

South Somerset District Council

Report of Internal Audit Activity

Plan Progress 2017/18 Quarter 3 ending 31st October 2017

Contents

The contacts at SWAP in connection with this report are:

Gerry Cox

Chief Executive

Tel: 01935 385906

gerry.cox@southwestaudit.co.uk

Ian Baker

Director of Quality

Tel: 01935 385906

ian.baker@southwestaudit.co.uk

Laura Wicks

Senior Auditor

Tel: 01935 385906

laura.wicks@southwestaudit.co.uk

➔	Role of Internal Audit	Page 1
➔	Internal Audit Plan Progress	Page 2
➔	Added Value	Page 4
➔	Approved Changes to the Audit Plan	Page 5
➔	Appendices:	
	Appendix A – Internal Audit Definitions	Page 6
	Appendix B – Internal Audit Work Plan	Page 8

Internal Audit Plan Progress 2016/17 & 2017/18

Our audit activity is split between:

- **Operational Audit**
- **School Themes**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **Other Reviews**



Role of Internal Audit

The Internal Audit service for the South Somerset District 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 which was approved by the Audit Committee at its meeting on 22 June 2017.

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
- IT Audits
- Grants
- Other Special or Unplanned Reviews

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 and External Auditors. This year's Audit Plan was reported to this Committee and approved at its meeting in March 2017.

Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

Internal Audit Plan Progress 2016/17 & 2017/18

Outturn to Date:

We rank our recommendations on a scale of 1 to 5, with 1 being minor or administrative concerns to 5 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 2016/17 and 2017/18 Plan.

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.

In the period Quarter 2 and Quarter 3 the following audits have been completed from the 2017/18 Audit Plan:

- Treasury Management (part of the suite of Key Control audits)
- Licensing

The following Audits are in progress at the time of writing this report and a verbal update will be provided to the Committee on these:

2016/17 Audit Plan

- Healthy Organisation – Draft Report Stage

2017/18 Audit Plan

- Cyber Security – Draft Report Stage
- Grant Funding Fraud Audit – Draft Report Stage
- Organised Crime checklist – In progress
- Business Rates Fraud Audit – Draft Report Stage

Internal Audit Plan Progress 2016/17 & 2017/18

Outturn to Date: continued.....

- Key Controls Provision – areas to be covered include: Creditors, Cash Receipting, Payroll - In progress

To assist the Committee in its important monitoring and scrutiny role, in those cases where weaknesses have been identified in service/function reviews that are considered to represent significant service risks, a summary of the key audit findings that have resulted in them receiving a 'Partial Assurance Opinion' are reported; there are no Partial Opinion reports this time. I am also pleased to report that no significant findings or risks have been identified in the work completed during this period.

Internal Audit Plan Progress 2016/17 & 2017/18

Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.



Added Value

Primarily Internal Audit is an assurance function and will remain as such. However, Members requested that we provide them with examples of where we have “added value” to a particular service or function under review. In response to this we have changed our approach and internal processes and will now formally capture at the end of each audit where we have “added value”.

The SWAP definition of “added value” is “it refers to extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something "more" while adding little or nothing to its cost”.

During Quarter 2 and Quarter 3 to date, we have sought to add value as follows to the 2017/18 audit plan:

- We have agreed to revisit the 2017/18 audit plan to ensure that we add the most value through our work by providing support during the Transformation Project.
- We will be completing a number of fraud reviews to provide assurance on potential risk areas for fraud.
- We are in the process of completing the annual cycle of key financial control audits to provide assurance on risks related to the Treasury Management, Creditors, Payroll and Cash Receipting functions.

Internal Audit Plan Progress 2016/17 & 2017/18

We keep our audit plans under regular review so as to ensure that we auditing the right things at the right time.



Approved Changes to the Audit Plan

The following changes have been made to the audit plan in Quarter 2 and Quarter 3 to ensure internal audit resources are focused on the key risks faced by the Council. All changes are made in agreement with or at the request of the Section 151 Officer:

As stated above, it has been agreed to utilise the remaining annual plan days to provide support to the Transformation project. In order to facilitate this, we have kept some core audits in the plan for quarters 3 and 4 but removed others (See Appendix B). This will ensure that assurance is focused on the areas of greater risk to the organisation. A meeting has been scheduled for 9 November 2017 with Caron Starkey, Transformation Lead, to establish the areas to be considered. A verbal update will be provided at the meeting of the Audit Committee on 23 November 2017.

At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

- Substantial
- Reasonable
- Partial
- None



Audit Framework Definitions

Control Assurance Definitions

Substantial	▲ ★ ★ ★	I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
Reasonable	▲ ★ ★ ★	I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	▲ ★ ★ ★	I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
None	▲ ★ ★ ★	I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

We keep our audit plans under regular review, so as to ensure we are auditing the right things at the right time.



Audit Framework Definitions

- Priority 5: Findings that are fundamental to the integrity of the unit’s business processes and require the immediate attention of management.
- Priority 4: Important findings that need to be resolved by management.
- Priority 3: The accuracy of records is at risk and requires attention.
- Priority 2: Minor control issues have been identified which nevertheless need to be addressed.
- Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

Definitions of Risk

Risk	Reporting Implications
Low	Issues of a minor nature or best practice where some improvement can be made.
Medium	Issues which should be addressed by management in their areas of responsibility.
High	Issues that we consider need to be brought to the attention of senior management.
Very High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major ↔ 1 = Minor				
						Recommendation				
						5	4	3	2	1
2016/17										
Follow Up	Property Services	3	Final	Non Opinion	0	0	0	0	0	0
ICT	IT Skills Audit	1	Final	Advisory	0	0	0	0	0	0
Operational	Culture	1	Removed	-	0	0	0	0	0	0
Operational	Yeovil Cemetery & Crematorium Annual Accounts	1	Final	Non Opinion	0	0	0	0	0	0
Grant Certification	Boden Mill & Chard Regeneration Scheme Statement of Accounts	1	Final	Non Opinion	0	0	0	0	0	0
Operational	Safeguarding	2	Final	Reasonable	0	0	0	1	3	0
Healthy Organisation	Corporate Governance	2	Draft							
Healthy Organisation	Financial Management									
Healthy Organisation	Risk Management									
Healthy Organisation	Performance Management									
Healthy Organisation	Commissioning & Procurement									
Healthy Organisation	Programme & Project Management									
Healthy Organisation	Information Management									
Healthy Organisation	People & Asset Management									

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major		↔		1 = Minor	
						Recommendation					
						5	4	3	2	1	
Operational	Delivering Cost Savings & Increasing Income	2	Final	Reasonable	1	0	0	1	0	0	
Operational	Land Charges	2	Final	Reasonable	4	0	0	4	0	0	
Operational	Key Income Streams	3	Final	Reasonable	0	0	0	4	0	0	
Operational	Corporate Health & Safety	3	Final	Reasonable	8	0	1	7	0	0	
Key Control	Key Financial Control Audit	3	Final	Reasonable	0	0	0	6	0	0	
Operational	Local Council Tax Support Scheme	3	Final	Substantial	0	0	0	3	0	0	
Operational	Scheme of Delegation	3	Removed	-	0	0	0	0	0	0	
Operational	Leisure East Devon	4	Final	Reasonable	0	0	0	3	1	0	
Operational	Data Protection	4	Final	Partial	0	0	6	8	0	0	
Operational	Elections	4	Removed	-	0	0	0	0	0	0	
Operational	Lufton Vehicle Workshop	4	Final	Reasonable	0	0	0	5	0	0	
Grant Certification	Regeneration	4	Final	Substantial	0	0	0	0	0	0	

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major ← → 1 = Minor				
						Recommendation				
						5	4	3	2	1
2017/18										
Grant Certification	Boden Mill & Chard Regeneration Scheme Statement of Accounts	1	Final	Non Opinion	0	0	0	0	0	0
Operational	Yeovil Cemetery & Crematorium Annual Accounts	1	Final	Non Opinion	1	0	0	1	0	0
Operational	Licensing	1	Final	Reasonable	3	0	0	3	0	0
Key Control	Treasury Management	3	Final	Substantial	0	0	0	0	0	0
ICT	Cyber security	1	Draft		0	0	0	0	0	0
Follow Up	Risk Management Follow Up	2	Not Started		0	0	0	0	0	0
Governance, Fraud & Corruption	Grant Funding Fraud Audit	2	Draft		0	0	0	0	0	0
Governance, Fraud & Corruption	Organised Crime checklist	2	In Progress		0	0	0	0	0	0
Key Control	Creditors	3	In Progress		0	0	0	0	0	0
Key Control	Cash Receipting	3	In Progress		0	0	0	0	0	0
Key Control	Payroll	3	In Progress		0	0	0	0	0	0
Governance, Fraud & Corruption	Business Rates Fraud Audit	3	Draft		0	0	0	0	0	0
Operational	Transformational Support – focus TBC	3	In Progress		0	0	0	0	0	0
Operational	Housing Benefit Claims/Subsidy	4	In Progress		0	0	0	0	0	0
Operational	Elections	4	Not Started		0	0	0	0	0	0

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major		↔	1 = Minor	
						Recommendation				
						5	4	3	2	1
Operational	Transformational Support – focus TBC	4	Not Started		0	0	0	0	0	0
Operational	Records Management 1718 - SSDC	1	Removed	-	0	0	0	0	0	0
Operational	Risk Management Support 1718 - SSDC	1	Removed	-	0	0	0	0	0	0
Operational	LED contract compliance 1718 - SSDC	3	Removed	-	0	0	0	0	0	0
Operational	Programme and Project Management 1718 - SSDC	3	Removed	-	0	0	0	0	0	0
Operational	Procurement Review 1718 - SSDC	3	Removed	-	0	0	0	0	0	0
Operational	Key Income Streams 1718 - SSDC	4	Removed	-	0	0	0	0	0	0
Operational	S106/ CIL 1718 - SSDC	4	Removed	-	0	0	0	0	0	0
Operational	Accountability 1718 - SSDC	4	Removed	-	0	0	0	0	0	0
Operational	Business Continuity Key Service Test 1718 - SSDC	4	Removed	-	0	0	0	0	0	0

