

South Somerset District Council

Proposed 2021-22 Internal Audit Plan and Internal Audit Charter

The Internal Audit Plan: Summary

The internal audit plan represents a summary of the proposed audit coverage that the internal audit team will deliver throughout the 2021/22 financial 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.

Prior to the start of each financial year, SWAP, in conjunction with senior management, put together a proposed plan of audit work. The objective of our planning process and subsequent plan 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 of defence' assurance model. Key findings from our internal audit work should also be considered in conjunction with completion of the Authority's Annual Governance Statement (AGS).

It is the responsibility of the Authority's Senior Management Team and the Audit Committee, to confirm 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.

When reviewing the proposed internal audit plan (as set out in Appendix 1), key questions to consider include:

- Are the areas selected for coverage this coming year appropriate?
- Does the internal audit plan cover the organisation's key risks as they are recognised by the Senior Management Team and Audit Committee?
- Is sufficient assurance being received within our annual plan to monitor the organisation's risk profile effectively?

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 2021/22

The factors considered in putting together the 2021/22 internal audit plan have been set out below:



Due to the pace of change within Local Authorities, it is becoming increasingly difficult to accurately predict longer-term key organisational risks. Our approach to delivering your internal audit plan will remain flexible to meet that change and respond to new and emerging risks. We will adopt an 'agile' approach and each quarter I will review the next quarter's plan to ensure that we are auditing the right areas at the right time; any necessary changes will of course be agreed with Senior Management and the Audit Committee.

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.

As above, it is the responsibility of the Authority's Leadership Team, and the Audit Committee to ensure that, following our risk assessment, the proposed plan contains sufficient and appropriate coverage.



Internal Audit Annual Risk Assessment

Our 2021/22 internal audit programme of work is based on a documented risk assessment, which SWAP will revisit regularly, but at least annually. The input of senior management as well as review of the Authority's risk register will be considered in this process.

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



The Internal Audit Plan: Coverage

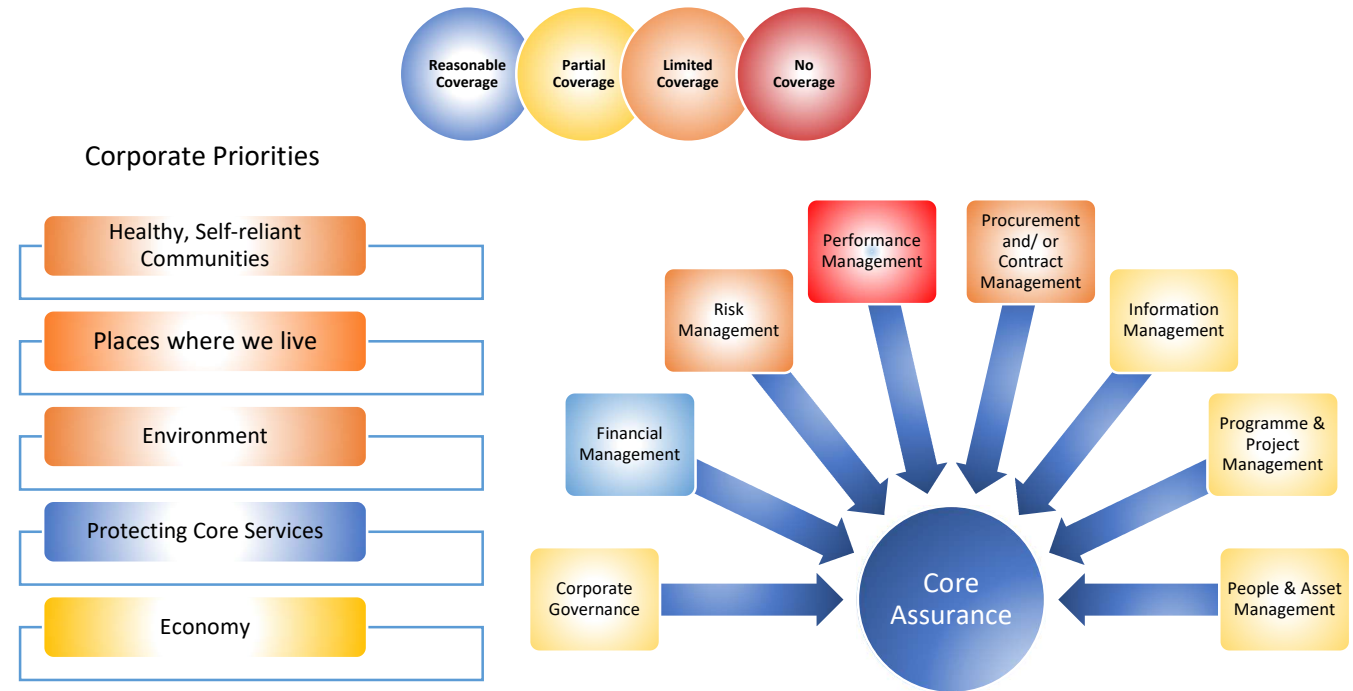
Following our SWAP Risk Assessment above, we have set out how the proposed 21/22 plan presented in Appendix 1 provides coverage of the Authority's key corporate outcomes, as well as our core areas of recommended coverage.

Internal audit is only one source of assurance; therefore, where we have highlighted gaps in our coverage, assurance should be sought from other sources where possible in order to ensure sufficient and appropriate assurances are received.



Internal Audit Coverage in 2021/22

Following our SWAP risk assessment, we have set out below the extent to which the proposed plan presented in Appendix 1 provides coverage of the Authority's key corporate objectives, as well as our core areas of recommended coverage. Where we have highlighted limited or no coverage, Senior Management and Audit Committee should seek and document assurance from alternative sources, or consider re-focussing internal audit resource to provide coverage of these areas:



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, crossing eight Counties, but also 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

Audit Resources

The 2021/22 internal audit programme of work will be equivalent to 334 days. The current internal audit resources available represent a sufficient and appropriate mix of seniority and skill to be effectively deployed to deliver the planned work. The key contacts in respect of your internal audit service for South Somerset District Council are:

Alastair Woodland, Assistant Director – alastair.woodland@swapaudit.co.uk, or 07720312467

Adam Williams, Principal Auditor – adam.williams@swapaudit.co.uk

Adele Mitchell, Senior Auditor – adele.mitchell@swapaudit.co.uk

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 three 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.

Conflicts of Interest

We are not aware of any conflicts of interest within South Somerset District 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 may assess the adequacy of the arrangements to prevent and detect irregularities, fraud and corruption. We have a 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

The Internal Audit Plan: SWAP

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 risks.**
- **Communication of fraud alerts received both regionally and nationally.**
- **Annual Member training sessions.**

management who should institute adequate systems of internal control, including clear objectives, segregation of duties and proper authorisation procedures.

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
<u>Delivery of Annual Internal Audit Plan</u> Completed at year end	>90%
<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>	>95%
<u>Outcomes from Audit Work</u> Value to the Organisation <i>(client did our audit work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation view of whether our audit work met or exceeded expectations, in terms of value to their area)</i>	>95%

It should be noted that the audit titles and high-level scopes included below are only indicative at this stage for planning our resources. At the start of each audit, an initial discussion will be held to agree the specific terms of reference for the piece of work, which includes the objective and scope for the review.

The following plan for quarter 1 has been agreed for delivery (Apr – June 2021).

Audit Name	Areas of Coverage and Brief scope	Agreed Quarter	Link to Corporate Outcome	Healthy Organisation Theme	Link to Corporate Risk Register/Directorate Risk Register (If applicable)
Boden Mill & Chard Regeneration Scheme Accounts	Annual Audit to check statement of accounts for this scheme have been accurately produced against the budget monitor spreadsheet.	1	Economy	Financial Management	Programme budget overspends/higher than anticipated costs
Restart Grants	Support to check through the bank details	1	N/A	N/A	N/A
Yeovil Cemetery & Crematorium Annual Accounts	Annual Audit to check the accounts for the Cemetery & Crematorium.	1	Protecting Core Services	Financial Management	F02 F03
Procurement - Leisure Contract	This audit was deferred from 2020-21. Agreed this would be undertaken in quarter 1 of 2021-22.	1	Protecting core Services/Healthy, Self-reliant Communities	Commissioning & Procurement	F08/GL05
Complaint Procedures	This is an important area to learn from the information provided. New guidance has been issued around complaint handling. A review in this area would seek to review and evaluate the adequacy and effectiveness of systems established by management.	1	Protecting Core Services	Corporate Governance	GL05/GL06/SC02
Covid-19 Grants - Post Payment Assurance	This is time to undertake post payment assurance work around the new grants paid from November and wider utilisation of the grant money.	1	Protecting Core Services /Economy	Financial Management	F05

Audit Name	Areas of Coverage and Brief scope	Agreed Quarter	Link to Corporate Outcome	Healthy Organisation Theme	Link to Corporate Risk Register/Directorate Risk Register (If applicable)
Covid-19 Discretionary Grants	Assurance has been requested on the consistency of approvals for discretionary grants. This may extend to test and trace discretionary grants as well.	1	Economy	Financial Management	F05
Project Governance Regeneration Projects Follow Up	Partial Assurance awarded follow up to see progress made on recommendations raised	1	Economy Priority Projects	Programme & Project Management	PP01/PP02

The following outlines the areas that are under consideration for quarter 2, 3 and 4 of the 2021-22 Audit Plan. Exact audits for priority will be agreed prior to commencement of each quarter.

Audit Name	Areas of Coverage and Brief Rationale	Indicative Quarter	Link to Corporate Outcome	Healthy Organisation Theme	Link to Corporate Risk Register/Directorate Risk Register (If applicable)
Planning policy Change - Phosphate	Natural England have issued advice that somerset needs to protect the Levels and Moors from further phosphate pollution, and new planning applications need to undertake a Habitats Regulation Assessment. Audit to assess impact of policy change and how the Council has adapted to manage the new requirements.	2	Protecting Core Services/Places where we Live/Environment	Corporate Governance	ST03GL01
Chard Regeneration Project	SSDC have been awarded £1 million of Government high street funding through Historic England’s High Street Heritage Action Zone programme and this has been match-funded by SSDC, giving a total of £2 million to spend in the historic heart of Chard. Assurance work to be undertaken to look at delivery of this project and achievement of intended outcomes.	2	Economy	Programme & Project Management	PP01/PP02

Audit Name	Areas of Coverage and Brief Rationale	Indicative Quarter	Link to Corporate Outcome	Healthy Organisation Theme	Link to Corporate Risk Register/Directorate Risk Register (If applicable)
Covid-19 - External Recovery plan	Recovery from the Covid-19 Pandemic looking at the social and economic impacts and how the districts are working to improve the situation for the hardest hit in the community.	2	Economy	Programme & Project Management	SC03
Cyber Security - Focused Review	Scope based on the outcome of the Cyber review in 2020-21	2	Protecting Core Services	Information Management	GL03
Covid-19 - Financial Impacts and Lessons learned	A review to consider the impact on finances and what this means for the longer term looking forward. This review will also look back for lessons learned. To start in September.	2	Protecting Core Services	Financial Management	ST01/F01
Homelessness Follow Up	Partial Assurance awarded follow up to see progress made on recommendations raised.	2	Protecting Core Services	Corporate Governance	GL06
Decarbonisation Grant	Grant received of £4m and need to spend this within 12 months on improving the environmental credentials of operational council owned buildings. Review on spending plan to achieve desired outcomes from the £4m.	3	Environment	Programme & Project Management	F03
Council Tax & NNDR	Audit completed in 2019/20 was awarded partial assurance. Work in 2020-21 deferred due to Covid-19.	3	Protecting Core Services	Financial Management	F02/F03/F04/F05
Debtors	Rolling cycle of key control. This will be an important area moving forward with pressure on businesses and household finances and the knock-on impact on collection of debt.	3	Protecting Core Services	Financial Management	F02/F03/F04/F05
Housing Benefit	Audit completed in 2019/20 was awarded partial assurance. Work in 2020-21 deferred due to Covid-19.	3	Protecting Core Services	Financial Management	F02/F03/F04/F05
Health & Safety Framework	A H&S audit was carried out by Zurich in 2020-21 and actions identified. Audit will look at H&S provision and progress against the targets received	3	Protecting Core Services	People Management / Risk Management	HS01/HS02/HS03/HS05/HS06
Opium arrangements	Audit committee have requested some assurance work around this area.	3	Protecting Core Services	Financial Management	PP02/F08/F06

Audit Name	Areas of Coverage and Brief Rationale	Indicative Quarter	Link to Corporate Outcome	Healthy Organisation Theme	Link to Corporate Risk Register/Directorate Risk Register (If applicable)
Governance/Digital Review	Scope based on the outcome of the ICT Governance Review 2020-21.	4	Protecting Core Services	Information Management	GL03
Commercial investments	Audit assurance work on the investment strategy taking into account recent impact that could affect the portfolio.	4	Protecting Core Services	Financial Management	F06
Planning, Advice and Support					
Time in the plan for Committee attendance & reporting, planning & liaison, Produce Assurance Map, Follow up contingency, advice time and training & development.		All	N/A	N/A	N/A

The Internal Audit Charter

Purpose

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

Approval

This Charter was approved by the Audit Committee on 27th April 2017 and is reviewed each year to confirm it remains accurate and up to date. It was last reviewed by the Audit Committee on 25th March 2021*.

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 of 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.

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

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, 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 South Somerset District 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.

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

³ PSIAS refers to the 'chief audit executive'.

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 South Somerset District 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 quarterly 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 Chairman of the Audit Committee, the organisation's Chief Executive Officer or the External Audit Manager.

Revised March 2021.