



SWAP

INTERNAL AUDIT SERVICES

Helping Organisations to Succeed

South Somerset District Council

Report of Internal Audit Activity

2022-23 Progress Update Report September 2022

Contents

The contacts at SWAP in connection with this report are:

David Hill

Chief Executive

Tel: 020 8142 5030

david.hill@swapaudit.co.uk

Alastair Woodland

Assistant Director

Tel: 07720312467

alastair.woodland@swapaudit.co.uk

Adam Williams

Principal Auditor

Tel: 020 8142 5030

Adam.williams@SWAPaudit.co.uk

➤ Summary:		
	Contents	Page 1
	Role of Internal Audit	Page 2
➤ Control Assurance:		
	Internal Audit Work Programme Update	Page 3
	Significant Corporate Risks	Page 4
	Summary of Limited or No Assurance Opinions	Pages 4
	Support for LGR	Pages 5
➤ Plan Performance:		
	Changes to the Audit Plan	Page 6
➤ Appendices:		
	Appendix A – Audit Framework Definitions	Page 7
	Appendix B – Summary of Work Plan	Pages 8 - 11

Internal Audit Plan Progress 2022-23

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 Committee at its meeting in March 2022.

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 Audit Plan. We have adopted an 'agile rolling plan' approach and whilst this will be a 'live' continuous approach, confirmed work will only cover every 3-6 months with a rolling 'back-log' for future consideration. Priorities will be assessed in conjunction with Senior Management, and we welcome input from members of the Audit and Governance Committee. The 2022-23 Audit Plan was reported to the Audit Committee and approved at its meeting in March 2022. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk within South Somerset District Council.

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 2022/23. 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 June 2022:

Audit Area	Opinion
Arts Council Culture Recovery Fund grant certification	Advisory
Protect and vaccinate – CIA sign off	Advisory
NEW: Covid Outbreak Management Fund – CIA Sign off	Advisory
Yeovil Cemetery & Crematorium Annual Accounts	Substantial
Covid-19 Grants – Restart Grant Post Payment Assurance – CIA sign-off	Reasonable
Unitary Lesson Learnt	Advisory

Please refer to Table 2 in **Appendix B** for LGR complete and on-going work.

As we report by exception, details on completed work that is not No/Limited Assurance or a follow up is available on request for members.

Internal Audit Plan Progress 2022-23

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.

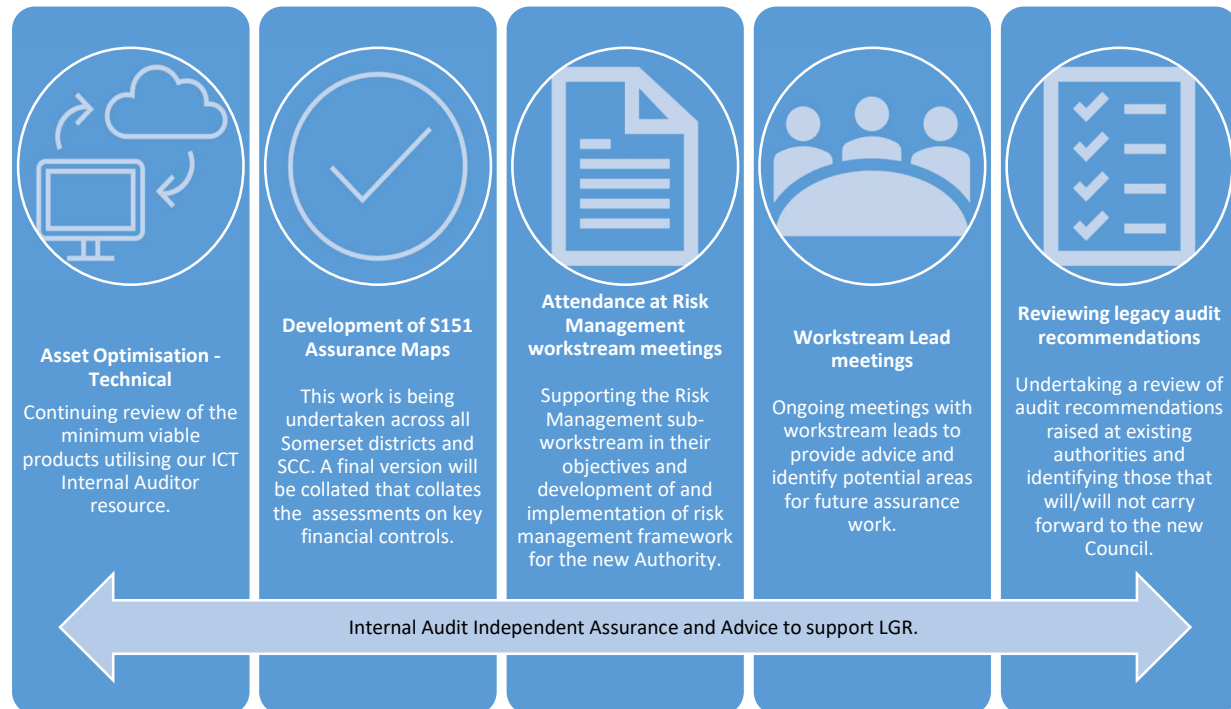
Internal Audit Plan Progress 2022-23

Supporting the formation of the new unitary authority by providing advice and independent assurance on activities being undertaken via the workstreams.



Support for LGR

As part of our planning for 22/23 we have included time to provide Unitary Programme Assurance Work as well as Unitary Workstream support. Most Programme Assurance will be covered by the PWC Quality Reviews. We should be able to take assurance from their work to contribute to the Internal Audit Annual Opinion to avoid any duplication. We will provide a critical friend role to LGR work supporting delivery of outcomes. This is advisory/consultative work with rapid feedback via meetings/e-mail, or brief summary reports. Some of the areas we're focussing on are detailed in the chart below.



Internal Audit Plan Progress 2022-23

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**.

Our rolling plans are agreed with the Senior Leadership Team quarterly from the list of unscheduled audit areas that constitutes the rolling Audit Plan. Members of the Audit Committee are welcome to identify area where they need assurance for priority work to assist in their role with oversight of governance, risk and control.

The following table highlights changes to the plan since the previous update report.

Assignment	Amendment	Reason
Covid Outbreak Management Fund	Added	Requirement for CIA Sign off
Arts Council Culture Recovery Fund grant certification	Added	Request for Internal Audit to review.
Civil Emergencies	Added	Coverage for Q2.
Yeovil Rec improvements	Added	
Recommendation Tracking & Reporting	Added	

We are scheduled to meet with the Senior Leadership Team on the 5th of October and welcome the input of Audit Committee Members for potential areas of coverage for the next 6 months (October – March).

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	Status	Opinion	No of Rec	1 =	↔	3 =	Comments
					Major		Minor	
					Recommendation			
1	2	3						
Completed Work								
Grant Certification	Arts Council Culture Recovery Fund grant certification	Complete	Advisory	-	-	-	-	
Grant Certification	Protect and vaccinate – CIA sign off	Complete	Advisory	-	-	-	-	
Grant Certification	NEW: Covid Outbreak Management Fund – CIA Sign off	Complete	Advisory	-	-	-	-	
Assurance	Yeovil Cemetery & Crematorium Annual Accounts	Complete	Substantial	-	-	-	-	
Grant Certification	Covid-19 Grants – Restart Grant Post Payment Assurance – CIA sign-off	Complete	Reasonable	-	-	-	-	
Advisory	NEW: Unitary Lessons Learned	Complete	Advisory	-	-	-	-	
Reporting								
Assurance	Commercial investments	Drafting						
Advisory	NEW: Recommendation Tracking & Reporting	Under review	Advisory					New in addition to rolling plan. Priority area for Q2
Assurance	Opium arrangements	Drafting						
In Progress								
Advisory	Octagon Theatre Expansion	In Progress	Advisory					Ongoing project support throughout the year.
Advisory	Baseline of Maturity for Fraud Risk	In Progress						

Audit Type	Audit Area	Status	Opinion	No of Rec	1 =	↔	3 =	Comments
					Major		Minor	
					Recommendation			
1	2	3						
Grant Certification	Decarbonisation Grant - CIA sign off	In Progress	Advisory					
Follow Up	NEW: Lufton Depot	In Progress						Planned priority area for Q2 from rolling plan.
Assurance	NEW: Civil Emergencies	In Progress						New in addition to rolling plan. Priority area for Q2
Assurance	NEW: Yeovil Rec improvements	Audit Scoping						Planned priority area for Q2 from rolling plan.

Table 2

Audit Type	Audit Area	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
					1	2	3	
					LGR Support Work			
Advisory	PCIDSS	Complete	Advisory	-	-	-	-	
Advisory	Data Centre	Complete	Advisory	-	-	-	-	
Advisory	IT Minimum Viable Products	Complete	Advisory	-	-	-	-	
Advisory	M365 and Active Directory	Complete	Advisory	-	-	-	-	
Advisory	Risk Management Workstream Support	Ongoing						Q1- Q4

Audit Type	Audit Area	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
					1	2	3	
Advisory	Asset Optimisation: Technical Workstream Support	Ongoing						Q1- Q4 (Cyber Security aspects Q3 & Q4)
Advisory	S151 Assurance Map	In Progress						
Advisory	New: Legacy Audit Recommendations & AGS Actions	In Progress						Q2 – Q4
Assurance	Business Continuity	Not Started						Q4
Assurance	Payroll – transfer of district staff	Not Started						

Please note that PWC are the Quality Assurance provider overseeing the whole LGR programme and provide monthly updates to the Programme Board.

The list below constitutes the rolling ‘unscheduled’ audits for consideration for the next two quarters work as shared with this Committee in March 2022. On the 5th of October we will be meeting with the Senior Leadership Team, and welcome the input of Audit Committee Members, to refresh this list and identify priorities for audit work covering the next 6 months.

Audit Type	Audit Area
Assurance	Debtors Analytical Review & Control Review
Assurance	Creditors Analytical and Control Review

Audit Type	Audit Area
Assurance	Treasury Management
Assurance	Council Tax & NDR

Audit Type	Audit Area
Assurance	Partnerships
Assurance	Management of Commercial Property

Assurance	Project Management Office (PMO)
Assurance	Income collection
Assurance	Debt Management/Holding Accounts/Suspense clearance
Assurance	Yeovil Rec improvements
Assurance	Main Accounting & bank reconciliation
Assurance	Ham Hill Visitor Centre
Assurance	YIC Phase2 Project

Assurance	Housing Benefits
Assurance	Discretionary Grant Payments
Assurance	Asset Management
Assurance	Climate Change Strategy
Assurance	Information Management
Assurance	Freedom of Information (FOI)
Assurance	Health & Safety Framework

Assurance	Supply Chains and Third-Party Risk
Assurance	Related Party Disclosures
Assurance	Council's Response to Energy Crisis
Assurance	Purchasing Cards
Assurance	Corporate Building Health & Safety
Assurance	Complaint Procedures
Assurance	