

South Somerset District Council

Report of Internal Audit Activity

Plan Progress 2020/21 March 2021

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:		
		SSDC Plan Performance	Page 7
		Changes to the Audit Plan	Page 8 – 9
➡	Appendices:		
		Appendix A – Audit Framework Definitions	Page 10
		Appendix B – Summary of Work Plan	Pages 11-14

Internal Audit Plan Progress 2020-21

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 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 approved by the Audit and Governance Committee at its meeting in May 2020.

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 Management Team. This year's Audit Plan was reported to and approved by this Committee at its meeting in May 2020. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

Internal Audit Plan Progress 2020-21

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 2020/21. 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 on **Appendix A** of this document.

The following table summarised Audits finalised since the last update at the end of October 2020:

Audit Area	Quarter	Status	Opinion
2020/21			
Homelessness	2	Final	Limited
Cyber Security Framework Review	3	Final	Advisory
NEW: Local restriction Grant Support	3	Final	Advisory
NEW: Covid-19 Grant Processing Support	4	Final	Advisory
NEW: Grant Support – Bank detail checks	4	Final	Advisory

Internal Audit Plan Progress 2020-21

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 included with significant corporate risks.



Summary of Work Completed – Limited or No Assurance Opinions

Homelessness - Limited Assurance (provided in January update report).

The objective of this review was to ensure that the Council discharges its statutory duty to prevent homelessness and provide assistance to the homeless or those threatened with homelessness. We reviewed the Councils homelessness strategy and policies and assessed the Councils approach to fulfilling the duties outlined within the homelessness legislation. We also reviewed the processes for recording data and how this is monitored and reported and used to ensure they are meeting their strategic and legislative requirements.

While the service does have KPIs in place which are reported to the Senior Leadership team and members they are not linked to the legislation and therefore do not indicate if they are meeting their legal obligations.

The Homelessness case managers and Specialists do not have any specific procedures in place to follow which leads to inconsistent reporting across the service. Service outcomes are not consistently recorded within the Homelessness system so this affects the ability of the Specialists to monitor the effectiveness of the work being completed to meet the legislation as they can't identify where improvements need to be made to increase the levels of homelessness prevented by the service. Without clear procedures detailing what needs to be complete it is difficult to resolve these issues and also leads to case officers working without clear performance or quality standards to aim for.

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

Cyber Security Framework Review- Advisory (provided in January update report).

I have provided some information on this review as it provides an overview assessment of the Councils Cyber Security framework. With the challenges from Covid-19 and remote working and the implementation of the Digital Strategy it is important to understand how well the Councils Cyber Security framework is currently operating. The objective of this audit was to provide assurance that the authority has an effective control framework in place for Cyber Security and to highlight areas of risk that will require either immediate attention or further risk-based audit review. This covered the following 20 high level key controls:

• Cyber Security Governance and Management Support	• Existence and Maintenance of an Inventory of Hardware Assets
• Inventory of Software Assets (including Data Assets)	• Vulnerability Management Processes
• Control of Accounts with Administrative Privileges	• Deployment of Secure Hardware and Software Configurations
• Active Monitoring and Analysis of Audit Logs	• E-Mail and Web Browser Protections
• Deployment of Malware Defences	• Control of Network Ports, Protocols and Services
• Data Recovery Capabilities including Back Up and Restore	• Secure Configuration of Network Devices
• Boundary Defences are documented and understood	• Management controls for data in transit
• Management of Wireless Access Controls	• User Access Monitoring and Control
• Security Awareness and Training	• Development of Application Software and Security
• Incident Response and Management Procedures	• Programme of Penetration Testing.

Internal Audit Plan Progress 2020-21

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 Continued

No detailed testing on these controls was undertaken as part of this review however a high-level opinion on risk is stated for each control. The audit identified three controls where immediate attention is required and recommendations have been raised for these. Further details will be provided outside of the public meeting for security reasons.

Internal Audit Plan Progress 2020-21

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 South Somerset District Council for the 2020/21 (as of 15 March 2021) were as follows:

Performance Target	Target Year End	Average Performance
<p><u>Audit Plan – Percentage Progress</u> Final, Draft and Discussion In progress Yet to complete</p>	>90%	60% 29% 11%
<p><u>Quality of Audit Work</u> Customer Satisfaction Questionnaire</p>	>95%	100%
<p><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%	100%

Internal Audit Plan Progress 2020-21

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 2020/21 is detailed in **Appendix B**. Due to the impact of Covid-19 and the requests for some additional work to be added to the plan during the year we have had to remove some audits from the annual plan. The Plan has remained flexible throughout the year and targeted short-term priorities as agreed with SLT on a quarterly basis. As we are now into the final quarter of the year we have had to identify the work we will have to drop to compensate for the additional work undertaken. The following changes have been made to the 2020/21 Audit Plan since the last report:

Reviews removed:

- Yeovil Innovation Centre (YIC) Phase 2
- Council Tax & NNDR (Q4) - Report due from Management to March Audit Committee to provide Assurance update in this area (in 2021-22 Audit Plan).
- Housing Benefits (Q4) - Report due from Management to March Audit Committee to provide Assurance update in this area (in 2021-22 Audit Plan).
- Procurement – Leisure Contract (Q4) - now earmarked for Q1 of 2021-22 Plan.

Additional Reviews

NEW: Local restriction Grants (LRG) Support (Q3) – To help with the effort to ensure the various LRG were paid as quick as possible we provided resources to help with processing applications.

NEW: Covid-19 Grant Processing Support (Q4) – Due to the new lockdown announced for January we have been asked to provide support on processing grant applications as we did in quarter 3.

NEW: Grant Support – Bank detail checks (Q4) – Support checking bank details on LRG

Internal Audit Plan Progress 2020-21

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

NEW: Business Grants - Post Assurance Review (Q4) – Support producing the post assurance plan that had to be return to Government on the first lockdown grants and to undertake the assurance testing required to be done in the plan.

NEW: Council Baseline Assessment of maturity for Fraud (Q4) – A high level assessment of fraud maturity will be provided across 6 key theme areas. A useful overview for Senior Management and the Audit Committee on managing the Fraud Risk in the Authority.

NEW: Fraud Risk Assessment (Q4) – Service level live risk management tool that will look at fraud risks across services. This will inform future counter fraud work in the Internal Audit Plan.

NEW: Fraud Risk – Impact of Covid-19 (Q4) – Based on the Northern Ireland National Audit Guide this review will look across the key areas to confirm controls have been operating effectively to minimise the risk of fraud. Areas include: governance, Covid-19 funding; Procurement; Cyber & Data Security; Payroll; Staff.

NEW: Compliance & Enforcement Grant (Q4) – Although this is a low value grant there is a requirement it is signed off by the Head of Internal Audit by the 31 March to confirm it has been spent in accordance with the Term and Conditions.

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									
Fraud, Corruption and Governance	Boden Mill & Chard Regeneration Scheme Accounts Review	Q1	Final	Advisory	0	0	0	0	
Fraud, Corruption and Governance	New: Growth Deal Capital Expenditure Certification	Q1	Final	Advisory	0	0	0	0	
Fraud, Corruption and Governance	Yeovil Cemetery & Crematorium Annual Accounts Controls Assurance	Q1	Final	Advisory	0	0	0	0	
Covid-19 Support	New: Covid-19 Support/Advice	Q1	Final	Advisory	0	0	0	0	
Governance Fraud & Corruption	Project Governance - Regeneration Projects	Q1	Final	Limited	5	0	3	2	
Follow Up	Combined Follow up	Q1	Final	Advisory	0	0	0	0	
Covid-19 Support	NEW: Grant Funding Schemes Assurance for Local Authorities (Risk Assessment)	Q1	Final	Advisory	0	0	0	0	
Governance Fraud & Corruption	NEW: Health & Wellbeing	Q2	Final	Reasonable	2	0	0	2	
Operational	Homelessness	Q2	Final	Limited	5	0	3	2	

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
ICT	Cyber Security Framework Review	Q3	Final	Advisory	20 key Control areas reviewed. Reported separately to Audit Committee.				
Covid-19 Support	NEW: Local restriction Grant Support	Q3	Final	Advisory	0	0	0	0	Support work
Governance Fraud & Corruption	NEW: Covid-19 Grant Processing Support	Q4	Final	Advisory	0	0	0	0	Support work
Covid-19 Support	NEW: Grant Support – Bank detail checks	Q4	Final	Advisory	0	0	0	0	Support work
DRAFT									
Transformation	Transformation closedown	Q2	Draft						
Key Control	Budget Planning and Monitoring	Q3	Draft						
Governance Fraud & Corruption	Income Generation Service Improvements	Q3	Draft						
Governance Fraud & Corruption	NEW: Council Baseline Assessment of maturity for Fraud	Q4	Review						
IN PROGRESS									
Governance Fraud & Corruption	Commercial Investments	Q3	In progress						
ICT	ICT Governance and Risk Scope Review	Q3	In Progress						

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Key Control	Creditors	Q4	In Progress						
Covid-19 Support	NEW: Business Grants - Post Assurance Review	Q4	In Progress						
Governance Fraud & Corruption	Ethical Governance	Q4	In Progress						
Governance Fraud & Corruption	Risk Management	Q4	In Progress						
Follow Up	Information Governance GDPR Follow Up	Q4	In Progress						
Operational	S106 & CIL	Q4	In Progress						
NOT STARTED									
Governance Fraud & Corruption	NEW: Fraud Risk Assessment	Q4	Not Started						Follows on from Baseline Assessment Report.
Governance Fraud & Corruption	NEW: Fraud Risk – Impact of Covid-19	Q4	Not Started						
Governance Fraud & Corruption	NEW: Compliance & Enforcement Grant	Q4	Not Started						
Deferred or Removed									
Transformation	Civica Digital Systems Review	Q2				Combined with Transformation Close down			

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Governance Fraud & Corruption	Somerset Districts Cooperation/collaboration FOLGIS	Q4							NEW: Covid-19 Support/Advice NEW: Grant Funding Schemes Assurance for Local Authorities (Risk Assessment)
Governance Fraud & Corruption	Climate Change	Q4							
ICT	Digital Strategy & Transformation	Q3							Pushed back due ICT audits bottleneck. Replaced by Health & Wellbeing
Governance Fraud & Corruption	Yeovil Innovation Centre (YIC) Phase 2	Q4							NEW: Local restriction Grant Support Q3 NEW: Grant Support – Bank detail checks Q4 NEW: Council Baseline Assessment of maturity for Fraud NEW: Fraud Risk Assessment NEW: Fraud Risk – Impact of Covid-19 NEW: Covid-19 Grant Processing Support Q4 NEW: Compliance & Enforcement Grant
Key Control	Council Tax & NNDR	Q4							
Key Control	Housing Benefits	Q4							
Governance Fraud & Corruption	Procurement – Leisure Contract	Q4							Management will bring an update report to Audit Committee in March on Housing Benefits and CTax for assurance purposes. Procurement – Leisure is earmarked for Q1 2021-22