SWAP
INTERNAL AUDIT SERVICES
Helping Organisations to Succeed

Somerset West and Taunton

Report of Internal Audit Activity

2022-23 Progress Report December 2022

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Unrestricted

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

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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 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 in **Appendix A**.

The following table summarised Audits finalised since the previous update in September 2022.

Audit Area	Opinion
Regeneration Programme Governance	Substantial
Health and Safety Follow Up	Follow Up
Information Security Policy & Awareness	Limited
Procurement Cards Transactions Review	Advisory
Accounts Receivable Function (2nd line)	Substantial
Covid Outbreak Management Fund	Grant Certification
Income Collection – Deane Helpline	Reasonable

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 Baseline Assessment for Fraud Risk to assist with the Audit Committees role in oversight of counter fraud arrangements.

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Significant Corporate Risks

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

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 with significant (High) corporate risks.

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

There is one limited assurance opinion piece of work to bring to your attention, Information Security Policy & Awareness. I one page summary of the Key Findings identified within the audit is provided in **Appendix C.**

We have also included details on the Health and Safety Follow Up within **Appendix C**.

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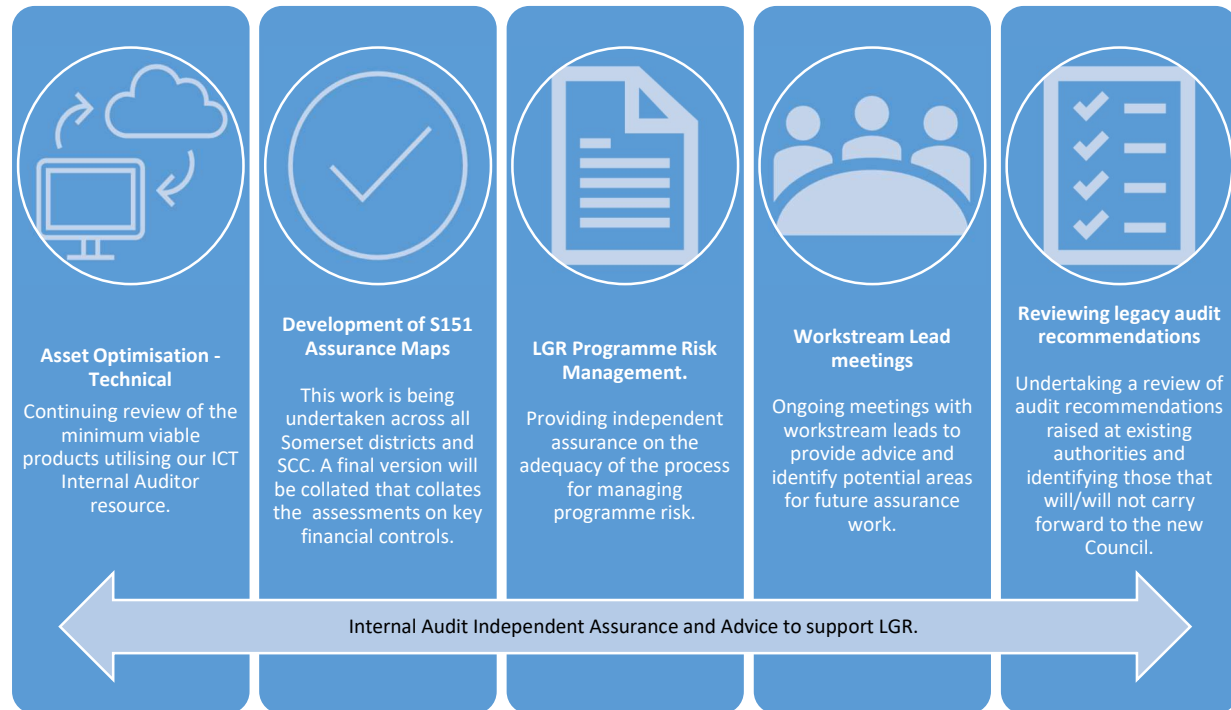
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Supporting the formation of the new unitary authority by providing advice and independent assurance on activities being undertaken via the workstreams.

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.

Asset Optimisation - Technical

Continuing review of the minimum viable products utilising our ICT Internal Auditor resource.

Development of S151 Assurance Maps

This work is being undertaken across all Somerset districts and SCC. A final version will be collated that collates the assessments on key financial controls.

LGR Programme Risk Management.

Providing independent assurance on the adequacy of the process for managing programme risk.

Workstream Lead meetings

Ongoing meetings with workstream leads to provide advice and identify potential areas for future assurance work.

Reviewing legacy audit recommendations

Undertaking a review of audit recommendations raised at existing authorities and identifying those that will/will not carry forward to the new Council.

Internal Audit Independent Assurance and Advice to support LGR.

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We keep our audit plans under regular review so as to ensure that we are auditing the right things at the right time. Audit Plans are undertaken on a rolling quarterly basis.

Approved Changes to the 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**.

The following table highlights changes to the plan since the previous update. There are also some required/requested timing changes of reviews which would be separately identified if considered to be significant.

Our rolling plans are agreed with the Senior Leadership Team quarterly from the list of unscheduled audit areas that constitutes the rolling Audit Plan. Members of the Audit Committee are welcome to identify area where they need assurance for priority work to assist in their role with oversight of governance, risk and control. Quarter 3/4 audits shown in appendix B have been agreed with Senior Leadership Team since our previous update.

Revised Audit Plan	Agreed Change
Supply Chains Risk Management (including contractor management)	Agreed priority area for Q3/4
Close down/clearing suspense accounts	Agreed priority area for Q3/4
Data/Information quality	Agreed priority area for Q3/4
Procurement Card Follow Up	Agreed priority area for Q3/4
DLO Stores Follow Up	Agreed priority area for Q3/4

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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.

Table 1

Audit Type	Audit Area	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
					1	2	3	
Complete								
Assurance	Exacom - Section 106/CIL	Complete	Substantial	0	0	0	0	
Assurance	Post payment assurance on COVID-19 grants (ARG & Restart)	Complete	Reasonable	0	0	0	0	
Assurance	Staff Retention	Complete	Advisory	4	-	-	4	
Assurance	Income Collection – Car Parking	Complete	Reasonable	1	-	1	-	Income collection audit split into three different opinions. Note: testing is still being undertaken on Deane Helpline.
Assurance	Income Collection - Litter Enforcement Fines	Complete	Substantial	-	-	-	-	
Advisory	Baseline Assessment for Maturity of Fraud Risk	Complete	Advisory	-	-	-	-	
Advisory	Unitary Preparedness – lessons learnt	Complete	Advisory	-	-	-	-	
Assurance	Regeneration Projects - Governance	Complete	Substantial	1	-	1	-	
Follow Up	Health and Safety Follow Up	Complete	Follow Up	4	-	-	4*	*See Appendix C – 2 recommendations superseded by LGR.
Assurance - ICT	ICT Security Policy & Awareness Audit	Complete	Limited	3	1	2	-	See Appendix C

Audit Type	Audit Area	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
					1	2	3	
Special Review	Procurement Card Transactions - Transactions review	Complete	Advisory	-	-	-	-	
Assurance	Accounts Receivable Function (2nd line)	Complete	Substantial	1	-	-	1	Note: Previously named Debtors
Grant Certification	Covid Outbreak Management Fund (COMF)	Complete	Advisory	-	-	-	-	
Assurance	Income Collection – Deane Helpline	Complete	Reasonable	3	-	1	2	
Draft								
Assurance	Records Management	Under Review						
In Progress								
Advisory	FTC Process Review	In Progress	Advisory					
Assurance	Creditors – incl. data analytics review	In Progress						
Assurance	Homelessness	In Progress						
Not Started								
Advisory	Fraud Awareness Training	Not Started						

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Audit Type	Audit Area	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
					1	2	3	
Assurance	**New:** Supply Chains Risk Management (including contractor management)	Not Started						
Assurance	**New:** Close down/clearing suspense accounts	Not Started						
Assurance	**New:** Data/Information quality	Not Started						
Follow Up	**New:** Procurement Card Follow Up	Not Started						
Follow Up	**New:** DLO Stores Follow Up	Not Started						
Dropped/Replaced								
Grant Certification	Protect & Vaccinate	Dropped	Sign off requirements changed following initiation.					
Assurance	Income Collection	Replaced	Reported as three separate opinions on income collection for; Car Parking, Litter Enforcement and Deane Helpline.					

Table 2

Audit Type	Audit Area	Status	Opinion	No of Rec	1 – Major 3 – Minor			Comments
					1	2	3	
Complete								
Advisory	PCIDSS	Complete	Advisory	-	-	-	-	

Audit Type	Audit Area	Status	Opinion	No of Rec	1 – Major 3 – Minor			Comments
					1	2	3	
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	Reporting	Advisory					
In progress/Ongoing								
Advisory	Risk Management Workstream Support	Ongoing	Advisory	-	-	-	-	
Advisory	Asset Optimisation: Technical Workstream Support	Ongoing	Advisory	-	-	-	-	
Advisory	Legacy Audit Recommendations & AGS Actions	Ongoing	Advisory	-	-	-	-	
Advisory	**New:** Local Community Networks (Support)	In Progress	Advisory	-	-	-	-	
Assurance	**New:** LGR Programme Risk Management	In progress						
Assurance	Business Continuity	In progress						
Waiting to Start								
Advisory	**New:** Service Alignment Strategy and Policy Review	Waiting to Start	Advisory	-	-	-	-	

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Audit Type	Audit Area	Status	Opinion	No of Rec	1 – Major 3 – Minor			Comments
					1	2	3	
Assurance	Payroll – transfer of district staff	Waiting to Start						Post-transfer assurance
Advisory	**New:** 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.

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Information Security Policy & Awareness – September 2022

Information Security Policy & Awareness – Final Report – September 2022

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Audit Objective — To assess the adequacy of Information Security (IS) Policy, supporting governance & training at the Council and ensure staff compliance with good IS practice.

Assurance Opinion

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.

Number of Actions

Priority	Number
Priority 1	1
Priority 2	2
Priority 3	0
Total	3

Risk Reviewed

Failure to manage information security effectively potentially leads to Data being compromised, lost, or stolen. Critical business functions being compromised. Critical business systems being exposed/infiltrated. All or any of these elements of poor information security management can result in business disruption and financial cost, potentially with a lack of awareness of the impact on the Council.

Assessment

Medium

Key Findings

At the time of our original review (February 2022), *please see *Other Relevant Information below*, we examined the Information Security related policies and procedures available via the Council's Intranet. We noted that these documents had ineffective document control whereby some were out of date, others referenced former authorities and there was insufficient cross referencing. Additionally, the content, detail and style varied across all those documents reviewed.

We noted that only the SW&T ICT Usage Policy was mandated for user training and it offered only high-level guidance on information security (IS). Whilst there was some reference to IS within the E-Learning modules provided, these were not mandated. We were informed of the work underway to introduce a new 'video bites' system to provide training. However, as of February 2022, these did not reference information security.

There was also a lack of clearly defined roles and responsibilities to support Information Security (IS) governance. We encountered difficulties in establishing those responsible for IS policy creation, the organisation of staff IS training and those who would ensure that staff complied with the IS guidance provided.

Audit Scope

We examined the current information security arrangements by way of a desktop review to assess the degree of effectiveness of these arrangements in the ensuring the security of the authorities' data, and to identify any root causes of non-compliance or failure of information security arrangements.

Assurance provided will be limited to those areas covered within the scope.

Please note, the scope of this audit specifically excluded any documentation assessed by the General Data Protection Regulation (GDPR) review that was completed by SWAP in January 2022.

*Other Relevant information

This audit was originally undertaken as a desktop review and we accessed what guidance was available to staff via the current Somerset West & Taunton Intranet system earlier this year. Since February 2022 (when the original draft report was produced), there has been much activity at the Council to address the Key Findings reported above. This activity is due in part to the Council's participation in the Local Government Reorganisation (LGR) Programme and Somerset Unitary Authority (SUA) preparations ahead of Vesting Day on 1st April 2023. Additionally, the Council is also receiving Data Protection guidance to ensure ongoing compliance with the General Data Protection Regulation (GDPR).

Since this activity is currently ongoing and hence information security (IS) arrangements are subject to change, it was agreed that it provided little value to the Council to start a new review. However, it was agreed with management that given the importance of good IS practice at the Council, that they would provide an update of progress to date for the Key Findings and previously raised actions. For details, please see 'Management Response and Self-Assessment' Section under each of the findings listed in the attached Appendix.

Health and Safety Follow Up - September 2022

SWT – Health and Safety Follow Up – Final Report – August 2022

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Follow Up Audit Objective

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

Follow Up Progress Summary

Priority	Complete	In Progress	Superseded by LGR*	Summary
Priority 1	0	0	0	0
Priority 2	3	0	0	3
Priority 3	4	2	2	8
Total	7	2	2	11

Follow Up Assessment

The original audit of Health and Safety was completed in August 2021 and received a Limited assurance opinion. The objective of the original audit was to provide assurance that the Council had suitable arrangements in place to manage corporate health and safety risks, that follows the HSE's approach of Plan, Do, Check Act.

The follow up audit has found that seven actions are now complete, three are in progress and a further one has been superseded by LGR. Those actions not yet complete relate to minor areas.

Key findings from the audit follow up have been summarised below.

Key Findings

Information relating to historical insurance claims has been obtained from the Council's Insurance Officer, but this data has not yet been analysed as the task has been deprioritised due to the additional work currently taking place in respect of LGR and it is now an activity that the new Somerset Councils' Health and Safety and Insurance teams will possibly take forward.
Also, the Terms of Reference for the new governance structure will be deferred until the formation of the new Somerset Unitary Authority.

Two of the Priority 3 findings have been assessed as 'In Progress', however these relate to the implementation of new Health and Safety Management Software. Whilst the software is planned to be implemented by December 2022, until then all health and safety data continues to be maintained on spreadsheets, and the transfer of risks between documents is still undertaken manually. Health and safety data is therefore vulnerable to overwrite, deletion and manipulation.

All three of the Priority 2 and four of the Priority 3 findings have been completed, which has let to improved corporate oversight and governance of Health and Safety. Health and Safety risks are now considered and are monitored through the new three tier governance structure. Health and Safety training is analysed and monitored to ensure staff receive training in the key legislation that is relevant to their roles. Whilst training has not been delivered to Members at this stage, the action has now transferred to LGR with a plan to train Members in the Autumn. We have also seen evidence of a Contractor Policy being drafted but still waiting to be approved, however, as we have seen evidence of improvement to controls in this area (including measures to ensure Contractors provide relevant H&S information) we have determined that the action is predominantly complete.

Further Information

Testing has been performed in relation to all Priority 2 actions and supporting evidence obtained to support implementation of actions. Follow-up of the Priority 3 actions is based on self- assessment by the responsible manager, with evidence having been provided.

Reference **Appendix A** for details of all actions. Details of any further follow up required.

It is noted that considerable progress has been made in respect of The Council's Health and Safety arrangements. The majority of findings have been completed, and the two findings assessed as 'In Progress' will also be complete upon the implementation of the new Health and Safety Management Software. Two findings that will not be completed by SWT are not considered high risk and have been classed as 'Superseded' as part of LGR.