Internal Audit Plan.

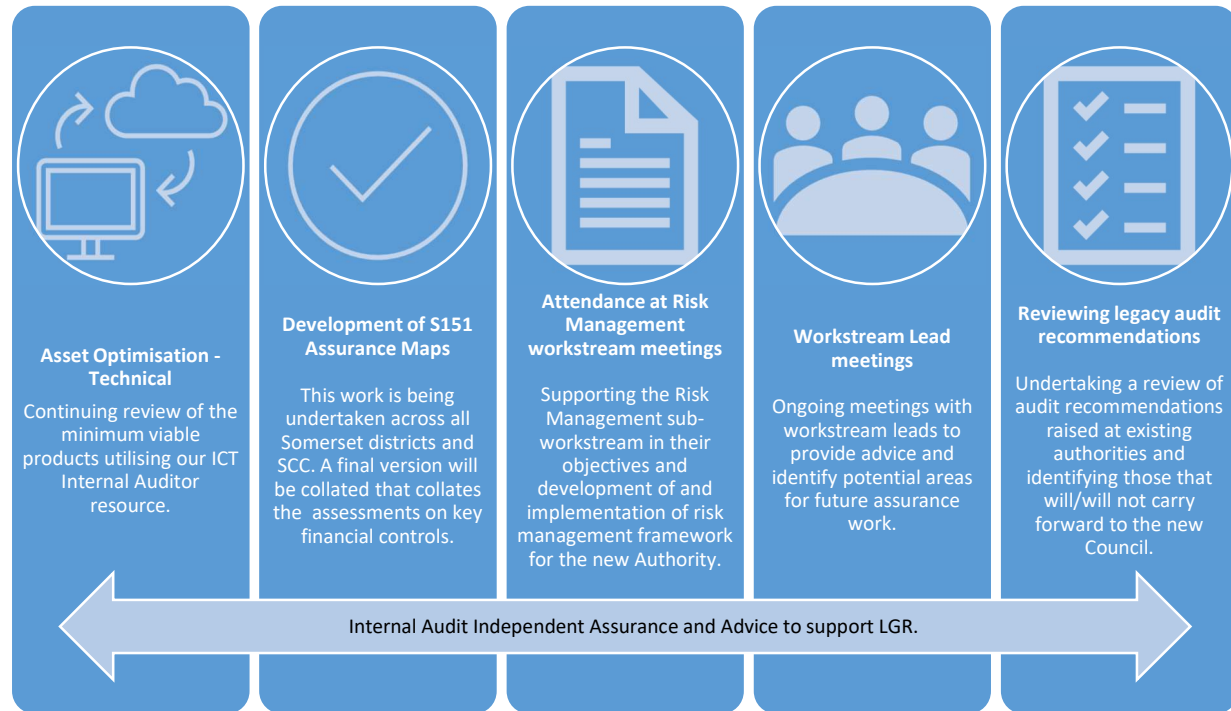
Internal Audit Plan Update

Supporting the formation of the new unitary authority by providing advice and independent assurance on activities being undertaken via the workstreams.



Support for LGR

As part of our planning for 22/23 we have included time to provide Unitary Programme Assurance Work as well as Unitary Workstream support. Most Programme Assurance will be covered by the PWC Quality Reviews. We should be able to take assurance from their work to contribute to the Internal Audit Annual Opinion to avoid any duplication. We will provide a critical friend role to LGR work supporting delivery of outcomes. This is advisory/consultative work with rapid feedback via meetings/e-mail, or brief summary reports. Some of the areas we're focussing on are detailed in the chart below.



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.

School Condition Surveys – Final Report – August 2022



Audit Objective To verify whether processes are sufficiently robust to ensure that school property maintenance responsibilities are communicated and monitored.

Assurance Opinion		Number of Actions		Risk Reviewed	Assessment
	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.	Priority	Number	The failure of systems and controls for school property maintenance and repairs may adversely affect the health and safety of pupils, staff and members of the public, and result in escalating costs to the Local Authority.	Medium
		Priority 1	2		
		Priority 2	2		
		Priority 3	2		
		Total	6		

Key Findings	
	There is no specific documented strategy that determines the responsibilities for the condition of school property.
	There is no agreed process for the monitoring and reporting of school's compliance with their property maintenance responsibilities.
	Recording and monitoring of condition survey data is compromised by the lack of an effective asset management system.
	Some schools lack awareness of and do not routinely assess their estate management in line with recommended best practice.

Audit Scope
The audit reviewed the effectiveness of the following key controls: <ul style="list-style-type: none"> • The strategy for managing school property condition and a plan for delivering it; • The process for conducting and recording condition surveys, including survey scheduling and outcomes; • Collation and monitoring of data to assess compliance and monitor trends; • School's approach to property maintenance responsibilities; • School's awareness of the outcomes of condition surveys and working with stakeholders to co-ordinate repairs and resolve any issues; • Issues resulting from insufficient maintenance are subject to increased monitoring.

Other Relevant Information

Since the last SWAP audit, Corporate Property and the Property & Grounds Maintenance Team within Support Services for Education (SSE) have worked together to improve the quality of information produced from school condition surveys. The Corporate Property service is recording school condition data in a spreadsheet while they await the implementation of a replacement asset management system, TechForge. In the interim, the service could consider implementing data validation via drop-down categories within the spreadsheet, to better manage the categories of information.

Follow up Audit	Scope and Objective	Progress assessment				
		Completed	In progress	Not Started	Total	
Mental Health – Care Plan Reviews and Financial Decision Making	To provide assurance that agreed actions to mitigate against risk exposure identified within the Limited opinion audit have been implemented.	Priority 1	0	0	0	0
		Priority 2	2	4	0	6
		Priority 3	0	0	0	0
		Total	2	4	0	6

Summary of findings:

- Since the initial audit and the implementation of Eclipse, there has been progress with case recording of new care plans and reviews.
- The audit trail of changes to packages of care is not always complete or fully evidenced.
- In some cases, there is no evidence of the financial value of the package of care being approved. This is due to the lack of an agreed approach for completing Peer Forum documentation in the new system, Eclipse.
- An electronic solution is still not in place for obtaining a signed agreement by the care provider to deliver the approved package for residential and nursing care. This means agreements are not consistently evidenced.
- There is a disjointed approach for community care where Mental Health Social Care complete assessments and reviews, but Commissioning source the care and manage the agreements with providers. These agreements are not available on Eclipse and therefore cannot be included as part of the care plan review.

There are several management actions that require further work to ensure that improvements are consistently complied with and evidenced in the system. Therefore, further follow-up work will be required to confirm the actions have been fully effective in improving the control framework.

Follow up Audit	Scope and Objective	Progress assessment				
		Completed	In progress	Not Started	Total	
Supplier Resilience	To provide assurance that agreed actions to mitigate against risk exposure identified within the Limited opinion audit have been implemented.	Priority 1	0	0	0	0
		Priority 2	3	2	0	5
		Priority 3	2	1	0	3
		Total	5	3	0	8

Summary of findings:

- The Contract Procedure Rules (CPR) and Contract Management Framework (CMF) have been updated to include references to supplier resilience checks. The Civil Contingencies Unit's (CCU) guidance on supplier business continuity has been incorporated into the CMF. The CPRs now include a mandatory requirement for contract managers to ensure Tier 1 and Tier 2 suppliers have tested their business continuity plan at least annually.
- Commercial and Procurement has implemented a credit checking system to monitor Tier 1 suppliers, and suppliers whose contracts are worth more than £1m.
- Most contract managers have completed Government Commercial Function contract management training, which includes coverage of business continuity planning.
- While the CPRs and CMF have been updated, there have been no significant updates to the Contract Manager's Toolkit since the last audit. This means there are clear requirements for contract managers to conduct checks, but limited guidance to support them when doing so.
- The CMF has not been established as mandatory guidance due to Local Government Reorganisation (LGR). Due to resource constraints Commercial and Procurement do not expect to update any existing guidance before LGR.

Based on the progress made, we will cease recommendation monitoring. Further guidance should be considered as part of LGR.

Follow up Audit	Scope and Objective	Progress assessment				
		Completed	In progress	Not Started	Total	
Highways Application for Payment	To provide assurance that agreed actions to mitigate against risk exposure identified within the Limited opinion audit have been implemented.	Priority 1	1	1	0	2
		Priority 2	2	1	0	3
		Priority 3	0	0	0	0
		Total	3	2	0	5

Summary of findings:

- The service has made progress with the formation of the contract management team and implementation of the payment management system. There has also been an extension to the certification window, and compliance with the requirements of the certification process have remained at 100%.
- The previously observed issues with a high differential between the value of the ordered works and the payment applied for, have been subject to further fluctuations due to complex operational reasons.
- The service has ceased to analyse the total differentials, and instead opted to address those task orders with higher differentials on a sampled, case-by-case basis.
- There has recently been an increase in the scope of task order auditing by the service, as well as the amount of resource dedicated to it. However, the percentage of audited task orders is still relatively low compared the total value of payments to the contractor. Furthermore, auditing does not yet include a comparison of the true cost estimates for new assets. Identified themes of audit outcomes are not yet provided to management or the contractor, via quarterly reporting.

There are several recommendations that require further work to ensure that improvements are consistently complied with and evidenced in the system. Value differentials remain a concern and represent an ongoing risk in terms of budget management.

We are not proposing further audit work because management have agreed to tolerate the remaining risks until the new highway maintenance contract in 2024.

Table 1 – SCC based work

Audit Type	Audit Name	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
	1	2	3				
Complete							
Assurance	School Condition Surveys	Complete	Limited	6	2	2	2
Follow Up	Mental Health – Care Plan Reviews and Financial Decision Making	Complete	N/A				
Follow Up	Supplier Resilience	Complete	N/A				
Assurance	LEP Financial Controls	Complete	Reasonable	3	0	0	3
Follow Up	Highways Maintenance – Application for Payment	Complete	N/A				
Grant Certification	BDUK Grant Certification	Complete	Certified				
Grant Certification	New: Universal Drug Treatment Grant	Complete	Certified				
Advisory	Audit Committee Training following Elections	Complete	N/A				
Advisory	Good Financial Governance Checklist	Complete	N/A				
Reporting							
Assurance	Children Missing from Education	Draft					
Follow Up	School Exclusion Data	Draft					
In progress							
Grant Certification	Local Transport Capital Block Funding Grant	In progress					
Assurance	Athena Contract	In progress					

Audit Type	Audit Name	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
					1	2	3
Follow Up	Baseline Assessment of Maturity in Relation to Fraud – Follow-up	In progress					
Advisory	Cifas Support – for targeted support	In progress					
Assurance	Contract Management	In progress					
Grant Certification	Covid Contain Outbreak Management Fund	In progress					
Assurance	Public Health – Reaching Areas of Deprivation	In progress					
Assurance	Establishment Control	In progress					
Grant Certification	Supporting Families Programme Claims	In progress					
Advisory	New Finance System – Build Controls	In progress					
Advisory	New Finance System – Data Validation	In progress					
Advisory	Fraud Recruitment and Selection	In progress					
Waiting to go Live							
Assurance	Adults – Eclipse Benefits Realisation	Waiting to go Live					
Follow Up	Adults – Quality Assurance Framework	Waiting to go Live					
Assurance	Adults – Workforce Planning	Waiting to go Live					
Grant Certification	Bus Recovery Grant	Waiting to go Live					

Audit Type	Audit Name	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
					1	2	3
Grant Certification	BDUK Milestone Testing	Waiting to go Live					
Assurance	CDM Regulations (Construction Design Management) Maintenance and Infrastructure Highways	Waiting to go Live					
Assurance	Children’s – Recruitment of School Head Teachers and Staff	Waiting to go Live					
Follow Up	Children’s – Berkley School Financial Review	Waiting to go Live					
Follow Up	Children’s Safe Recruitment – Part 2	Waiting to go Live					
Follow Up	Children’s – School Balances	Waiting to go Live					
Follow Up	Children’s SEND – Costed Packages	Waiting to go Live					
Assurance	Climate Change Strategy	Waiting to go Live					
Follow Up	Commissioning and Delivery of New Schools	Waiting to go Live					
Follow Up	Education Safeguarding Complaints & Concerns	Waiting to go Live					
Follow Up	Effectiveness of Schools Forum	Waiting to go Live					
Grant Certification	Emergency Active Travel Fund Grant	Waiting to go Live					
Assurance	Finance – Capital Key Controls	Waiting to go Live					

Audit Type	Audit Name	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
	1	2	3				
Assurance	Flood and Water Management	Waiting to go Live					
Advisory	Fraud related members and officers training	Waiting to go Live					
Assurance	New: Heathfield Community School – Financial Controls	Waiting to go Live					
Grant Certification	Local Authority Bus Subsidy (Revenue) Grant Determination 2021/22	Waiting to go Live					
Grant Certification	Local Transport Capital Block Funding including the Pothole Action Fund	Waiting to go Live					
Assurance	Members Development Strategy	Waiting to go Live					
Assurance	Property – Compliance with Regulations	Waiting to go Live					
Assurance	Schools – SFVS	Waiting to go Live					
Follow Up	Schools Community Learning Partnerships	Waiting to go Live					
Grant Certification	Standard Highways Grant (DFT Funding)	Waiting to go Live					
Grant Certification	Test and Trace Support Grant	Waiting to go Live					
Assurance	Whistleblowing	Waiting to go Live					

Audit Type	Audit Name	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Medium
				Recommendation			1
Deferrals and Removals							
Follow Up	Career Development and Pathways	Removed	Actions to be addressed through the People workstream.				
Follow Up	Cash Handling	Removed	New finance system being implemented. Actions to be addressed via Finance workstream.				
Assurance	Charging for Services	Removed	Fees are being aligned for the new Somerset Council, so there is limited value in reviewing current arrangements.				
Follow Up	Compliance with Corporate Purchasing Policy	Removed	Follow up conducted last year showed some progress made. Actions to be addressed via Finance workstream.				
Follow Up	Corporate Management of Health and Safety	Removed	Health and safety arrangements are being reviewed for LGR. Actions to be addressed via People workstream.				
Follow Up	Creditors	Removed	New finance system being implemented. Actions to be addressed via Finance workstream.				
Follow Up	Debt Management	Removed	New finance system being implemented. Actions to be addressed via Finance workstream.				
Assurance	Adults – Financial Assessments	Deferred	Deferred due to forthcoming reform. Deferral agreed with the Director – Adults Services.				
Follow Up	Adults – Imperium/Diverse Rec Contract	Removed	Removal agreed with the Director – Adults Services.				
Follow Up	Vendor Management	Removed	New finance system being implemented. Actions to be addressed via Finance workstream.				

Table 2 The following table summarises LRG Support Work

Audit Type	Audit Area	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
					1	2	3	
LRG Support Work								
Advisory	PCIDSS	Complete	Advisory	-	-	-	-	
Advisory	Data Centre	Complete	Advisory	-	-	-	-	
Advisory	IT Minimum Viable Products	Complete	Advisory	-	-	-	-	
Advisory	M365 and Active Directory	Complete	Advisory	-	-	-	-	
Advisory	Risk Management Workstream Support	Ongoing						Q1- Q4
Advisory	Asset Optimisation: Technical Workstream Support	Ongoing						Q1- Q4 (Cyber Security aspects Q3 & Q4)
Advisory	S151 Assurance Map	In Progress						
Advisory	Legacy Audit Recommendations & AGS Actions	In Progress						Q2 – Q4
Assurance	Business Continuity	Not Started						Q4
Assurance	Payroll – transfer of district staff	Not Started						

The follow table provides members of the Audit Committee with an overview of the LEP Grant certification work SWAP has undertaken on behalf of SCC during 2022-23.

Audit Type	Audit Name	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
					1	2	3
Complete							
Grant Certification	ERDF - Co Adapt on-the-spot	Complete	Certified				
Grant Certification	Getting Building Fund - M5 J23 Dunball 21/22	Complete	Certified				
Grant Certification	Getting Building Fund - Trenchard Way 20/21	Complete	Certified				
Grant Certification	Getting Building Fund - Trenchard Way 21/22	Complete	Certified				
Grant Certification	Growth Deal - Bruton 20/21	Complete	Certified				
Grant Certification	Growth Deal - Bruton 21/22	Complete	Certified				
Grant Certification	Growth Deal - iAero fit out 20/21	Complete	Certified				
Grant Certification	Growth Deal - iAero fit out 21/22	Complete	Certified				
Grant Certification	Growth Deal - M5 J25	Complete	Certified				
Grant Certification	Growth Deal - Somerset Rivers Authority	Complete	Certified				
Grant Certification	Growth Deal - Taunton Digital Innovation Centre	Complete	Certified				
Grant Certification	Growth Deal - Toneway (18/19)	Complete	Certified				
Grant Certification	Growth Deal - Toneway (21/22)	Complete	Certified				
Grant Certification	Growth Deal - Wells	Complete	Certified				
Grant Certification	Growth Deal - Wiveliscombe	Complete	Certified				

Audit Type	Audit Name	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
	1	2	3				
Grant Certification	Growth Deal - YWC	Complete	Certified				
Grant Certification	Growth Hub - Core Grant	Complete	Certified				
Grant Certification	Growth Hub - Peer Networks	Complete	Certified				
Grant Certification	LEP Growth Deal - Broadband	Complete	Certified				
Grant Certification	LEP Growth Deal - Mobile Boost 20/21 and 21/22	Complete	Certified				
Grant Certification	Wiveliscombe Enterprise Centre Office Rental Accounts	Complete	Certified				
In progress							
Grant Certification	ERDF - Triple C Final Claim	In progress	N/A				
Grant Certification	Bruton Enterprise Centre Office Rental Accounts	In progress	N/A				
Grant Certification	Wells Technology Enterprise Centre Office Rental Accounts	In progress	N/A				
Waiting to go Live							
Grant Certification	ERDF – Co Adapt	Waiting to go Live	N/A				