



SWAP
INTERNAL AUDIT SERVICES
Assuring – Improving – Protecting

South Somerset District Council

Report of Internal Audit Activity

Plan Progress 2020/21 July 2020

Contents

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Our audit activity is split between:

- **Operational Audit**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **Other Reviews**



Role of Internal Audit

The Internal Audit service for the South Somerset District Council is provided by South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Audit and Governance Committee at its meeting in May 2020.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes:

- Operational Audit Reviews
- Cross Cutting Governance Audits
- Annual Review of Key Financial System Controls
- IT Audits
- Grants
- Other Special or Unplanned Review

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Senior Management Team. This year's Audit Plan was reported to and approved by this Committee at its meeting in May 2020. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.



Plan Progress 2020/21

As a result of the COVID-19 pandemic, SWAP has had to adapt and change its focus in the short-term.

This has involved the additional areas coming into the audit plan as well as certain audits being pushed back to later in the year as a result of service pressures, priorities and staff redeployment.

With the Authority moving into a recovery phase from COVID-19, we are now looking to re-priorities our work on a quarter by quarter basis taking account of continued service pressure, ongoing risks and priorities.

Revised Approach to Internal Audit Planning 2020/21

Our 2020-21 Audit Plan was presented on the 14 of May to this Audit Committee. The plan in question was based on the assessment of risk prior to Covid-19. Clearly a lot has changed since that date, and as such, an updated approach to internal audit work and planning has had to be implemented. The plan that had previously been prepared is likely to remain relevant in many respects, but the effort the Authority is undertaking in relation to response and recovery from COVID-19 is likely to push back some of our work. As such, we have briefly set out below our updated approach to Internal Audit Planning for and during 2020/21:

Quarter 1 – 2020/21

The main aim during quarter 1 was to provide support to SSDC where necessary in dealing with the impact of Covid-19. This included provide support on the Performance Scorecard, advice on voting processes for online meetings, and undertaking the Grant Funding Schemes Assurance Risk Assessment for Local Authorities. We also carried on with our audit plan where services were available capacity wise. Some audits were pushed back due to staff redeployment. Details of changes can be seen on page 6 *Changes to the Audit Plan* and **Appendix B.**

Quarter 2 onwards – 2020/21

With the Authority moving into a recovery phase from COVID-19, we are now looking to re-evaluate priority areas that should form part of our rolling, flexible plan. However, we recognise there are still likely to be priority & capacity challenges in certain service areas, and as such Quarter 2 is likely to involve a hybrid approach in terms of supporting the Authority with recovery efforts, as well as re-commencing internal audit assurance work. Priority areas will be agreed with the Senior Leadership Team on a quarterly basis and members of this Audit Committee are asked to contribute their view on priority areas from an assurance point of view.

Plan Progress 2020/21

Outturn to Date:

We rank our recommendations on a scale of 1 to 3, with 1 being a fundamental concern to the services/area being reviewed and 3 being a minor concern that requires management attention.



Internal Audit Work Programme

The schedule provided at **Appendix B** contains a list of all audits as agreed in the Annual Audit Plan 2020/21. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed on **Appendix A** of this document.

The following table summarised Audits finalised during 2020/21:

Audit Area	Quarter	Status	Opinion
2019/20			
Boden Mill & Chard Regeneration Scheme Accounts Review	1	Final	Advisory
New: Growth Deal Capital Expenditure Certification	1	Final	Advisory
Yeovil Cemetery & Crematorium Annual Accounts Controls Assurance	1	Final	Advisory
New: Covid-19 Support & Advice	1	Final	Advisory



Outturn to Date:

We rank our recommendations on a scale of 1 to 3, with 1 being a fundamental concern to the services/area being reviewed and 3 being a minor concern that requires management attention.



Internal Audit Work Programme Contd.

Limited/No Assurance Audits (See Appendix C)

As agreed with this Committee where a review has a status of 'Final' and has been assessed as 'Limited' or 'No Assurance', I will provide further detail to inform Members of the key issues identified. There are no 'Limited Assurance' or 'No Assurance' reviews that I need to bring to your attention.

Corporate Risks (See Appendix C)

Our audits examine the controls that are in place to manage the risks that are related to the area being audited. We assess the risk at an inherent level i.e. how significant is the risk(s) at a corporate level on a scale of High, Medium or Low. Once we have tested the controls in place, we re-evaluate the risk based on how effective the controls are operating to govern that risk (Residual Risk). Where the controls are found to be ineffective and the inherent and residual risk is assessed as 'High', I will bring this to your attention. These items will remain on this schedule for monitoring by the Committee until the necessary management action is taken and appropriate assurance has been provided that the risks have been mitigated / addressed.

No Corporate Risks have been identified through the quarter 1 assurance work.

The Assistant Director for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.



Plan Progress Performance

SWAP now provides the Internal Audit service for 24 public sector bodies. SWAP performance is subject to regular monitoring review by both the Board and the Member Meetings. The respective outturn performance results for South Somerset District Council for the 2020/21 (as at 9 July 2020) were as follows:

Performance Target	Target Year end	Average Performance
<p><u>Audit Plan – Percentage Progress</u> Final, Draft and Discussion In progress Not Started</p>	>90%	14% 14% 72%
<p><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%	None Received to date
<p><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%	Reported Year end

We keep our audit plans under regular review so as to ensure that we are auditing the right things at the right time. Due to Covid-19 the plan priority areas will be agreed on a quarter by quarter basis.



Approved Changes to the Audit Plan 2020-21

The audit plan for 2020/21 is detailed in **Appendix B**. Despite the impact of Covid-19 and some additional work being added to the plan, we have not yet removed any items from 2020-21 plan. For this reason, the plan will remain flexible targeting short term priorities as agreed with SLT on a quarter by quarter basis. This is to ensure the plan reflects the changing risks and service pressures and remains relevant to South Somerset District Council. The following changes have been made to the 2020/21 Audit Plan since it was approved in May 2020:

Additional pieces of work:

- Advice on voting processes for online meetings provided.
- Grant Funding Schemes Assurance for Local Authorities (Risk Assessment), help is being provided to complete the return to Government by the end of July.
- Covid-19 Support including help with performance monitoring and advise on remote decision making.
- Growth Deal Capital Expenditure Certification.
- Performance monitoring support for service performance during the Covid-19 was completed and helped to develop a scorecard for performance.
- Health and wellbeing audit currently being undertaken to provide assurance on the processes in place to support staff during Covid-19.

Deferred work pushed back to later in 2020-21:

- S106 was postponed to later in the year due to Covid-19 impacting staff availability due to workload and redeployments.
- Homelessness was postponed to later in the year due to Covid-19 impacting staff availability and the increased workload the team had to deal with.
- All ICT related work has been pushed back by 1 quarter (*ICT Governance and Risk Scope Review, Digital Strategy & Transformation, Cyber Security Framework Review*)

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

- Substantial
- Reasonable
- Limited
- No
- Non-Opinion/Advisory



Audit Framework Definitions

Control Assurance Definitions

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.
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.
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.
No	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.

Non-Opinion/Advisory – In addition to our opinion-based work we will provide consultancy services. The “advice” offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

We keep our audit plans under regular review, so as to ensure we are auditing the right things at the right time. Recommendation are prioritised from 1 to 3 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.



Audit Framework Definitions

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

- 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.

Definitions of Risk

Risk	Reporting Implications
Low	Issues of a minor nature or best practice where some improvement can be made.
Medium	Issues which should be addressed by management in their areas of responsibility.
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
						FINAL			
Fraud, Corruption and Governance	Boden Mill & Chard Regeneration Scheme Accounts Review	Q1	Final	Advisory	0	0	0	0	
Fraud, Corruption and Governance	New: Growth Deal Capital Expenditure Certification	Q1	Final	Advisory	0	0	0	0	
Fraud, Corruption and Governance	Yeovil Cemetery & Crematorium Annual Accounts Controls Assurance	Q1	Final	Advisory	0	0	0	0	
Covid-19 Support	New: Covid-19 Support/Advice	Q1	Final	Advisory	0	0	0	0	Help with performance monitoring dashboard and remote decision-making advice.
IN PROGRESS									
Governance Fraud & Corruption	Project Governance - Regeneration Projects	Q1	Review						
Follow Up	Combined Follow up	Q1	In Progress						To review Progress on previously reported Partial Assurance audits.
Governance Fraud & Corruption	NEW: Health & Wellbeing	Q2	In progress						



Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Covid-19 Support	NEW: Grant Funding Schemes Assurance for Local Authorities (Risk Assessment)	Q1	In progress						
NOT STARTED									
Transformation	Transformation close down	Q2	Not Started						
Governance Fraud & Corruption	Income Generation Service Improvements	Q2	Not Started						
Governance Fraud & Corruption	Procurement – Leisure Contract	Q2	Not Started						
Transformation	Civica Digital Systems Review	Q2	Not Started						
ICT	ICT Governance and Risk Scope Review	Q2	Not Started						Deferred from quarter 1
Operational	S106 & CIL	Q2	Not Started						Deferred from quarter 1
Operational	Homelessness	Q2	Not Started						Deferred from quarter 1
ICT	Digital Strategy & Transformation	Q3	Not Started						Deferred from quarter 2
ICT	Cyber Security Framework Review	Q3	Not Started						Deferred from quarter 2
Key Control	Council Tax & NNDR	Q3	Not Started						

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Key Control	Creditors	Q3	Not Started						
Key Control	Housing Benefits	Q3	Not Started						
Key Control	Budget Planning and Monitoring	Q3	Not Started						
Governance Fraud & Corruption	Commercial Investments	Q3	Not Started						
Governance Fraud & Corruption	Yeovil Innovation Centre (YIC) Phase 2	Q4	Not Started						
Governance Fraud & Corruption	Risk Management	Q4	Not Started						
Governance Fraud & Corruption	Ethical Governance	Q4	Not Started						
Governance Fraud & Corruption	Somerset Districts Cooperation/collaboration FOLGIS	Q4	Not Started						
Governance Fraud & Corruption	Climate Change	Q4	Not Started						
Follow Up	Information Governance GDPR Follow Up	Q4	Not Started						

2019-20 Outstanding Reviews

Governance, Fraud and Corruption	Risk Management	4	Final	Advisory	4	0	1	3	
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This section will include details on 'Limited Assurance', 'No Assurance' audits as well as details on follow up audits to confirm the effectiveness of the action taken to address previous weakness. There are no significant findings to report at this time.