

Internal Audit Plan 2018/2019 – Appendix 2

1. Role of Internal Audit

- 1.1. The statutory basis for internal audit in local government is provided in the Accounts and Audit Regulations 2015, which states that:

“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

In addition to the above, each Client’s Section 151 Officer has a statutory duty under Section 151 of the Local Government Act 1972, to establish a clear framework for the proper administration of the local authority’s affairs. To perform that duty the Section 151 Officer relies on, amongst other things the internal audit work for reviewing systems of internal control, financial management and other assurance processes.

Therefore the primary objective of Internal Audit is to provide assurance in an independent and objective manner. This means the span of work covers issues of risk management, control and governance and focuses on assessing how manager’s arrangements regarding these matters support the achievement of SWP’s objectives.

Somerset County Council, as the Administering Authority, still has the duty to provide the s151 requirements for the Somerset Waste Partnership, which includes the need for an "adequate and effective internal audit".

1.2. Previous decisions and resources available

At the December 2016 Somerset Waste Board, members agreed a change in approach for audit days for the Somerset Waste Partnership. Whilst there is still a requirement for some annual checks of key financial systems (payroll, creditors, debtors, SAP HR), the aim has been to move away from traditional audits, into more advisory type audits such as fly-tipping and the new customer IT system.

Since 2013, the Somerset Waste Partnership has a long history of governance, finance and contract based audits that have had either Substantial or Reasonable assurance (the two highest categories). Officers within the Partnership, and the wider Senior Management Group, do not see the need for “more of the same” audits in 2018/2019.

It was proposed that SWAP provided 15 days support on the Recycle More project during 2017/2018. Given the complexity of the project, and the need to move at great pace to meet the procurement timetable, both the SWP and SWAP recognise that this is not a practical use of the auditor’s time and that 15 days would be entirely insufficient to allow for a meaningful contribution to

be made. Members are reminded that the working group on Recycle More is drawn from a wide number of professional disciplines, including legal, procurement and finance, overseen by the Members' Task and Finish Group and with Eunomia as our technical consultants. There is not an obvious audit role to add to the group, although this does not preclude specific audit involvement or advice later in the project / roll-out phases.

As a result of this, an additional 15 days will be freed up to add to the 40 days in 2018/2019, giving 55 days of internal audit time available for the forthcoming financial year. There will be a need for some systems sampling work as noted above (estimated at 10 days including general advice), but this still leaves a reasonable resource for advisory work.

1.3. Themed approach

It is proposed that the internal audit work for 2018/2019 be centred on a theme of **process mapping, data quality and transfer of information between partners**.

SWP have identified that there have been a number of difficulties where data is collected in from partners (either differences in processes, variation from processes, data quality, timeliness or reconciliation) and from our contractors (in particular our collection contractor). This risks leading to inefficient working practices, decisions being made on incorrect/insufficiently up to date information, and not being able to address customer concerns as effectively as we might. These issues have been highlighted as we review processes ahead of implementing a new Customer Service System and procure a new collection contractor.

SWP propose to task the auditor with reviewing the processes used to share data and information between SWP, partners and contractors to ensure that they are efficient, effective and well controlled, providing us with the information SWP need when they need it. SWP anticipate that there are areas where our processes are not clearly mapped or understood, or where their robustness and timeliness could improve. This is a key area where the skills and experience of internal audit can assist SWP is therefore in developing optimised process maps in key areas.

Topics that are currently considered worth audit assistance include:-

- Customer information and service requests (including tackling missed collections) between the partners and the SWP, and with Kier
- Performance monitoring information, primarily with Kier (and how we use this more proactively to flag up potential issues to households, and ensuring we use this to effectively manage contractor performance).
- Demographic information that underpins budgetary and contract cost information, such as household numbers and garden waste numbers.
- Information received from planning and development about new houses being planned and occupied, to ensure that developers and residents

are aware of what they need to do.

- 1.4.** It is proposed that the Managing Director and the SWP's Resource Co-ordinator will be tasked with developing Terms of Reference for individual pieces of work with the auditor, where relevant agreeing the scope with partners (via the Strategic Management Group) and with contractors.