



SWAP

INTERNAL AUDIT SERVICES

Helping Organisations to Succeed

South Somerset District Council

Report of Internal Audit Activity

2022-23 Outturn Report March 2023

Contents

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Internal Audit Plan Progress 2022-23

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 March 2022.

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 2022-23 Audit Plan was reported to and approved by this Committee at its meeting in March 2022. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

Internal Audit Plan Progress 2022-23

Outturn to Date:

We rank our recommendations on a scale of 1 to 3, with 3 being minor or administrative concerns to 1 being areas of major concern requiring immediate corrective action.



Internal Audit Work Programme Update

The schedule provided at **Appendix B** contains a list of all audits as agreed in the Annual Audit Plan 2022/23. 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 summarises Audits finalised since the last update in January 2023:

Audit Area	Opinion
Recommendation Tracking & Reporting	Advisory
Records Management	Limited
Octagon Theatre Expansion	Advisory
Council Tax and NDR Follow Up	Follow Up

Please refer to **Table 2** in **Appendix B** for LGR complete and on-going work.

Appendix C at the end of this report provides the details on the **Records Management** and **Council Tax and NDR Follow Up**.

Internal Audit Plan Progress 2022-23

Significant Corporate Risks
Identified Significant Corporate Risks should be brought to the attention of the Audit Committee.

We keep our audit plans under regular review so as to ensure that we are auditing the right things at the right time.



Significant Corporate Risks

We provide a definition of the 3 Risk Levels applied within audit reports and these are detailed in **Appendix A**. For those audits which have reached report stage through the year, I will report risks we have assessed as 'High'.

In this update there are no final reports included with significant corporate risks.



Approved Changes to the Audit Plan

We will regularly re-visit and adjust our rolling programme of audit work to ensure that it matches the changing risk profile of the organisation's operations, systems, and controls. Details of our current work areas are provided in **Appendix B**.

There are no plan changes to communicate since the January 2023 update report.

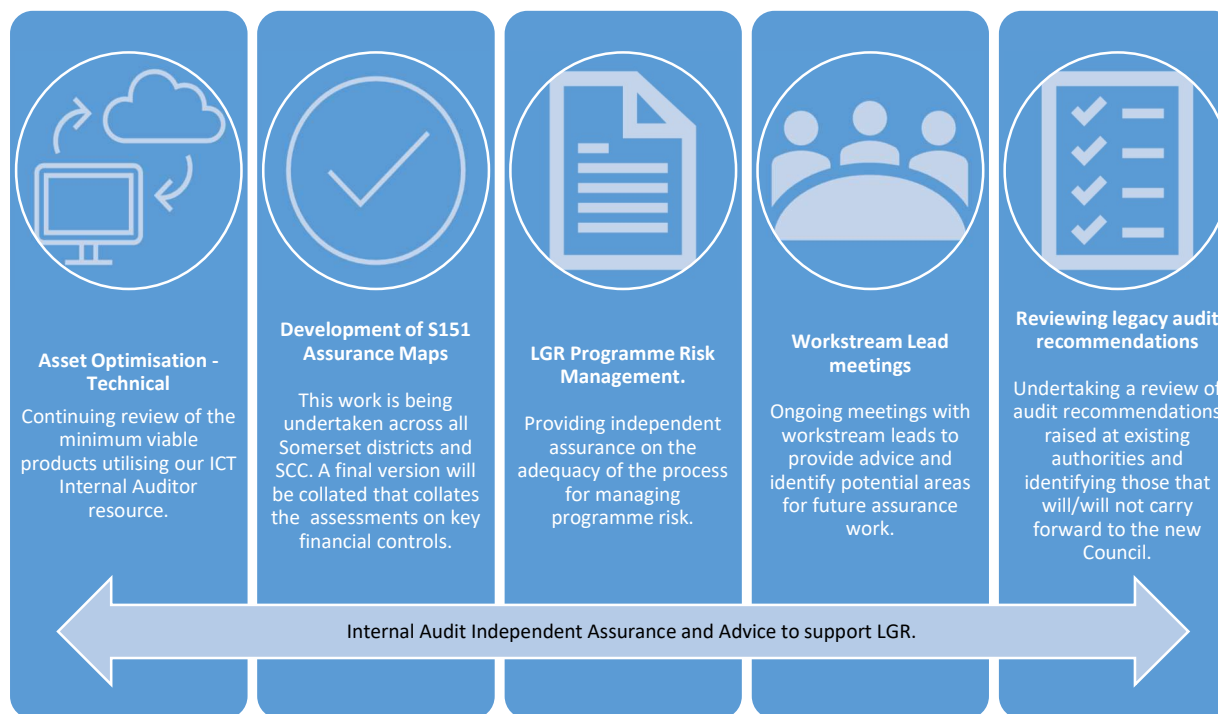
Internal Audit Plan Progress 2022-23

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.



Internal Audit Plan Progress 2022-23

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



SSDC Plan Performance

SWAP performance is subject to regular monitoring review by both the Board and at Member Meetings. The current performance results for the Council are as follows:

Performance Target	SSDC Performance
<u>Audit Plan – Percentage Progress</u>	
Final and Draft	90%
In Progress	10%
Not Started	0%
<u>Audit Plan – Delivery</u>	
On course to deliver at least 90% of plan by year end (Annual Opinion)	Yes
<u>Quality of Audit Work</u>	
Customer Satisfaction Questionnaire	98.7%

Assurance Definitions

No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control are 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 exist, with internal controls operating effectively and being consistently applied to support 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.

Definition of Corporate Risks

Risk	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.

Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major	↔	3 = Minor	Comments
					Recommendation			
					1	2	3	
Completed Work								
Grant Certification	Arts Council Culture Recovery Fund grant certification	Complete	Advisory	-	-	-	-	
Grant Certification	Protect and vaccinate – CIA sign off	Complete	Advisory	-	-	-	-	
Grant Certification	Covid Outbreak Management Fund – CIA Sign off	Complete	Advisory	-	-	-	-	
Assurance	Yeovil Cemetery & Crematorium Annual Accounts	Complete	Substantial	-	-	-	-	
Grant Certification	Covid-19 Grants – Restart Grant Post Payment Assurance – CIA sign-off	Complete	Reasonable	-	-	-	-	
Advisory	Unitary Lessons Learned	Complete	Advisory	-	-	-	-	
Advisory	Baseline of Maturity for Fraud Risk	Complete	Advisory	-	-	-	-	Reported January 2023
Assurance	Commercial Rents	Complete	Limited	11	-	4	7	Reported January 2023
Assurance	Opium arrangements	Complete	Reasonable	4	-	4	-	Reported January 2023
Follow Up	Lufton Depot	Complete	Follow Up	15	-	5	-	Reported January 2023
Assurance	Civil Emergencies	Complete	Substantial	0	-	-	-	
Assurance	Yeovil Rec improvements	Complete	Reasonable	1	-	1	-	
Advisory	NEW: Recommendation Tracking & Reporting	Complete	Advisory	-	-	-	-	

Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major	↔	3 = Minor	Comments
					Recommendation			
					1	2	3	
Advisory	Octagon Theatre Expansion	Complete	Advisory	-	-	-	-	
Follow Up	Council Tax and NDR Follow Up	Complete	Follow Up	1	-	1	-	See Appendix C
Assurance	Records Management	Complete	Limited	3	-	3	-	See Appendix C
Advisory	Use of consultants	Complete	Advisory	-	-	-	-	
Reporting								
Assurance	Energy Rebate Post Assurance	Draft						
Assurance	Health & Safety Framework	Draft						
In Progress								
Grant Certification	Decarbonisation Grant - CIA sign off	In Progress	Advisory					
Grant Certification	Test and Trace Support Payment Scheme – grant certification	In Progress	Advisory					

Table 2: LGR Support & Assurance Work

Audit Type	Audit Area	Status	Opinion	No of Rec	1 – Major 3 – Minor			Comments
					1	2	3	
Complete								
Advisory	PCIDSS	Complete	Advisory	-	-	-	-	
Advisory	Data Centre	Complete	Advisory	-	-	-	-	
Advisory	IT Minimum Viable Products	Complete	Advisory	-	-	-	-	
Advisory	M365 and Active Directory	Complete	Advisory	-	-	-	-	
Advisory	Cyber Security Strategy Framework	Complete	Advisory	-	-	-	-	
Advisory	Cyber Security Training and Awareness	Complete	Advisory	-	-	-	-	
Advisory	Disaster Recovery and Incident Response	Complete	Advisory	-	-	-	-	
Advisory	S151 Assurance Map	Complete	Advisory	-	-	-	-	
Advisory	LGR Programme Risk Management	Complete	Advisory	-	-	-	-	
Advisory	Local Community Networks (Support)	Complete	Advisory	-	-	-	-	
Assurance	Business Continuity	Complete	Advisory					
In progress/Ongoing/Draft								
Advisory	Risk Management Workstream Support	Ongoing	Advisory	-	-	-	-	
Advisory	Asset Optimisation: Technical Workstream Support	Ongoing	Advisory	-	-	-	-	

Audit Type	Audit Area	Status	Opinion	No of Rec	1 – Major 3 – Minor			Comments
					1	2	3	
Advisory	Legacy Audit Recommendations & AGS Actions	In progress						
Assurance	Payroll – Data matching/validation	In progress						
Waiting to Start								
Advisory	Service Alignment Strategy and Policy Review	Waiting to Start	Advisory	-	-	-	-	
Advisory	Tech Forge Data Validation	Waiting to Start	Advisory	-	-	-	-	


Please note that PWC are the Quality Assurance provider overseeing the whole LGR programme and provide monthly updates to the Programme Board.

Records Management – Limited Assurance – February 2023





SSDC Records Management – Final Report – February 2023



Audit Objective To provide assurance on the design of the Council's record management framework and managements' self-assessment of how records are being managed under this.

Assurance Opinion	Number of Actions		Risks Reviewed	Assessment
	Priority	Number		
 <p>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.</p>	Priority 1	0	Records are not classified, stored, secured, or disposed of in accordance with local requirements and legislation, resulting in potential financial losses, breaches, fines, legal action, reputational damage, and inaccessibility to staff.	Medium
	Priority 2	3		
	Priority 3	0		
	Total	3		

Key Findings

	The Data Protection Policy does not specify roles and responsibilities in relation to record management. The policy also has gaps in terms of guidance and training. Although it has been noted this will be addressed as part of the Record Management Local Government Reorganisation Workstream.
	Both the Information Asset Register (IAR) and Document Retention Schedule (DRS) were created in 2017/2018 however neither were formally approved and are now out of date. Work has not been started to rectify this due to the Local Government Reorganisation (LGR).
	No regular storage analysis is being carried out, with no oversight to ensure that disposals are taking place as required. Some systems have no function to dispose of records, which would result in non-compliance with DPA, and as some systems will be in place beyond vesting day the risk will be carried over to the new authority.
	LGR preparations are well under way, and the sub workstream for Records Management have created proposals for the new authority. If LGR were not happening, more work would be carried out to rectify the findings, however given the situation, the council felt it was not a good use of resources.

Audit Scope

This was a high-level review of the controls in place to manage corporate records, including roles and responsibilities, policies and procedures, the Information Asset Register (which includes document retention information), and organisational awareness of information assets held, document retention and ease of accessibility.

The review also included a survey which will be sent to all Heads of Service to gain their self-assessment on records management compliance within their service areas. The questions were agreed with the Data Protection Officer and District Solicitor and Monitoring Officer in advance, and the results are collated, analysed, and shared as part of the review.

Brief oversight of the LGR Record Management workstream was included to ascertain the forward plans for the council.

Other Relevant Information

Below are other key areas that will be reviewed/completed as part of the LGR Record Management Workstream:

- A single RM Strategy, linking into the Data Strategy.
- A single Retention Schedule, linking into Information Asset Register and Record Of Processing Assets.
- Expand Somerset County Councils' (SCC's) Records Management Service for the provision of in-house storage, management, and disposition for paper records.
- All dormant paper records in storage areas to be managed using SCC's store management system (DWM) and processes.

Council Tax and NDR Follow Up – February 2023

Council Tax and NNDR Follow Up – Final Report – February 2023



Follow Up Audit Objective

To provide assurance that agreed actions to mitigate against risk exposure identified within the 2021/22 Limited opinion audit of Council Tax and NNDR report have been implemented.

Follow Up Progress Summary

Priority	Complete	In Progress	Not Started	Summary
Priority 1	-	-	-	-
Priority 2	3	1	-	4
Priority 3	1	-	-	1
Total	4	1	-	5

Follow Up Assessment

The original audit of Council Tax and National Non-Domestic Rates (NNDR) was completed in March 2022 and received a Limited assurance opinion. The objective of the audit was to establish if key financial system controls for Council Tax and NNDR are operating effectively, and the opportunities for error, fraud or corruption are minimised.

The follow up audit has found the majority of actions have now been completed. Key findings from the audit follow up have been summarised below.

Key Findings



Reconciliations on annual bills printed and posted by Latcham are still outstanding. Discussions have been held with Latcham on how they need to process bill batches to ensure clarity on what has been completed. The next annual billing run will hopefully confirm this has been resolved.



Single Person Discount (SPD) reviews have been completed.



Recovery agent procurement has been completed and contracts have been signed. The recovery of debts that have gone to court has now restarted.

Further Information

Testing has been performed in relation to all priority 1 and 2 actions and supporting evidence obtained to support implementation of actions. Follow-up of the priority 3 action is based on self-assessment by the responsible manager.

Good progress has been made on these actions. The only remaining action is reliant on the supplier completing the annual billing printing and posting in a systematic way so that it is easy to reconcile at the end of the process.

Appendix A details the progress made for each action raised in the audit.