

Somerset West and Taunton

Report of Internal Audit Activity

Plan Progress 2021/22 – September 2021 (Quarter 1 & Quarter 2)

Contents

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Summary:

Contents

Page 1

Role of Internal Audit

Page 2



Control Assurance:

Internal Audit Work Programme

Page 3

Significant Corporate Risks

Page 4

Summary of Limited or No Assurance Opinions

Pages 4-6



Plan Performance:

SWT Plan Performance

Page 7

Approved Changes to the Audit Plan

Page 8



Appendices:

Appendix A – Audit Framework Definitions

Page 9

Appendix B – Summary of Work Plan

Pages 10-13

Internal Audit Plan Progress 2021-22

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 Somerset West and Taunton Council is provided by SWAP Internal Audit Services 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, Governance and Standards Committee at its meeting in March 2021.

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 Leadership Team. The 2021-22 Audit Plan was reported to the Audit, Governance and Standards Committee and approved at its meeting in March 2021. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

Internal Audit Plan Progress 2021-22

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

The schedule provided at **Appendix B** contains a list of all audits as agreed in the Annual Audit Plan 2021/22. 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 in **Appendix A**.

The following table summarised Audits finalised since the previous update in June 2021.

Audit Area	Quarter	Status	Opinion
2020/21 - Key Control – Creditors	3	Final	Reasonable
2020/21 - Key Control – Debtors	3	Final	Reasonable
2020/21 - Project Governance – Firepool	3	Final	Advisory
2020/21 - Fraud Risk – Impact of Covid-19	4	Final	Reasonable
2020/21 – Compliance and Enforcement Grant Sign-Off	4	Final	Advisory
2021/22 - Commercial Investment	1	Final	Substantial
2021/22 - North Taunton Woolaway Regeneration	1	Final	Substantial
2021/22 – Health and Safety	1	Final	Limited

Please see the Limited/No Assurance section below for further information on the Limited Assurance review.

Internal Audit Plan Progress 2021-22

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 is one final report with significant (High) corporate risks:

- Health and Safety
The Council does not have sufficient arrangements in place to identify, monitor and mitigate against health and safety risks that could cause staff, stakeholders and public harm – leading to subsequent legal, financial and reputational damage.



Summary of Work Completed – Limited or No Assurance Opinions

Health and Safety – Limited Assurance – July 2021

The Council has a statutory duty to keep its employees, members, customers, contractors and anyone else who uses its services safe from risks to their health and safety under the Health and Safety at Work Act 1974. The failure to adhere to relevant health and safety legislation and regulations puts health and safety at risk and exposes the Council to legal, finance and reputational damage.

The Council had not received an audit of corporate health and safety in a long time and therefore assurance was sought by senior management that the Council was adhering to health and safety legislation and regulation and the risks in these areas were minimised. Despite the absence of a recent audit the Council has been developing its approach to health and safety and this continues to be work in progress.

The audit scope was designed around the Health and Safety Executive's HSG65 framework which is based on the following key controls:

Internal Audit Plan Progress 2021-22

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

Summary of Work Completed – Limited or No Assurance Opinions

Plan	The Council has determined its governance, health and safety policy and has planned for implementation.
Do	The Council has identified its risk profile; Organised activities to deliver its action plan and begun implementation.
Check	The Council is monitoring and measuring performance and investigating accidents and incidents.
Act	The Council reviews health and safety arrangements and acts upon lessons learned to ensure that the framework is fit for purpose.

The Council is currently at the PLAN and DO stages of HSG65 and therefore only limited testing could be done under CHECK and ACT. Our audit focussed on the high priority areas the Council need to address and therefore contractors were only looked at briefly. When looking at accidents and incidents we relied upon second line of defence controls. Landlord Health and Safety was considered out of scope for this audit. This area has been covered by previous audit work.

Our reason for providing limited assurance was because there is inadequate oversight of health and safety matters at Member level, this coupled with an incomplete risk scoping exercise, the audit framework not being developed or implemented and a lack of clarity with regards to who has received health and safety training and who has not.

There were three Priority 2 recommendations and eight Priority 3 recommendations made within this review. The three priority 2 recommendations raised in our report are detailed below. Health and Safety is on the Senior Management Issue log to monitor improvements. The recommendation made in this review will be followed up to ensure they have been implemented and reported back to the Audit Committee.

Internal Audit Plan Progress 2021-22

P1 or P2	Weaknesses Found	Risk Identified	Managers Agreed Action	Agreed Date of Action
Health and Safety				
P2	Corporate Governance matters need to be strengthened, including raising the profile of health and safety through a Member Champion and reporting of health and safety work to Members. Sub-Committees would be advisable for the Internal Operations and Development and Place Directorates.	Legal, financial and reputational damage through failing to put in place suitable controls to mitigate risks to health and safety.	Agreed. In the short term we will request that an existing Portfolio Holder accepts the responsibility of championing health and safety. In the medium to long term, we will look into health and safety being a specific responsibility of Portfolio Holder. We will endeavour to provide an overview of the Health and Safety Management System to Members to enable them to understand the health and safety risks within the organisation and help them to act in their capacity as critical friends. This may be done by video that can be reviewed remotely. We will also provide a quarterly update to Members on the Health and Safety work carried out to keep everyone safe, including performance against key targets set.	31/8/21 30/9/21 31/12/21
P2	While the Risk Assessment Scoping sessions have been scheduled and are underway, they are not complete, therefore the Council does not have a complete record of the health and safety risks it needs to manage. To date the Audit Framework has not been developed.	Legal, financial and reputational damage through failing to put in place suitable controls to mitigate risks to health and safety.	Agreed. Risk Management Scoping Sessions have been delayed by a Health and Safety Partner leaving. They should now be completed by the end of July 2021. We are continuing with recruitment to fill the vacant post.	31/8/21
P2	Health and Safety training is being carried out upon induction and refresher training is also being delivered, however Members have not received any. Reports can also be run from LMS, but analysis in this area could be better and this would provide greater assurance that staff and Members know to manage health and safety.	Legal, financial and reputational damage through failing to put in place suitable controls to mitigate risks to health and safety.	Agreed, at point of audit taking place. We will investigate the potential of iTrent to record the Training Needs Analysis, Learning and Development Records, develop training plans and produce detailed analysis on the training delivered.	31/8/21

Internal Audit Plan Progress 2021-22

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 quarters 1 and 2 of 2021-22 (as of August 2021) were as follows:

Performance Target	Target Year End	Average Performance (Q1 & Q2 only)
<u>Audit Plan – Percentage Progress</u> Final, Draft and Discussion In progress Yet to complete	>90%	25% 50% 25%
<u>Quality of Audit Work</u> Customer Satisfaction Questionnaire	>95%	100%
<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>	>95%	Year end

Internal Audit Plan Progress 2021-22

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 2021/22 is detailed in **Appendix B**. Inevitably changes to the plan will be required during the year to reflect changing risks and ensure the audit plan remains relevant to Somerset West and Taunton Council. Members will note that, where necessary, any changes to the plan throughout the year will usually be subject to agreement with the appropriate Service Manager, Senior Leadership Team and S151 Officer. The Audit Plan is subject to a quarterly review with the Senior Leadership Team and will be reviewed on the 8th of September 2021.

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	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
FINAL									
Key Control	Creditors	3	Final	Reasonable	4	-	1	3	(2020-21 work plan)
Key Control	Debtors	3	Final	Reasonable	5	-	-	5	(2020-21 work plan)
Governance, Fraud and Corruption	Firepool – Business Case and Special Purpose Vehicle	3	Final	Advisory	-	-	-	-	(2020-21 work plan)
Governance, Fraud and Corruption	Fraud Risk – Impact of Covid-19	4	Final	Reasonable					(2020-21 work plan)
Governance, Fraud and Corruption	Compliance and Enforcement Grant Sign Off	4	Final	Advisory	-	-	-	-	(2020-21 work plan)
Special Review	NEW: Investigation 1	3	Final	Advisory	-	-	-	-	(2020-21 work plan)
Governance, Fraud and Corruption	Commercial Investment	1	Final	Substantial	2	0	0	2	
Operational	Health and Safety	1	Final	Limited	11	0	3	8	
Governance, Fraud and Corruption	North Taunton Woolaway Regeneration	1	Final	Substantial	0	0	0	0	

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
DRAFT									
Governance, Fraud and Corruption	Risk Management	1	Review						
IN PROGRESS									
Governance, Fraud and Corruption	GDPR	1							
Governance, Fraud and Corruption	Post payment assurance on COVID-19 grants	1							
ICT	ICT Security Policy & Awareness Audit	1							
Governance, Fraud and Corruption	Fraud Risk Assessment	2							
Operational	DLO External Work - Income	2							
Governance, Fraud and Corruption	Performance Management	2							
Operational	Open Contractor – Revised Grounds Maintenance Arrangements	2							
Governance, Fraud and Corruption	Procurement Follow-Up	2							

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
NOT STARTED									
ICT	Digital Strategy	2							
Governance, Fraud and Corruption	Business Improvement – Delivery of the benefits	2							
Operational	Open Contractor – Revised Housing Arrangements	2							
Operational	Carbon Net Zero	2							
Current Earmarked Audits from the Rolling Plan and Indicative Timings – Exact Reviews to TBC – Note not all reviews will be covered in 2021-22									
Governance, Fraud and Corruption	Programme and Project Management	3							
Operational	The measurement of phosphates	3							
Governance, Fraud and Corruption	Ethical Governance and Culture	3							
ICT	Data Centre Review	3							
Key Financial Control	Creditors	3							
Key Financial Control	Debtors	3							

Summary of Work Plan

Appendix B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Key Financial Control	Main Accounting	3							
Key Financial Control	Housing Benefit	3							
Key Financial Control	Council Tax & Business Rates	3							
Key Financial Control	Housing Rents	3							
Governance, Fraud and Corruption	Impact of Covid-19 – Recovery to BAU and lessons learned	4							
Operational	People Strategy	4							
Operational	Regeneration Projects – Governance	4							
Operational	Recruitment and On-boarding	4							
ICT	ICT infrastructure improvement review	4							
Operational	Homelessness	4							
Operational	Sea Level Rises	4							