



**SWAP**  
**INTERNAL AUDIT SERVICES**  
Assuring – Improving – Protecting

# Somerset West and Taunton Council

## Report of Internal Audit Activity

2020-21 Outturn Report June 2021

**Internal Audit ■ Risk ■ Special Investigations ■ Consultancy**

Unrestricted

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# Internal Audit Plan Progress 2020-21

## 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 Somerset West and Taunton 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 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 March 2020. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

## Internal Audit Plan Progress 2020-21

### 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 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 since the last update in March 2020:

Audit Area	Quarter	Status	Opinion
Housing Compliance – Governance and Reporting	3	Final	Reasonable
Main Accounting	3	Final	Reasonable
Compliance & Enforcement Grant CIA sign off	4	Final	Advisory
Special Review 3	4	Final	Advisory
Baseline Assessment of Maturity for Fraud	4	Final	Advisory
ICT Governance & Risk Scope Review	4	Final	Advisory

# Internal Audit Plan Progress 2020-21

## Significant Corporate Risks

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

## Completed Assignments:

Summary of work completed with a focus on the high priority issues that we believe should be brought to the attention of the Audit Committee.

- Limited or No Assurance Opinions
- Follow-ups



## 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.



## Summary of Work Completed – Limited or No Assurance Opinions

In this report there are no final reports included with Limited or No Assurance Opinions.

## Completed Assignments:

Summary of work completed with a focus on the high priority issues that we believe should be brought to the attention of the Audit Committee.



## Summary of Work Completed

### Baseline Assessment of Maturity for Fraud

Local authorities have responsibilities for the effective stewardship of public money and for safeguarding against losses due to fraud and corruption. The Audit, Governance and Standards Committee should have oversight of the authority's counter fraud strategy, assessing whether it meets recommended practice and governance standards and complies with legislation such as the Bribery Act 2010.

To assist in this oversight a baseline assessment has been completed at Somerset West and Taunton Council in line with requirements of the Fighting Fraud and Corruption Locally Strategy. Each of the 27 requirements have been given a red, amber or green, rating based on a corporate view across the organisation. The report for this work comes complete with an action roadmap for improvement and can be revisited in 12 months' time to demonstrate the direction of travel and any progress, including the improvement of maturity position. A full copy of the report and findings has been shared with the Audit, Governance and Standards Committee, together with the wider benchmarking report. The below chart summarises the assessments outcomes against the 6 key theme area.

### Baseline Assessment of Six Themed Areas



# Internal Audit Plan Progress 2020-21

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



## SWAP 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 Somerset West and Taunton for the 2020/21 (as of 27 May 2021) were as follows:

Performance Target	Target Year End	Average Performance
<p><b><u>Audit Plan – Percentage Progress</u></b>                      Final, Draft and Discussion                      In progress                      Not Started</p>	>90%	92% 8% 0%
<p><b><u>Quality of Audit Work</u></b>                      Customer Satisfaction Questionnaire</p>	>95%	98%
<p><b><u>Outcomes from Audit Work</u></b>                      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%	100%

## Internal Audit Plan Progress 2020-21

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 Plan

The audit plan for 2020/21 is detailed in **Appendix B**. Due to the impact of Covid-19 and the requests for some additional work to be added to the plan during the year we have had to remove some audits from the annual plan. The Plan has remained flexible throughout the year and targeted short-term priorities as agreed with SMT. There are no changes to the 2020-21 Audit Plan since our last update report to Audit Committee in March 2021.



## Assurance Definitions

<b>No</b>	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.
<b>Limited</b>	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.
<b>Reasonable</b>	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.
<b>Substantial</b>	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.
<b>Non-Opinion/Advisory</b>	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

<b>Risk</b>	<b>Reporting Implications</b>
<b>High</b>	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
<b>Medium</b>	Issues which should be addressed by management in their areas of responsibility.
<b>Low</b>	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:

<b>Priority 1</b>	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
<b>Priority 2</b>	Important findings that need to be resolved by management.
<b>Priority 3</b>	Finding that requires attention.

Audit Type	Audit Area	Qtr	Status	Opinion	1 =	↔		3 =	Comments	
					Major	Recommendation				Minor
					Total	1	2	3		
<b>FINAL</b>										
Governance, Fraud & Corruption	<b>NEW:</b> Grant Verification Support Work	1	Final	Advisory	-	-	-	-	-	
Governance, Fraud & Corruption	<b>NEW:</b> Covid-19 Business Grant Funding Schemes Assurance	2	Final	Advisory	-	-	-	-	Assistance with FRAs for SBGF, RHLGF & LDGF	
Governance, Fraud & Corruption	Ethical Governance & Culture	2	Final	Limited	7	0	3	4		
Follow Up	<b>NEW:</b> Housing Compliance - Asbestos Management	2	Final	Advisory	-	-	-	-	Reported in September 2020	
Governance, Fraud & Corruption	Procurement	2	Final	Limited	7	0	5	2	Reported in December 2020	
Operational	DLO External Work - Income	2	Final	Limited	10	1	6	3	Reported in December 2020	
Governance, Fraud & Corruption	Performance Management	2	Final	Advisory	-	-	-	-		
Follow-up	Treasury Management Follow Up	3	Final	Advisory	3	0	1	2	Reported in December 2020	
Key Financial Control	Payroll System	3	Final	Reasonable	2	0	0	2		
Governance, Fraud & Corruption	<b>NEW:</b> Local Restriction Support Grant (LRSB)	3	Final	Advisory	-	-	-	-		

# Summary of Work Plan

# Appendix B

Audit Type	Audit Area	Qtr	Status	Opinion	1 =	↔		3 =	Comments
					Major	Recommendation			
					Total	1	2	3	
Governance, Fraud & Corruption	<b>NEW:</b> Additional Restriction Support Grant (LRSB)	3	Final	Advisory	-	-	-	-	
ICT	Cyber Security Framework Review	3	Final	Advisory	-	-	-	-	Further details to be provided to members
Governance, Fraud & Corruption	Housing Compliance - Governance and Reporting	3	Final	Reasonable	7	0	2	5	
Key Financial Control	Main Accounting	3	Final	Reasonable	3	0	0	3	
Key Financial Control	Financial Control & Reporting	3	Final	Reasonable	4	0	1	3	
Special Review	<b>NEW:</b> Investigation 2	3	Final	Advisory	0	0	0	0	
Follow-up	Banking Arrangements Follow Up	4	Final	Advisory	1	0	1	0	Reported in December 2020
Special Review	<b>NEW:</b> Special Review 3	4	Final	Advisory	0	0	0	0	Report provided to the Governance Manager.
Governance, Fraud & Corruption	<b>NEW:</b> Baseline of Council Fraud Maturity	4	Final	Advisory	0	0	0	0	
Governance, Fraud & Corruption	ICT Governance & Risk Scope Review	4	Final	Advisory	0	0	0	0	Further details to be provided to members
Governance, Fraud & Corruption	<b>NEW:</b> BEIS Grant Assurance Work	4	Final	Advisory	0	0	0	0	

Audit Type	Audit Area	Qtr	Status	Opinion	1 =	↔		3 =	Comments
					Major	Recommendation			
					Total	1	2	3	
Governance, Fraud & Corruption	<b>NEW:</b> Compliance & Enforcement Grant CIA sign off	4	Final	Advisory					
<b>DRAFT</b>									
Key Financial Control	Creditors	3	Draft	Reasonable					
Key Financial Control	Debtors	3	Draft						
Governance, Fraud & Corruption	<b>NEW:</b> Fraud Risks – Impact from Covid-19	4	Draft	Reasonable					
Governance, Fraud & Corruption	Project Governance - Firepool	3	Draft	Advisory					
<b>IN PROGRESS</b>									
Special Review	<b>NEW:</b> Investigation 1	3	In Progress						
Governance, Fraud & Corruption	Commercial Investment	4	In progress						
<b>DEFERRED OR REMOVED</b>									
Governance, Fraud & Corruption	Fraud Risk Assessment	4		Reviews replaced with: <b>NEW:</b> Grant Verification Support Work					

Audit Type	Audit Area	Qtr	Status	Opinion	1 =	↔		3 =	Comments
					Major	Recommendation		Minor	
					Total	1	2	3	
Follow up	Debtors	1		<b>NEW:</b> Covid-19 Business Grant Funding Schemes Assurance <b>NEW:</b> Housing Compliance - Asbestos Management follow up <b>NEW:</b> Local Restriction Support Grant (LRSG) <b>NEW:</b> Additional Restriction Support Grant (LRSG) <b>NEW:</b> Investigation 1 <b>NEW:</b> Investigation 2 <b>NEW:</b> Special Review 3 <b>NEW:</b> Baseline of Council Fraud Maturity <b>NEW:</b> BEIS Grant Assurance Work <b>NEW:</b> Fraud Risks – Impact from Covid-19 <b>NEW:</b> Compliance & Enforcement Grant CIA sign off  Reviews deferred from 2020-21 Audit plan have been taken forward for consideration and inclusion in 2021-22 Audit Plan.					
Governance, Fraud & Corruption	Delivery of Benefits of Transformation	3							
Follow up	GDPR Information Management Project	4							
Governance, Fraud & Corruption	Risk Management	4							
Governance, Fraud & Corruption	Climate Change	4							
Governance, Fraud & Corruption	Digital Strategy and Transformation	4							
Governance, Fraud & Corruption	People Strategy	4							
Governance, Fraud & Corruption	Recruitment and onboarding	4							
Operational	Homelessness / Homelessness Reduction	4							