

Somerset Council

Proposed 2023-24 Internal Audit Plan and Internal Audit Charter

The Internal Audit Plan: Summary

The internal audit plan provides a summary of the audit approach that the internal audit team will follow to deliver the 2023/24 internal audit plan. This includes a detailed plan for the first six months of the year.

Delivery of an internal audit programme of work that provides sufficient and appropriate coverage, will enable us to provide a well-informed and comprehensive year-end annual internal audit opinion.

Introduction and Objective of the Internal Audit Plan

Internal audit provides an independent and objective opinion on the Authority's risk management, governance, and control environment by evaluating its effectiveness.

SWAP, in conjunction with senior management, agree a proposed audit approach to deliver an internal audit plan. The objective of our planning process and subsequent programme of work agreed is to put us in a position to provide a well-informed and comprehensive annual audit opinion, based on sufficient and appropriate coverage of key business objectives, associated risks, and risk management processes.

The outcomes of each of the audits in our planned programme of work will provide senior management and members with assurance that the current risks faced by the Authority in these areas are adequately controlled and managed.

It should be noted that internal audit is only one source of assurance, and the outcomes of internal audit reviews should be considered alongside other sources, as part of the 'three lines' assurance model. Key findings from our internal audit work should also be considered in conjunction with completion of the Authority's AGS.

It is the responsibility of the Authority's Leadership Team, and the Audit Committee, to determine that the audit coverage contained within the proposed audit plan is sufficient and appropriate in providing independent assurance against the key risks faced by the organisation.

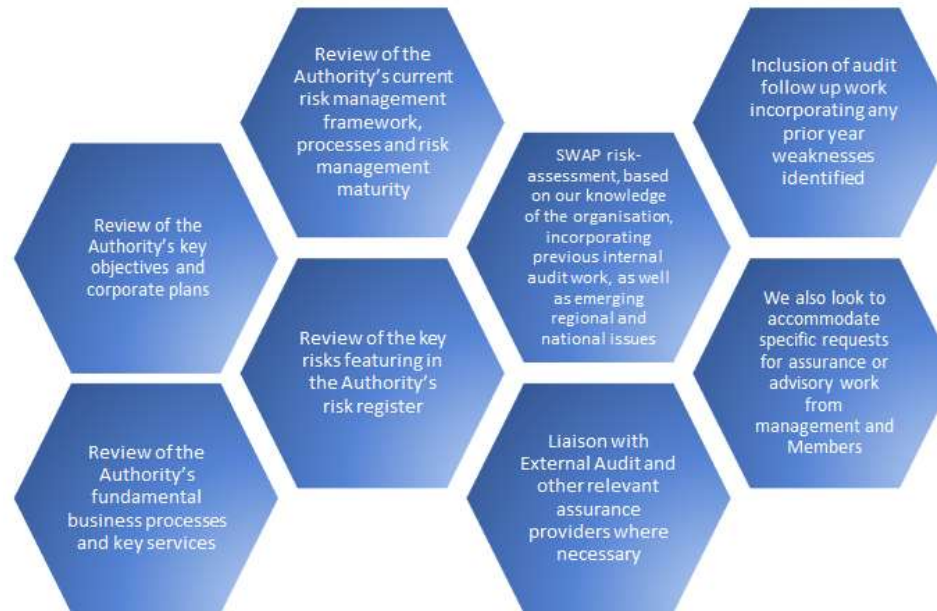


The Internal Audit Plan: Approach

To develop an appropriate risk-based audit plan, SWAP have consulted with senior management, as well as reviewing key documentation, in order to obtain an understanding of the organisation's strategies, key business objectives, associated risks, and risk management processes.

Approach to Internal Audit Planning 2023/24

The factors considered in putting together the 2023/24 internal audit plan have been set out below:



The above factors are used to identify the areas of highest risk across the Council, in line with our risk-based approach.

Our approach to delivering your internal audit plan will remain flexible to respond to new and emerging risks. We will adopt an 'agile rolling plan' approach and whilst this will be a 'live' continuous approach, confirmed work will only cover every 6 months with a rolling 'back-log' for future consideration. Priorities will be assessed in conjunction with Senior Management. Members of the Audit Committee are welcome to share thoughts of priorities areas for Assurance work.

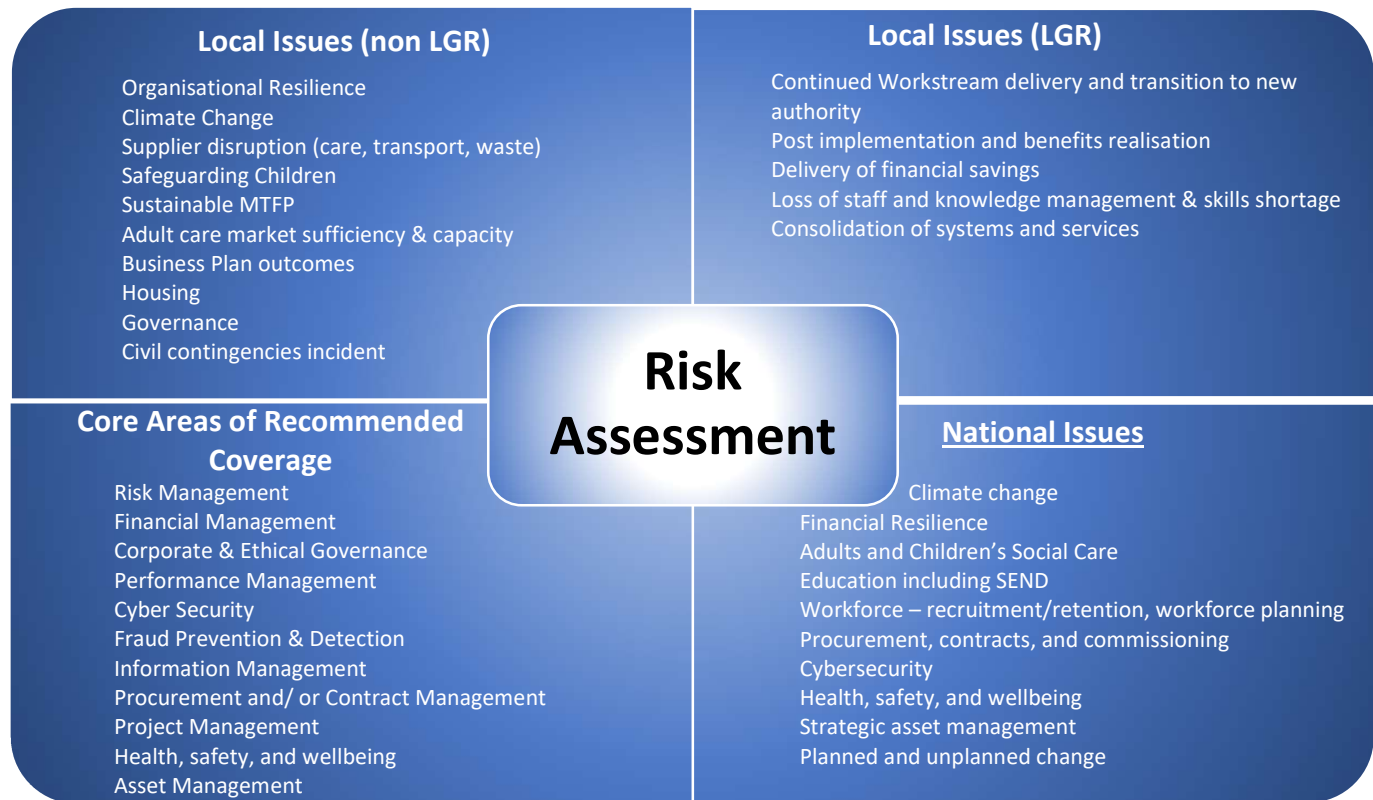
The Internal Audit Plan: Risk Assessment

A documented risk assessment prior to developing an internal audit plan, ensures that sufficient and appropriate areas are identified for consideration.

Internal Audit Annual Risk Assessment

Our 2023/24 internal audit programme of work is based on a documented risk assessment. SWAP will re-visit this assessment regularly.

Below we have set out a summary of the outcomes of the risk assessment for Somerset Council:



The Internal Audit Plan: Risk Assessment

Following our SWAP Risk Assessment above, we have set out how the proposed 2023/24 quarter 1 & 2 plan presented in Appendix A provides coverage of the Authority's key corporate objectives and risks, as well as our core areas of recommended audit coverage.

Internal audit is only one source of assurance and should be considered in this context.

Internal Audit Coverage in 2023/24

Our aim is to produce an agile, risk-assessed work plan, containing key areas of coverage. For 2023/24 it therefore follows that service transition and new organisational governance will need to be a key driver of audit work.

Given the rapid pace of change post vesting day we recognise that the Internal Audit plan needs to remain flexible. This means that instead of agreeing an annual plan we are going to move to a flexible one, with continued risk assessment through engagement with senior management and risk officers.

The six-monthly planning approach means that the 2023/24 audit plan is flexible to respond to new and emerging risks as and when they are identified. We have set out the proposed quarter 1 and 2 plan in **Appendix A**. Please refer to the **SC Rolling Placeholder Planning Overview Document** for potential audits for Q3 & Q4 which will be shared with Members separately.

Internal audit coverage can never be absolute and responsibility for risk management, governance and internal control arrangements will always remain fully with management. As such, internal audit cannot provide complete assurance over any area, and equally cannot provide any guarantee against material errors, loss or fraud.



The Internal Audit Plan: SWAP

SWAP Internal Audit Services is a public sector, not-for-profit partnership, owned by the public sector partners that it serves. The SWAP Partnership now includes 25 public sector partners, providing services throughout the UK.

As a company, SWAP has adopted the following values, which we ask our clients to assess us against following every piece of work that we do:

- Candid
- Relevant
- Inclusive
- Innovative
- Dedicated

Your Internal Audit Service

Conformance with Public Sector Internal Audit Standards

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Every five years, SWAP is subject to an External Quality Assessment of Internal Audit Activity. The last of these was carried out in February 2020 which confirmed conformance with the Public Sector Internal Audit Standards. An annual self-assessment process confirms ongoing compliance.

Conflicts of Interest

We are not aware of any conflicts of interest within Somerset Council that would present an impairment to our independence or objectivity. Furthermore, we are satisfied that we will conform with our IIA Code of Ethics in relation to Integrity, Objectivity, Confidentiality, & Competency.

Consultancy Engagements

As part of our internal audit service, we may accept proposed consultancy engagements, based on the engagement's potential to improve management of risk, add value, and improve the organisation's operations. Consultancy work that is accepted, will contribute to our annual opinion and will be included in our plan of work.

Approach to Fraud

Internal audit will assess the adequacy of the arrangements to prevent and detect irregularities, fraud and corruption. We have dedicated counter fraud resource available to undertake specific investigations if required. However, the primary responsibility for preventing and detecting corruption, fraud and irregularities rests with management who should institute adequate systems of internal control, including clear objectives, segregation of duties and proper authorisation procedures.

Internal Audit Charter

The nature, role, responsibility, status and authority of internal auditing within Somerset Council and an outline of the scope of internal audit work is provided in the Charter at **Appendix C**.



The Internal Audit Plan: Approach

Over and above our internal audit service delivery, SWAP will look to add value throughout the year wherever possible. This will include:

- **Benchmarking and sharing of best practice between our public-sector Partners**
- **Regular newsletters and bulletins containing emerging issues and significant risks identified across the SWAP partnership**
- **Communication of fraud alerts received both regionally and nationally**
- **Member training sessions**

Reporting

Our Reporting

A summary of internal audit activity will be reported quarterly to senior management and the Audit Committee. This reporting will include any significant risk and control issues (including fraud risks), governance issues and other matters that require the attention of senior management and/or the Audit Committee. We will also report any response from management to a risk we have highlighted that, in our view, may be unacceptable to the organisation.

Internal Audit Performance:

As part of our regular reporting to senior management and the Audit Committee, we will report on internal audit performance. The following performance targets will be used to measure the performance of our audit activity:

Performance Measure	Performance Target
<p style="text-align: center;"><u>Delivery of Annual Internal Audit Plan</u> Completed at year end</p>	>90%
<p style="text-align: center;"><u>Quality of Audit Work</u> Overall Client Satisfaction <i>(did our audit work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation)</i></p>	>95%
<p style="text-align: center;"><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></p>	>95%

These are currently under review and may be updated during the course of the year.



The audit titles included below are only indicative at this stage for planning our resources. At the start of each audit, we will hold an initial discussion to agree the specific terms of reference for the audit, which includes the objective and scope for the review. The scheduling of reviews is dependent on officer availability, resourcing, and priorities.

Service	Audit Title	Planned Quarter	Healthy Organisation Theme	Link to Corporate Plan
Adult Services	Direct Payments	Q1	Financial Management	A Healthy and Caring Somerset
	Mental Health Follow Up	Q1	Corporate Governance	A Healthy and Caring Somerset
	Disabled Facilities Grant	Q2	Financial Management	A Fairer, Ambitious Somerset
Children's Services	Independent Placements	Q1	Contract Management, Commissioning and Third-Party Resilience	A Fairer, Ambitious Somerset
	Supporting Families Claims	Q1-4	Financial Management	A Healthy and Caring Somerset
	Education Safeguarding Complaints and Concerns Follow Up	Q1	Corporate Governance	A Fairer, Ambitious Somerset
	Value for Money: Pupil Referral Units and Behaviour Partnerships	Q2	Corporate Governance	A Fairer, Ambitious Somerset
Climate and Place	BDUK Grant	Q1	Financial Management	A Flourishing and Resilient Somerset
	Mobile Boost Grant	Q1	Financial Management	A Flourishing and Resilient Somerset
	Flood and Water Management	Q1	Corporate Governance	A Greener, More Sustainable Somerset
	Emergency Active Travel Fund Grant	Q1	Financial Management	A Healthy and Caring Somerset
Communities	SDC Home Upgrade Grant	Q1	Corporate Governance	A Greener, More Sustainable Somerset
	Octagon Theatre Project Support	Q1-4	Financial Management	A Flourishing and Resilient Somerset
	Brewhouse Theatre Support	Q1-4	Financial Management	A Flourishing and Resilient Somerset
	Housing Merger Project Support	Q1-4	Corporate Governance	A Fairer, Ambitious Somerset
	Housing Tenancy Fraud	Q1	Corporate Governance	A Flourishing and Resilient Somerset
	Housing Landlord Safety: Electrical Compliance	Q1	Asset Management	A Fairer, Ambitious Somerset
	Environmental Health Project Support	Q1-4	Corporate Governance	A Greener, More Sustainable Somerset
	Registrars	Q1	Information Management	A Healthy and Caring Somerset
	LGR Benefits Realisation	Q1-2	Programme and Project Management	A Flourishing and Resilient Somerset

Service	Audit Title	Planned Quarter	Healthy Organisation Theme	Link to Corporate Plan
Public Health	Covid Outbreak Management Fund (COMF) Grant	Q1	Financial Management	A Healthy and Caring Somerset
Resources & Corporate Services	Creditors	Q1-4	Financial Management	A Flourishing and Resilient Somerset
	Debtors	Q1-4	Financial Management	A Flourishing and Resilient Somerset
	Procurement Cards	Q1-4	Financial Management	A Flourishing and Resilient Somerset
	Fraud Referrals, including Revenues & Benefits	Q1-4	Corporate Governance	A Flourishing and Resilient Somerset
	IT Asset Infrastructure	Q1	Asset Management	A Flourishing and Resilient Somerset
	Asset Management	Q1	Asset Management	A Flourishing and Resilient Somerset
	Commercial Investments	Q1-2	Financial Management	A Flourishing and Resilient Somerset
	Financial Control and Reporting	Q2-4	Financial Management	A Flourishing and Resilient Somerset
	Microsoft Dynamics Post Implementation Review	Q2-4	Information Management	A Flourishing and Resilient Somerset
	Baseline Assessment of Fraud Maturity	Q2-3	Corporate Governance	A Flourishing and Resilient Somerset
	Fraud Risk Assessment	Q2	Corporate Governance	A Flourishing and Resilient Somerset
	Disaster Recovery	Q2	Information Management	A Flourishing and Resilient Somerset
Strategy, Performance & Localities	Health and Safety Framework	Q1	Corporate Governance	A Healthy and Caring Somerset
	Taunton Town Council: Post Transfer Asset Review	Q1-2	Asset Management	A Flourishing and Resilient Somerset

In addition to the programme of audits and planned support, we will also use our time to provide the support listed below during 2023/24:

Advice & Support	<ul style="list-style-type: none"> • Committee attendance and reporting • Head of Internal Audit role • Internal audit planning • Recommendation tracking and dashboard • Business partner support • Risk management liaison
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These reviews form part of our rolling plan for 2023/24. The plan will continue to be added to as the year progresses to reflect current organisational risks. Ahead of each quarter a risk assessment will be undertaken to determine the priority areas to include in the plan. The scheduling of reviews is dependent on officer availability, resourcing, and priorities.

Service	Audit Title	Healthy Organisation Theme	Corporate Plan Priority
Adult Services	Market Shaping	Contract Management, Commissioning and Third-Party Resilience	A Healthy and Caring Somerset
	Liberty Protection Safeguards	Corporate Governance	A Healthy and Caring Somerset
	Quality Assurance Follow Up	Corporate Governance	A Healthy and Caring Somerset
	Athena Follow Up	Contract Management, Commissioning and Third-Party Resilience	A Flourishing and Resilient Somerset
Children's Services	Value for Money: Pupil Premium Grant for Children Looked After	Corporate Governance	A Fairer, Ambitious Somerset
	Section 157/175 Safeguarding	Corporate Governance	A Fairer, Ambitious Somerset
	CSC Training & Safeguarding Follow Up	Workforce	A Healthy and Caring Somerset
	School Balances Follow Up	Financial Management	A Fairer, Ambitious Somerset
	Community Learning Partnerships Follow Up	Financial Management	A Fairer, Ambitious Somerset
	SEND Costed Packages Follow Up	Financial Management	A Fairer, Ambitious Somerset
	School Exclusion Data Follow Up	Corporate Governance	A Fairer, Ambitious Somerset
	School Condition Surveys Follow Up	Asset Management	A Fairer, Ambitious Somerset
	Children Missing Education Follow Up	Corporate Governance	A Fairer, Ambitious Somerset
SFVS School Follow Ups	Financial Management	A Fairer, Ambitious Somerset	
Climate and Place	Business Continuity	Corporate Governance	A Healthy and Caring Somerset
	Emergency Planning	Corporate Governance	A Healthy and Caring Somerset
	Climate Change Strategy Follow Up	Corporate Governance	A Greener, More Sustainable Somerset
	Transport Budget Governance Follow Up	Corporate Governance	A Fairer, Ambitious Somerset

Service	Audit Title	Healthy Organisation Theme	Corporate Plan Priority
Communities	Street Cleansing	Asset Management	A Greener, More Sustainable Somerset
	Housing Landlord Safety: Fire Compliance	Asset Management	A Fairer, Ambitious Somerset
	Housing Compliance - Damp and Mould	Asset Management	A Fairer, Ambitious Somerset
	Housing Compliance – Social Housing Charter	Asset Management	A Fairer, Ambitious Somerset
Resources & Corporate Services	Bank Reconciliations	Financial Management	A Flourishing and Resilient Somerset
	Main Accounting	Financial Management	A Flourishing and Resilient Somerset
	Council Tax	Financial Management	A Flourishing and Resilient Somerset
	Business Rates	Financial Management	A Flourishing and Resilient Somerset
	Housing Benefits	Financial Management	A Flourishing and Resilient Somerset
	Contract Management	Contract Management, Commissioning and Third-Party Resilience	A Flourishing and Resilient Somerset
	Supplier Resilience	Contract Management, Commissioning and Third-Party Resilience	A Flourishing and Resilient Somerset
Strategy, Performance & Localities	IT Asset Management	Asset Management	A Flourishing and Resilient Somerset
	Health and Safety Compliance	Corporate Governance	A Healthy and Caring Somerset
	Local Community Networks	Corporate Governance	A Healthy and Caring Somerset
	Strategic Commissioning Follow Up	Contract Management, Commissioning and Third-Party Resilience	A Flourishing and Resilient Somerset
	Culture and Behaviours	Corporate Governance	A Fairer, Ambitious Somerset
Ethical Governance	Corporate Governance	A Fairer, Ambitious Somerset	

Purpose

The purpose of this Charter is to set out the nature, role, responsibility, status, and authority of internal auditing within Somerset Council, and to outline the scope of internal audit work.

Approval

This Charter is based on the previously approved Charter that was last reviewed by the Somerset County Council's Audit Committee in March 2022.

Provision of Internal Audit Services

The internal audit service is provided by the SWAP Internal Audit Services (SWAP). This charter should be read in conjunction with the Service Agreement, which forms part of the legal agreement between the SWAP partners.

The budget for the provision of the internal audit service is determined by the Council, in conjunction with the Members Meeting. The general financial provisions are laid down in the legal agreement, including the level of financial contribution by the Council, and may only be amended by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment which is reviewed each year by the S151 Officer in consultation with the Chief Executive of SWAP.

Role of Internal Audit

The Accounts and Audit (England) Regulations 2015, state that: *"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the public sector internal auditing standards or guidance."*

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Responsibilities of Management, Audit Committee, and Internal Audit

Management¹

Management is responsible for ensuring SWAP has:

- the support of management and the Council;
- direct access and freedom to report to senior management, including the Council's Chief Executive and the Audit Committee; and
- Notification of suspected or detected fraud, corruption, or impropriety.

Management is responsible for establishing (including the tracking and implementation of Internal Audit recommendations) and maintaining internal controls, including proper accounting records and other management information and is also responsible for the appropriate and effective management of risk.

Audit Committee²

The Audit Committee is responsible for approving the scope of internal audit work, receiving communications from the SWAP Assistant Director (as Head of Internal Audit³) on the progress of work undertaken, reviewing the independence, objectivity, performance, professionalism and effectiveness of the Internal Audit function,

¹ In this instance Management refers to the Senior Management Team and Statutory Officers.

² In this instance the Audit Committee relates to "The Board" referred to in the PSIAS.

³ PSIAS refers to the 'chief audit executive'.

and obtaining reassurance from the SWAP Assistant Director as to whether there are any limitations on scope or resources.

Internal Audit

The SWAP Assistant Director is responsible for determining the scope, except where specified by statute, of internal audit work and for recommending the action to be taken on the outcome of, or findings from, their work designed to provide assurance and add value.

Internal audit is responsible for operating under the policies established by management in line with best practice. A range of SWAP policies exist to underpin staff and service development, including to seek out and implement new innovative audit techniques and increase technological solutions to ensure provision of an efficient and effective service and consolidate the role of Trusted Advisor.

Internal audit is responsible for conducting its work in accordance with the mandatory elements of the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. SWAP has been independently assessed and found to conform with the Standards.

Internal audit is not responsible for any of the activities which it audits. SWAP staff will not assume responsibility for the design, installation, operation or control of any procedures. SWAP staff who have previously worked for the organisation will not be asked to review any aspects of their previous department's work until a minimum of one year has elapsed.

Relationship with the External Auditors/Other Regulatory Bodies

Internal Audit will co-ordinate its work with others wherever this is beneficial to the organisation.

Status of Internal Audit in the Organisation

The Chief Executive of SWAP is responsible to the SWAP Board of Directors and the Members Meeting. Appointment or removal of the Chief Executive of SWAP is the sole responsibility of the Members Meeting.

The Chief Executive for SWAP and Assistant Director also report to the Section 151 Officer, and report to the Audit Committee as set out below.

The Assistant Director will be the first and primary point of contact for Somerset Council for all matters relating to the Audit Committee, including the provision of periodic reports, as per company policy. The Assistant Director is also responsible for the design, development, and delivery of audit plans, subject to the agreement of the Council.

Scope and authority of Internal Audit work

There are no restrictions placed upon the scope of internal audit's work. SWAP staff engaged on internal audit work are entitled to receive and have access to whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. In this regard, internal audit may have access to any records, personnel or physical property of Somerset Council.

Internal audit work will normally include, but is not restricted to:

- reviewing the reliability and integrity of financial and operating information used for operational and strategic decision making, and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management and communication of risks;

- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assist management and Members to identify risks and controls with regard to the objectives of the organisation and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether the organisation is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned, with performance and accountabilities established.
- reviewing the operations of the organisation in support of their anti-fraud and corruption policy, ethical expectations and corporate values (and investigating where necessary) ethical expectations and corporate, social and environmental values and responsibilities; and.
- at the specific request of management, internal audit may provide consultancy services (including e.g. data analytics, benchmarking, strategic/project reviews/investigations etc) provided:
 - the internal auditor's independence is not compromised
 - the internal audit service has the necessary skills to conduct the assignment, or can obtain such skills without undue cost or delay
 - the scope of the consultancy assignment is clearly defined and management can resource the work.

Management understand that the work being undertaken is not internal audit work although the outcomes may contribute to the annual opinion.

Planning and Reporting

SWAP will submit an internal audit plan to Management and the Audit Committee for approval, setting out the recommended scope of work and which will be developed with reference to current and emerging risks. The plan will be reviewed on a regular basis to ensure it remains relevant and adequately resourced.

SWAP will carry out the work as agreed, report the outcomes and findings both during and on completion of reviews, and make recommendations on action to be taken to the appropriate officers and copied to the S151 Officer. SWAP will present a regular summary of their work to Management and the Audit Committee, including assessing the organisation's implementation of previous recommendations along with any significant, persistent and outstanding issues.

Internal audit reporting will normally comprise a brief presentation to relevant officers and accompanied by an appropriately detailed written report, with the format tailored as necessary to the nature of the work. The detailed report will also be copied to the Section 151 Officer and to other relevant line management.

The Assistant Director will submit an annual report to the Audit Committee providing an overall opinion of the status of risk and internal control within the Council, based upon, and limited to, internal audit activity conducted during the previous year.

In addition to the reporting lines outlined above, the Chief Executive of SWAP and SWAP Directors and Assistant Directors have the unreserved right to report directly to the Leader of the Council, the Chair of the Audit Committee, the organisation's Chief Executive Officer or the External Audit Manager.

Revised April 2023