



**SWAP**

**INTERNAL AUDIT SERVICES**

Helping Organisations to Succeed

# South Somerset District Council

## Report of Internal Audit Activity

2021-22 Progress Update Report October 2021

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## Internal Audit Plan Progress 2021-22

### 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 March 2021.

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 March 2021. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

# Internal Audit Plan Progress 2021-22

## 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 Update

The schedule provided at **Appendix B** contains a list of all audits as agreed in the Annual Audit Plan 2021/22. 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 summarises Audits finalised since the last update in July 2021:

Audit Area	Opinion
Fraud Risk Assessment	Advisory
Yeovil Cemetery & Crematorium Annual Accounts	Advisory
<b>New:</b> Patch Management	Reasonable
Procurement	Reasonable
Homelessness Follow Up	Advisory

# Internal Audit Plan Progress 2021-22

## 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

There are no limited or no assurance opinion pieces of work to bring to your attention.

## 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 – Follow up Audits

### Homelessness - Follow Up

The original audit of Homelessness was completed in October 2020 and received a Limited assurance opinion. The purpose of this follow up audit was to provide assurance that agreed actions to mitigate against risk exposure identified within the 2020/21 Limited opinion audit of Homelessness report have been implemented

Follow Up Progress Summary				
Priority	Complete	In Progress	Not Started	Summary
Priority 1	0	0	0	0
Priority 2	0	3	0	3
Priority 3	0	2	0	2
<b>Total</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>5</b>

All the actions have been started by the service. However, they are going to take longer to complete than originally agreed as they required more groundwork, therefore, new timescales have been agreed for all of the original findings.

Since the 2020-21 audit a new Lead Specialist Communities has been appointed and part of their umbrella of work includes homelessness. While the audit report and agreed actions formed the basis of the change, there is more work to complete before the audit actions can be resolved.

## Internal Audit Plan Progress 2021-22

### 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.**

### Summary of Work Completed – Follow up Audits Continued

In the original homelessness audit the collection of data and use of data to confirm statutory requirements were being met was the main theme for the limited assurance. The council have looked into getting a new system to manage the homelessness information, however the Unitary decision has now put this on hold, although other options are being explored.

To summarise the main findings (Priority 1 & 2 only) and progress as of September 2021:

Priority 2 finding - The Key Performance Indicators (KPIs) in place for the homelessness team do not measure the service against the legislation in place.

The service conducted a review into the work which is being completed and discovered that only the reactive case work was being captured in the data and only a small proportion of the reactive work was being reported as KPIs. This therefore did not represent the whole service and the work they were completing. As such they are now working out how they are able to capture the preventive work the service completes. This will give them more accurate data of the whole service. Once they have this data, they will then be able to come up with KPIs which are accurate and working to the service objectives and relevant legislation. Revised target date – 30 April 2022

Priority 2 finding - There are no performance or quality standards in place for Case Officers to work to.

A standards checklist was completed, however it was too long and did not work as part of the new ways of working the Lead Specialist Communities is installing. In addition, the checklist only covered the reactive work and was not looking at the preventative work. This linked into the previous action and along with the review of the KPIs this review also looked at how best to create a checklist for all the work. However, this checklist needs to have fewer more comprehensive steps and empower the officers. On top of this Covid-19 has had a huge impact on the service meaning this change to the way the service works is taking more time. Therefore, this action has had an agreed new timescale. Revised target date – 31 January 2022

## Internal Audit Plan Progress 2021-22

### 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.



### Summary of Work Completed – Follow up Audits Continued

Priority 2 finding - *The data the Council collects for homelessness is incomplete and does not allow for analysis to ensure the Council is meeting their objectives.*

A new officer has been put in place to have a look at all of the data which is being put into the system. This has helped with the KPIs and the quality review process. However, this is taking longer than expected because it is a system issue and not only an issue with inputting the data. Therefore, this is still in progress until they have the ability to capture all work which is undertaken. Revised target date – 31 January 2022

# Internal Audit Plan Progress 2021-22

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 2021/22 (as of October 2021) were as follows:

Performance Target	Target Year End	Average Performance
<p><b><u>Audit Plan – Percentage Progress</u></b>                      Final, Draft and Discussion                      In progress                      Yet to complete</p>	>90%	43% 26% 32%
<p><b><u>Quality of Audit Work</u></b>                      Customer Satisfaction Questionnaire</p>	>95%	100%
<p><b><u>Outcomes from Audit Work</u></b>                      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%	Reported Year End

## Internal Audit Plan Progress 2021-22

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



### Approved 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**.

Unplanned work, special reviews or projects carried out on a responsive basis which are requested as new and emerging risk areas and which result in significant changes to the agreed plan will be reported to the Audit Committee.

The following table highlights changes to the plan since the July update report. There are also some required/requested timing changes of reviews which would be separately identified if considered to be significant.

Assignment	Amendment	Reason
Green Homes Grant	Added	Department for Business, Energy & Industrial Strategy requirement for Head of Audit to sign off grant expenditure.
Ongoing urgent confidential matter	Added	A number of reviews were required to be deferred/dropped to accommodate time for this review.
Health & Safety Framework Housing Benefits Incident management or Information Security (IS)	Deferred	Removed to cover the time needed for the ongoing urgent confidential matter.
Covid-19 Financial Impacts and Lessons learned	Removed	Removed to cover the time needed for the ongoing urgent confidential matter.
Income generation Follow up	Removed	Area put on hold due to Unitary. Management to circulate update on recommendations.

## Assurance Definitions

<b>No</b>	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.
<b>Limited</b>	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.
<b>Reasonable</b>	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.
<b>Substantial</b>	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.
<b>Non-Opinion/Advisory</b>	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
<b>High</b>	Issues that we consider need to be brought to the attention of both Senior Management and the Audit Committee.
<b>Medium</b>	Issues which should be addressed by management in their areas of responsibility.
<b>Low</b>	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:

<b>Priority 1</b>	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
<b>Priority 2</b>	Important findings that need to be resolved by management.
<b>Priority 3</b>	Finding that requires attention.

Audit Type	Audit Area	Status	Opinion	No of Rec	1 =	↔	3 =	Comments
					Major		Minor	
					Recommendation			
1	2	3						
<b>Completed Work</b>								
Governance Fraud & Corruption	Fraud Risk Assessment	Final	Advisory	0	0	0	0	
Fraud, Corruption and Governance	Boden Mill & Chard Regeneration Scheme Accounts Review	Final	Advisory	0	0	0	0	
Fraud, Corruption and Governance	<b>New:</b> Growth Deal Capital Expenditure Certification	Final	Advisory	0	0	0	0	
Fraud, Corruption and Governance	Yeovil Cemetery & Crematorium Annual Accounts	Final	Advisory	0	0	0	0	
ICT	<b>New:</b> Patch Management	Final	Reasonable	2	0	0	2	
Fraud, Corruption and Governance	Procurement	Final	Reasonable	4	0	1	3	
Follow Up	Homelessness Follow Up	Final	Advisory	5	0	3	2	Relates to outstanding recommendations raised in 2020-21
<b>Reporting</b>								
Confidential matter	<b>New:</b> Ongoing urgent confidential matter	Draft						Review includes separate controls assurance report.
Fraud, Corruption and Governance	Chard Regeneration Project	Drafting						
<b>In Progress</b>								
Grant Certification	<b>New:</b> Green Homes Grant	In Progress						

Audit Type	Audit Area	Status	Opinion	No of Rec	1 =	↔	3 =	Comments
					Major		Minor	
					Recommendation			
					1	2	3	
Fraud, Corruption and Governance	Covid-19 - External Recovery plan	In Progress						
Fraud, Corruption and Governance	Covid-19 Discretionary grants	In Progress						
Grant Certification	Covid-19 Grants – Post Payment Assurance Restart Grant	In Progress						
Follow Up	Project Governance Regeneration Projects Follow Up	In Progress						
<b>Not Started</b>								
ICT	User Access Management arrangements	Not Started						
Key Control	Council Tax & NNDR	Not Started						
Key Control	Debtors	Not Started						
Fraud, Corruption and Governance	Opium arrangements	Not Started						
Fraud, Corruption and Governance	Commercial investments	Not Started						
Follow Up	<b>NEW:</b> S106 Follow up Audit	Not Started						
<b>Deferred</b> (moved to rolling schedule of Audits) <b>or Removed</b> (no longer risk/area to audit)								
Fraud, Corruption and Governance	Complaint Procedures	Deferred	Reported to Audit Committee July 2021					
ICT	Incident management or Information Security (IS)	Deferred	Reported to Audit Committee October 2021					

Audit Type	Audit Area	Status	Opinion	No of Rec	1 =	↔	3 =	Comments
					Major		Minor	
					Recommendation			
1	2	3						
Follow Up	Income Generation Follow up	Removed	Separate update on recommendations to be provided from management					
Operational	Health & Safety Framework	Deferred	Reported to Audit Committee October 2021					
Key Control	Housing Benefit	Deferred	Reported to Audit Committee October 2021					
Fraud, Corruption and Governance	Covid-19 - Financial Impacts and Lessons learned	Removed	Reported to Audit Committee October 2021					
Fraud, Corruption and Governance	Restart Grants – Bank Account Check	Removed	Reported to Audit Committee July 2021					
Fraud, Corruption and Governance	Planning policy Change - Phosphate	Deferred	Reported to Audit Committee July 2021					
Fraud, Corruption and Governance	Decarbonisation Grant	Deferred	Reported to Audit Committee July 2021					