Somerset West and Taunton

Report of Internal Audit Activity

Plan Outturn report 2022-23

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Contents

The contacts at SWAP in connection with this report are:

David Hill
Chief Executive
Tel: 020 8142 5030
david.hill@swapaudit.co.uk

Alastair Woodland
Assistant Director
Tel: 07720312467
alastair.woodland@swapaudit.co.uk

Adam Williams
Principal Auditor
Adam.williams@swapaudit.co.uk

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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 December 2022.

Audit Area	Opinion
Records Management	Advisory
Management of Material Supplies	Follow Up
Procurement Card Follow Up	Follow Up
Fixed Term Contract Process Review	Advisory
Test and Trace Grant	Certified
CTax and HB Parameter Testing	Advisory

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 **Management of Material Supply Chains Follow Up** and **procurement cards follow Up**.

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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 with significant (High) corporate risks.

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 in December 2022. Our rolling plans are agreed with the Senior Leadership Team quarterly from the list of unscheduled audit areas that constitutes the rolling Audit Plan. Due to some additional request for work since December 2022, we have had to defer some audits. Deferred areas are included within the risk assessment for the new Somerset Authority.
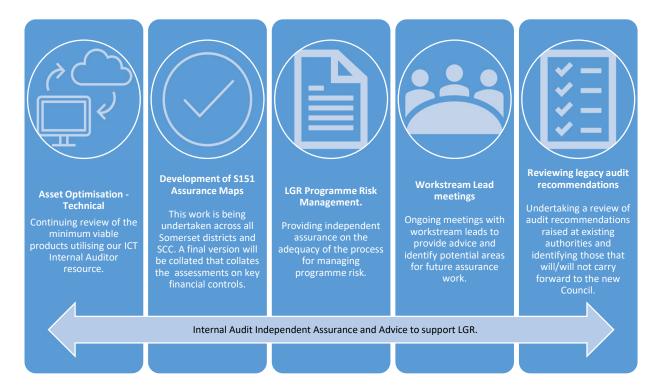
Revised Audit Plan	Change
Data/Information quality	Removed from plan. Replaced by CTax and HB Parameter Testing. Risk area included in SC Audit Plan 2023-24.
Close down/clearing suspense accounts	Removed from plan. Risk area included in SC Audit Plan 2023-24.
Test and Trace – CIA Sign Off	Added to plan. Requirement from Health England for Internal Audit Sign Off
Ctax and HB Parameter Testing	Added to plan. Confirmation that the new system parameters are set up accurately for 2023-24.
Fraud Awareness Training	Removed from plan. Session for Audit Committee members scheduled May 2023 in new Authority.

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

SWAP 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	MDC Performance
Audit Plan – Percentage Progress Final and Draft In Progress Not Started	 100% 0% 0%
Audit Plan – Delivery On course to deliver at least 90% of plan by year end (Annual Opinion)	 Yes
Overall client satisfaction *did our work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence*	98.7%

*100% of the audit plan for SWT has been delivered prior to the year-end to support the annual opinion. Work is still being undertaken on LGR projects.

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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.

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Internal Audit Plan Outturn 2022/23

Table 1 – SWT Internal Audit Plan

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	
Advisory	Staff Retention	Complete	Advisory	4	-	-	4	
Assurance	Income Collection – Car Parking	Complete	Reasonable	1	-	1	-	Income collection audit split into three different opinions.
Assurance	Income Collection – Deane Helpline	Complete	Reasonable	3	-	1	2	
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	

Audit Type	Audit Area	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
					1	2	3	
Assurance - ICT	ICT Security Policy & Awareness Audit	Complete	Limited	3	1	2	-	
Advisory	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	Certified	-	-	-	-	
Grant Certification	**New:** Test and Trace Grant	Complete	Certified	-	-	-	-	
Grant Certification	**New:** Homes England Grant Compliance	Complete	Certified	-	-	-	-	
Follow Up	**New:** Material Supply Chain Follow Up	Complete	Follow Up	1	-	1	-	
Advisory	Records Management	Complete	Advisory	1	-	1	-	
Advisory	**NEW:** CTax and HB Parameter Testing	Complete	Advisory	-	-	-	-	
Advisory	Fixed Term Contract Process Review	Complete	Advisory	2	-	-	2	
Follow Up	**New:** Procurement Card Follow Up	Complete	Follow Up	3	1	2		2 P1 and 2 P2 complete.

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Audit Type	Audit Area	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
					1	2	3	
Draft								
Assurance	Creditors – incl. data analytics review	Draft						
Assurance	Homelessness	Draft						
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.					
Advisory	Fraud Awareness Training	Replaced	Session for Audit Committee members May 2023 in new Authority.					
Assurance	**New:** Close down/clearing suspense accounts	Replaced	Risk area included in SC Audit Plan 2023-24.					
Assurance	**New:** Data/Information quality	Replaced	Replaced by CTax and HB Parameter Testing. Risk area included in SC Audit Plan 2023-24.					
Assurance	**New:** Supply Chain Risk Management	Replaced	Replaced by test and trace. Risk area included in SC Audit Plan 2023-24.					

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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	-	-	-	-	
In progress/Ongoing/Draft								
Assurance	Business Continuity	Draft	Advisory					
Advisory	Risk Management Workstream Support	Ongoing	Advisory	-	-	-	-	
Advisory	Asset Optimisation: Technical Workstream Support	Ongoing	Advisory	-	-	-	-	

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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.

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Material Supply Chains Follow Up

Material Supplies Management Follow Up – Draft Report – February 2023

Somerset West and Taunton

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Assuring – Improving – Protecting

Follow Up Audit Objective
To provide assurance that agreed actions to mitigate against risk exposure identified within the 2022/23 Limited opinion audit of the Material Supplies Management report have been implemented.

Follow Up Progress Summary

Priority	Complete	In Progress	Not Started	Summary
Priority 1	1	0	0	1
Priority 2	3	1	0	4
Priority 3	0	0	0	0
Total	4	1	0	5

Follow Up Assessment

The original audit of Material Supplies Management was completed in May 2022 and received a Limited assurance opinion. The objective of the original audit was to ensure controls for the management of stock, including security and financial measures, were effective and consistent to prevent financial loss and mitigate the risk of fraud.

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

Key Findings

Full stock checks have been carried out on the stores and the majority of trade vehicles, with the remaining trade vehicle checks being due in the coming weeks.

Managers and other staff are now in place to ensure a separation of duties and provide an appropriate level of technical knowledge.

All purchasing cardholders have been advised that card details must not be shared under any circumstances.
Major contractors have also been informed that goods should not be provided without a purchase order number having been provided.

Further Information

Testing has been performed in relation to all priority 1 and 2 actions and supporting evidence obtained to support implementation of actions.

It is noted that considerable progress has been made in respect of Material Supplies Management arrangements. A new materials management/supply chain framework is due to be implemented by the end of March 2023, which will further enhance processes.

The introduction of written procedure notes/policies for the programme of stores and trade vehicle stock checks and the issuing of materials out of hours would provide clarity going forward, however it is acknowledged that this may not be introduced due to LGR.

Procurement Card Follow Up

Purchasing Cards Follow Up – Draft Report – February 2023

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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 the Purchasing Cards report have been implemented.

Follow Up Progress Summary

Priority	Complete	In Progress	Not Started	Summary
Priority 1	2	1	0	3
Priority 2	2	2	0	4
Priority 3	0	0	0	0
Total	4	3	0	7

Follow Up Assessment

The original audit of Purchasing Cards was completed in April 2022 and received a Limited assurance opinion. The objective of the original audit was to provide assurance that purchasing cards are issued according to need and card usage is appropriate and in accordance with council policy.

The follow up audit has found that two of the three P1 actions have been completed as have two of the P2 actions. One P1 action remains in progress, with a new implementation date of financial year-end. The remaining two P2 actions remain in progress, although these will no longer be relevant in light of the upcoming Unitary Council. Further information is provided in the Appendix 1.

Key Findings

Two P2 actions and one P1 action remain in progress. One relates to the Procurement Card Policy, whilst this has been reviewed and updated it will not form part of a re-launch (to include training) as internal delays mean this will not now happen before Unitary. Similarly, new and updated cardholder agreements will now not be disseminated to cardholders as part of the card scheme re-launch. The last P2 action in progress relates to the completion of transaction logs and provision of supporting documentation. Whilst the importance of completing these promptly was reiterated there are still some accounts with transaction logs missing for over four months. A P1 action remains in progress as delays in completion of transaction remains but a new interim process is being introduced in February 2023 to address this (see below).

Two P2 action has been completed. Whilst card limits were due to be completely reviewed in line with the relaunch of the card scheme, an interim review was completed where increased card limits introduced during Covid measures were reduced where appropriate and where they exceeded business need. As above, one P2 action has been completed with the introduction of a new interim process for the completion of transaction logs in February 2023.

Two P1 actions have been completed. Whilst some actions remain in progress it is positive that higher priority actions were mainly implemented soon after the original audit. This includes updating the Procurement Card Policy to include the prohibition of card sharing and reminders to card holders about their responsibility for transactions made on their account. Card holders were also reminded of the importance of ensuring transaction logs were completed promptly with complete supporting documentation (invoice/VAT receipt) where appropriate. A 'transactions review' was undertaken by SWAP in May 2022 following the original audit to further investigate transactions identified as potentially inappropriate or highlighted as non-compliant with the Procurement Card Policy.

Follow Up Scope and LGR (Local Government Reorganisation)

Testing has been performed in relation to all priority 1 and 2 actions and supporting evidence obtained where possible to support implementation of actions. Follow-up of the priority 3 actions is based on self-assessment by the responsible manager. Verbal assurance has been given for the majority of actions. Reference Appendix A for details of all actions. Details of any further follow up required. A number of agreed actions all included reference to an updated policy/procedure that whilst drafted was not rolled out to all staff means that planned improvements to the control framework have not been implemented. One of the LGR workstreams is considering the amalgamation of all councils into one single Purchasing Card scheme. This is expected to redefine the recording of transactions for feeding into the new FMS (Financial Management System).

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