



Somerset County Council

2022-23 Internal Audit Plan and Internal Audit Charter

Internal Audit ■ Risk ■ Special Investigations ■ Consultancy

The Internal Audit Plan: Summary

The internal audit plan provides a summary of the audit approach that the internal audit team will follow to deliver the 2022/23 internal audit plan. This includes a detailed plan for the first quarter of the year.

Delivery of an internal audit programme of work that provides sufficient and appropriate coverage, will enable us to provide a well-informed and comprehensive year-end annual internal audit opinion.

Introduction and Objective of the Internal Audit Plan

Internal audit provides an independent and objective opinion on the Authority's risk management, governance, and control environment by evaluating its effectiveness.

SWAP, in conjunction with senior management, agree a proposed audit approach to deliver an internal audit plan. The objective of our planning process and subsequent programme of work agreed is to put us in a position to provide a well-informed and comprehensive annual audit opinion, based on sufficient and appropriate coverage of key business objectives, associated risks, and risk management processes.

The outcomes of each of the audits in our planned programme of work will provide senior management and members with assurance that the current risks faced by the Authority in these areas are adequately controlled and managed.

It should be noted that internal audit is only one source of assurance, and the outcomes of internal audit reviews should be considered alongside other sources, as part of the 'three lines' assurance model. Key findings from our internal audit work should also be considered in conjunction with completion of the Authority's AGS.

It is the responsibility of the Authority's Leadership Team, and the Audit Committee, to determine that the audit coverage contained within the proposed audit plan is sufficient and appropriate in providing independent assurance against the key risks faced by the organisation.

The Internal Audit Plan: Approach

To develop an appropriate risk-based audit plan, SWAP have consulted with senior management, as well as reviewing key documentation, in order to obtain an understanding of the organisation's strategies, key business objectives, associated risks, and risk management processes.

Approach to Internal Audit Planning 2022/23

The factors considered in putting together the 2022/23 internal audit plan have been set out below:



The above factors are used to identify the areas of highest risk across the Council, in line with our risk-based approach. For the 22/23 plan Local Government Review has been a major consideration.

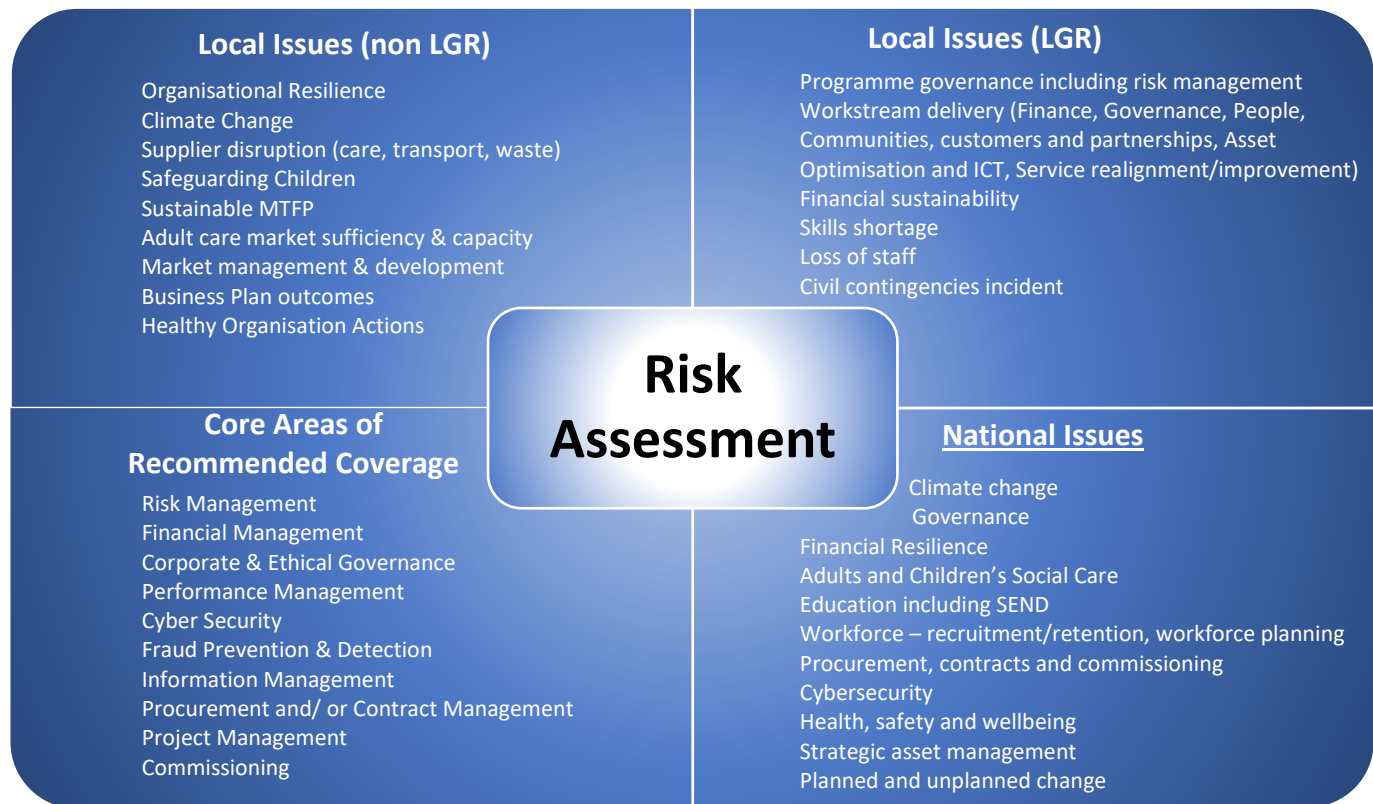
The Internal Audit Plan: Risk Assessment

A documented risk assessment prior to developing an internal audit plan, ensures that sufficient and appropriate areas are identified for consideration.

Internal Audit Annual Risk Assessment

Our 2022/23 internal audit programme of work is based on a documented risk assessment, which SWAP will re-visit regularly, this will be at least on a quarterly basis.

Below we have set out a summary of the outcomes of the risk assessment for Somerset County Council:



The Internal Audit Plan: Risk Assessment

Following our SWAP Risk Assessment above, we have set out how the proposed 2022/23 quarter 1 plan presented in Appendix A provides coverage of the Authority's key corporate objectives and risks, as well as our core areas of recommended audit coverage.

Internal audit is only one source of assurance and should be considered in this context.

Internal Audit Coverage in 2022/23

Our aim is to produce an agile, risk-assessed work plan, containing key areas of coverage. For 2022/23 it therefore follows that LGR will need to be a key driver of audit work. Given the rapid pace of change to vesting day and beyond we recognise that the IA plan needs to be more flexible than ever before. This means that instead of agreeing an annual plan we are going to move to a quarterly one.

We already maintain a rolling plan that is continually updated as new areas of work are agreed. New audits are risk assessed and added to the rolling plan meaning lower risk audits roll back to be delivered at a point in the future. The rolling plan will be the basis of each quarterly plan, with audits agreed with services according to risk.

A huge amount of LGR development work is needed ahead of vesting day across the six workstreams that are now operating. Initial meetings have already been held with workstream leads to explore potential areas of audit involvement. The IA plan includes the allocation of resource across these workstreams to provide support across the year as required. It is expected that this will be achieved through a combination of assurance and advisory work.

The quarterly planning approach means that the 2022/23 audit plan is flexible to respond to new and emerging risks as and when they are identified. We have set out the proposed quarter 1 plan in Appendix A and the current rolling plan in Appendix B. As well as the inclusion of LGR related work there is coverage across the Authority's revised corporate objectives and strategic risks, as well as our core areas of recommended audit activity.

Internal audit coverage can never be absolute and responsibility for risk management, governance and internal control arrangements will always remain fully with management. As such, internal audit cannot provide complete assurance over any area, and equally cannot provide any guarantee against material errors, loss or fraud.

The Internal Audit Plan: SWAP

SWAP Internal Audit Services is a public sector, not-for-profit partnership, owned by the public sector partners that it serves. The SWAP Partnership now includes 25 public sector partners, providing services throughout the UK.

As a company, SWAP has adopted the following values, which we ask our clients to assess us against following every piece of work that we do:

- Candid
- Relevant
- Inclusive
- Innovative
- Dedicated

Your Internal Audit Service

Conformance with Public Sector Internal Audit Standards

SWAP 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.

Every three years, SWAP is subject to an External Quality Assessment of Internal Audit Activity. The last of these was carried out in February 2020 which confirmed conformance with the Public Sector Internal Audit Standards. An annual self-assessment process confirms ongoing compliance.

Conflicts of Interest

We are not aware of any conflicts of interest within Somerset County Council that would present an impairment to our independence or objectivity. Furthermore, we are satisfied that we will conform with our IIA Code of Ethics in relation to Integrity, Objectivity, Confidentiality, & Competency.

Consultancy Engagements

As part of our internal audit service, we may accept proposed consultancy engagements, based on the engagement's potential to improve management of risk, add value and improve the organisation's operations. Consultancy work that is accepted, will contribute to our annual opinion and will be included in our plan of work.

Approach to Fraud

Internal audit may assess the adequacy of the arrangements to prevent and detect irregularities, fraud and corruption. We have dedicated counter fraud resource available to undertake specific investigations if required. However, the primary responsibility for preventing and detecting corruption, fraud and irregularities rests with management who should institute adequate systems of internal control, including clear objectives, segregation of duties and proper authorisation procedures.

Internal Audit Charter

The nature, role, responsibility, status and authority of internal auditing within Somerset County Council and an outline of the scope of internal audit work is provided in the Charter at Appendix C.

The Internal Audit Plan: Approach

Over and above our internal audit service delivery, SWAP will look to add value throughout the year wherever possible. This will include:

- Benchmarking and sharing of best-practice between our public-sector Partners
- Regular newsletters and bulletins containing emerging issues and significant risks identified across the SWAP partnership
- Communication of fraud alerts received both regionally and nationally
- Member training sessions

Our Reporting

A summary of internal audit activity will be reported quarterly to senior management and the Audit Committee. This reporting will include any significant risk and control issues (including fraud risks), governance issues and other matters that require the attention of senior management and/or the Audit Committee. We will also report any response from management to a risk we have highlighted that, in our view, may be unacceptable to the organisation.

Internal Audit Performance:

As part of our regular reporting to senior management and the Audit Committee, we will report on internal audit performance. The following performance targets will be used to measure the performance of our audit activity:

Performance Measure	Performance Target
<p style="text-align: center;"><u>Delivery of Annual Internal Audit Plan</u> Completed at year end</p>	>90%
<p style="text-align: center;"><u>Quality of Audit Work</u> Overall Client Satisfaction <i>(did our audit work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation)</i></p>	>95%
<p style="text-align: center;"><u>Outcomes from Audit Work</u> Value to the Organisation <i>(client view of whether our audit work met or exceeded expectations, in terms of value to their area)</i></p>	>95%

It should be noted that the audit titles and high-level scopes included below are only indicative at this stage for planning our resources. At the start of each audit, an initial discussion will be held to agree the specific terms of reference for the piece of work, which includes the objective and scope for the review.

Link to Corporate Objective/ Healthy Organisation Theme	Areas of Coverage and Brief Rationale	Audit Sponsor/ Senior Management Lead
County Infrastructure <i>That drives recovery, supports economic prosperity, productivity and sustainable public services.</i>	ECI – Highways Application for Payment Review To follow-up previous limited assurance review. Audit to include review of new payments module within the Highways Management System, CONFIRM.	Lead Director of ECI and Commissioning
Natural Environment <i>Safe vibrant and well-balanced communities able to enjoy and benefit from the natural environment whilst addressing climate change.</i>	To follow in a later quarter – see Appendix B.	
Fairer Life Chances and opportunity for all	Children Missing from Education Risks have increased due to the pandemic. Links to Children’s safeguarding strategic risk. Children’s School Exclusion Data This follow-up follows the 21/22 limited assurance review.	Director of Children’s Services
Improved Health and Wellbeing <i>As well as more people living healthy and independent lives for longer</i>	Public Health – Reaching Areas of Deprivation To include collection and analysis of data relating to hard to reach groups.	Director of Public Health
Local Government Reorganisation (LGR)	LGR Workstreams: <ul style="list-style-type: none"> • Finance • Governance • People • Communities, Customers and Partners • Asset and ICT Optimisation 	Programme Director

Link to Corporate Objective/ Healthy Organisation Theme	Areas of Coverage and Brief Rationale	Audit Sponsor/ Senior Management Lead
	<ul style="list-style-type: none"> • Service Realignment/Improvement Audit Support to be provided across all workstreams. Advisory and Assurance work will be agreed throughout the year. <p>LGR Risk Management A particular focus on risk management arrangements for the new unitary authority.</p> <p>LGR General Advice and Support As required through the year. Likely to include project governance arrangements such as oversight of gateway reviews to support the annual opinion.</p>	
<p>Corporate Governance <i>Corporate Governance refers to the strategic management practices and values and beliefs by which the Council operates.</i></p>	<p>Election Delivery To follow May elections.</p>	<p>Director of Finance and Governance</p>
<p>Financial Management <i>Effective Financial Management is the bedrock of any successful organisation and is vital to the ongoing ability of local authorities to deliver services that the public wants.</i></p>	<p>Establishment Control Review controls around management of posts ahead of the move to unitary.</p>	<p>Director of Finance and Governance</p>
<p>Risk Management <i>Organisations which operate under a structured and active risk management approach, are far more likely to be able to focus</i></p>	<p>Covered within LGR section.</p>	

Link to Corporate Objective/ Healthy Organisation Theme	Areas of Coverage and Brief Rationale	Audit Sponsor/ Senior Management Lead
<i>upon their key priorities and outcomes and, in doing so, take informed and robust decisions.</i>		
Performance Management <i>Performance management provides a transparent platform upon which the service is accountable to its citizens and service users for the effectiveness of its service provision and delivery of its objectives.</i>	No specific audits scheduled.	
Commissioning & Procurement <i>Assessing Procurement & Commissioning activity of a Local Authority is a critical determinant in establishing its effectiveness in both being able to deliver benefit for its community, but also in showing whether it can maximise value for money for its taxpayers.</i>	Contract Management Review of contract management arrangements in relation to key contracts.	Director of Finance and Governance
ICT/Information Management <i>Effective ICT will facilitate and support effective working, better decision-making, improved customer service and business transformation.</i>	Payment Card Industry Digital Security Standards (PCIDSS) Compliance Review scheduled across Somerset to assess compliance ahead of vesting day.	HR and OD Director
Programme & Project Management	To follow in a later quarter – see Appendix B.	

Link to Corporate Objective/ Healthy Organisation Theme	Areas of Coverage and Brief Rationale	Audit Sponsor/ Senior Management Lead
<p><i>Organisations which can demonstrate and operate under a structured and active approach are far more likely to be able to focus their efforts and successfully achieve the delivery of anticipated outcomes.</i></p>		
<p>People Management <i>Organisations which can demonstrate and operate under a structured and active approach are far more likely to be able to focus resources against key priorities and, as a direct result, deliver improved outcomes.</i></p>	To follow in a later quarter – see Appendix B.	
<p>Asset Management <i>Organisations which can demonstrate and operate under a structured and active approach are far more likely to be able to focus resources against key priorities and, as a direct result, deliver improved outcomes.</i></p>	To follow in a later quarter – see Appendix B.	
<p>Grant Certification <i>As required by funding stream.</i></p>	<p>Troubled Families Internal audit requirement of DCLG to review claims submitted. Expect to audit six claim periods per year.</p> <p>BDUK Audit Certification Annual certification is a requirement of BDUK to access funding.</p> <p>Covid Contain Outbreak Management Fund</p>	<p>Director of Children’s Services</p> <p>Lead Director of ECI and Commissioning</p> <p>Director of Public Health</p>

Link to Corporate Objective/ Healthy Organisation Theme	Areas of Coverage and Brief Rationale	Audit Sponsor/ Senior Management Lead
	<p>Requirement for certification by Internal Audit.</p> <p>Track and Trace Requirement for certification by Internal Audit.</p> <p>Emergency Active Travel Fund Grant Requirement for certification by Internal Audit.</p>	<p>Director of Public Health</p> <p>Lead Director of ECI and Commissioning</p>
Counter-fraud Related	<p>Cifas (National Fraud Prevention Service) Proactive fraud prevention work. To include blue badges and other areas including Adult Social care.</p> <p>Fraud Related Members and Officers Training To follow May elections.</p> <p>Fraud Related Advice To include support with unitary transition as appropriate.</p> <p>Reactive Fraud Work Investigative work as required.</p>	<p>Director of Finance and Governance</p>
Advice and Support	<ul style="list-style-type: none"> • Audit Advice and Planning including Head of Internal Audit role. • Committee Reporting and attendance at other corporate meetings. • Recommendation tracking to give assurance that recommendations are being progressed. 	

Corporate Objective/ HO Theme	Areas of Coverage and Brief Rationale	Audit Sponsor/ Senior Management Lead
	<p>Adults Financial Assessment Previous limited assurance. Full audit as new system has now been implemented.</p> <p>Adults Follow-up</p> <ul style="list-style-type: none"> Quality Assurance 	
Improved Health and Wellbeing	Covered in Appendix A.	
Local Government Reorganisation (LGR)	Covered in Appendix A.	
Corporate Governance	<p>Members Development Strategy Review of Updated Scheme.</p> <p>Whistleblowing Review of effectiveness of updated scheme.</p>	Head of Finance and Governance
Financial Management	<p>Charging for Services Review how charges are set and agreed.</p> <p>Capital Accounting Review of key controls.</p> <p>Schools Financial Management Standards (SFVS) Review of compliance with the updated standards.</p>	Head of Finance and Governance

Corporate Objective/ HO Theme	Areas of Coverage and Brief Rationale	Audit Sponsor/ Senior Management Lead
	Finance Follow-ups <ul style="list-style-type: none"> • Creditors • Debt Management • Cash Handling • Changes to Vendor Data 	
Risk Management	Covered in Appendix A.	
Performance Management	Covered in Appendix A.	
Commissioning & Procurement	Follow-ups <ul style="list-style-type: none"> • Supplier Resilience • Compliance with corporate purchasing policy 	Director of Finance and Governance
ICT/Information Management	ICT Audit Reviews Likely to focus on areas associated with LGR.	Head of HR and OD
Programme & Project Management	Project Management – Benefits Realisation Evaluation of how the benefits management system is being used to improve the realisation of benefits. Follow-ups Commissioning and delivery of new schools	Strategic Managers – Business Change Lead Director of ECI and Commissioning/Director of Children’s Services
People Management	Follow-ups <ul style="list-style-type: none"> • Career Development and Pathways • Corporate Management of Health and Safety 	Head of HR and OD

Corporate Objective/ HO Theme	Areas of Coverage and Brief Rationale	Audit Sponsor/ Senior Management Lead
	Also included above as part of corporate priorities – Adults Workforce Planning	
Asset Management	Property Compliance with Regulations Covering regulations such as gas safety requirements, servicing checks.	Head of ECI and Commissioning
Grant Certification	Local Transport Capital Block Funding including the Pothole Action Fund Annual requirement for certification by Internal Audit.	
Counter-fraud Related	Fraud Baseline Assessment of Maturity in Relation to Fraud - Follow-up To follow-up previous 20/21 Amber assessed review (controls assessed to be partially in place - requires improvement). Fraud Recruitment and Selection Review of existing controls and recommendations for strengthening these.	Head of Finance and Governance

0

Purpose

The purpose of this Charter is to set out the nature, role, responsibility, status and authority of internal auditing within Somerset County Council, and to outline the scope of internal audit work.

Approval

This Charter was last approved by the Audit Committee on 11th March 2021 and is reviewed each year to confirm it remains accurate and up to date.

Provision of Internal Audit Services

The internal audit service is provided by the SWAP Internal Audit Services (SWAP). This charter should be read in conjunction with the Service Agreement, which forms part of the legal agreement between the SWAP partners.

The budget for the provision of the internal audit service is determined by Somerset County Council in conjunction with the Members Meeting. The general financial provisions are laid down in the legal agreement, including the level of financial contribution by the organisation, and may only be amended by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment that was carried out when determining the organisation's level of contribution to SWAP. This is reviewed each year by the S151 Officer in consultation with the Chief Executive of SWAP.

Role of Internal Audit

The Accounts and Audit (England) Regulations 2015, state 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 the public sector internal auditing standards or guidance."*

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Organisation's operations. It helps Somerset County Council accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Responsibilities of Management, Audit Committee and Internal Audit

Management¹

Management is responsible for ensuring SWAP:

- has the support of management and the organisation; and
- has direct access and freedom to report to senior management, including the Chief Executive and the Audit Committee
- is notified of suspected or detected fraud, corruption or impropriety.

Management is responsible for maintaining internal controls, including proper accounting records and other management information suitable for running the Organisation. Management is also responsible for the appropriate and effective management of risk.

Audit Committee²

The audit committee is responsible for approving the scope of internal audit work, receiving communications from the SWAP Assistant Director on the progress of work undertaken, reviewing the independence, objectivity, performance, professionalism and effectiveness of the Internal Audit function,

¹ In this instance Management refers to the Senior Management Team and Statutory Officers.

² In this instance the Audit Committee relates to "The Board" referred to in the PSIAS.

and obtaining reassurance from the SWAP Assistant Director as to whether there are any limitations on scope or resources.

Internal Audit

The SWAP Assistant Director, as Head of Internal Audit, is responsible for determining the scope, except where specified by statute, of internal audit work and for recommending the action to be taken on the outcome of, or findings from, their work.

Internal audit is responsible for operating under the policies established by management in line with best practice.

Internal audit is responsible for conducting its work in accordance with the mandatory elements of 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) and the CIPFA Local Government Application Note. SWAP has been independently assessed and found to be in Conformance with the Standards.

Internal audit is not responsible for any of the activities which it audits. SWAP staff will not assume responsibility for the design, installation, operation or control of any procedures. SWAP staff who have previously worked for the organisation will not be asked to review any aspects of their previous department's work until one year has passed since they left that area.

Relationship with the External Auditors/Other Regulatory Bodies

Internal Audit will co-ordinate its work with others wherever this is beneficial to the organisation.

Status of Internal Audit in the Organisation

*The Chief Executive of SWAP is responsible to the SWAP Board of Directors and the Members Meeting. Appointment or removal of the Chief Executive of SWAP is the sole responsibility of the Members Meeting.

The Chief Executive for SWAP, the Executive Director and Assistant Director also report to the Section 151 Officer, and reports to the Audit Committee as set out below.

The Assistant Director will be the first and primary point of contact for the organisation for all matters relating to the Audit Committee, including the provision of periodic reports, as per company policy. The Assistant Director is also responsible for the design, development and delivery of audit plans, subject to the agreement of Somerset County Council.

Scope and authority of Internal Audit work

There are no restrictions placed upon the scope of internal audit's work. SWAP staff engaged on internal audit work are entitled to receive and have access to whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. In this regard, internal audit may have access to any records, personnel or physical property of the organisation.

Internal audit work will normally include, but is not restricted to:

- reviewing the reliability and integrity of financial and operating information used for operational and strategic decision making, and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management and communication of risks;

- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assist management and Members to identify risks and controls with regard to the objectives of the organisation and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether the organisation is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned, with performance and accountabilities established.
- reviewing the operations of the organisation in support of their anti-fraud and corruption policy, ethical expectations and corporate values, investigating where necessary.
- at the specific request of management, internal audit may provide consultancy services (including fraud investigation services) provided:
 - the internal auditor's independence is not compromised
 - the internal audit service has the necessary skills to carry out the assignment, or can obtain such skills without undue cost or delay
 - the scope of the consultancy assignment is clearly defined and management have made proper provision for resources the work.
 - management understand that the work being undertaken is not internal audit work.

Planning and Reporting

SWAP will submit to the Audit Committee for approval, an annual internal audit plan, setting out the recommended scope of their work in the period.

The annual plan will be developed with reference to the risks the organisation will be facing in the forthcoming year, whilst providing a balance of current and on-going risks, reviewed on a cyclical basis. The plan will be reviewed on a quarterly basis to ensure it remains adequately resourced, current and addresses new and emerging risks.

SWAP will carry out the work as agreed, report the outcome and findings, and will make recommendations on the action to be taken as a result to the appropriate manager and Director. SWAP will report at least two times a year to the Audit Committee or as agreed. SWAP will also report a summary of their findings, including any persistent and outstanding issues, to the Audit Committee on a regular basis.

Internal audit reports will normally be by means of a brief presentation to the relevant manager accompanied by a detailed report in writing. The detailed report will be copied to the relevant line management, who will already have been made fully aware of the detail and whose co-operation in preparing the summary report will have been sought.

The Assistant Director will submit an annual report to the Audit Committee providing an overall opinion of the status of risk and internal control within Somerset County Council, based on the internal audit work conducted during the previous year.

In addition to the reporting lines outlined above, the Chief Executive of SWAP and SWAP Directors and Assistant Directors have the unreserved right to report directly to the Leader of the Council, the Chairman of the Audit Committee, the organisation's Chief Executive Officer or the External Audit Manager.