

Wiltshire Council

Report of Internal Audit Activity

Progress Report 2022/23- January 2023

Executive Summary

As part of our update reports, we will provide an ongoing opinion to support our end of year annual opinion.

We will also provide details of any significant risks that we have identified in our work, along with the progress of mitigating previously identified significant risks.

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SWAP is an internal audit partnership covering 25 organisations. Dorset Council is a part-owner of SWAP, and we provide the internal audit service to the Council.



Audit Opinion, Significant Risks, and Audit Follow Up Work

Audit Opinion

This is our third update report for 2022/23 financial year. On the basis of the outcomes of recent reviews completed, we recognise that generally risks are well managed. We have identified some gaps, weaknesses and areas of non-compliance within our work however with implementation of the agreed audit actions, we are able to offer an ongoing **reasonable opinion**.

Since our last report in November, we have issued **two Limited** assurance opinions on the areas and activities we have been auditing. In Appendix A on page 6, we have provided the one-page audit report for the Limited assurance opinion work, to offer the committee further insight.

Significant Corporate Risk

The report in July reported three significant corporate risks. Two of these corporate risks were around Category Management and Procurement Exemptions. We will be undertaking follow up work before the end of the financial year to assess progress in the implementation of the agreed actions and will report on progress in due course. The third significant risk relates to the Pension Fund review. When we initially undertook the audit in January 2022, we provided a **No Assurance** opinion with nine actions due to be implemented by October 2022. A further full audit has been undertaken to assess the progress where a **Limited Assurance** opinion has been provided. Whilst there has been some improvements in control, this is not as extensive as it might be hoped. We are therefore unable to provide assurance that the risks of incorrect payments, efficiencies in the processes and oversight of the fund have been adequately mitigated as yet. We will of course undertake further follow up work which we will report to the Committee in due course.

Additionally, in our November update we reported on a further significant corporate risk around the Pension Payroll Reconciliation Project where SWAP identified a number of key issues around the delivery of this project. It is understood that this project is being outsourced and the contract for this work is being agreed currently. Once sufficient time has elapsed for the project to have moved forward under the outsourced contract, we will undertake follow up work.

Executive Summary

For further details see:

<https://www.swapaudit.co.uk/>

Since our November update we have identified a further significant corporate risk around ICT Network Boundary Defences. We have identified that only 22% of devices used across the Council are routinely receiving security patches and 67% of devices do not have the latest firmware or operating systems in place leaving these devices vulnerable to a potential cyber-attack. Our report has been positively received by management and a clear action plan has been agreed to mitigate the risks identified. We will be undertaking follow up work to provide the Committee with assurances that appropriate actions have been taken.

Internal Audit Plan Update

Our audit plan coverage assessment is designed to provide an indication of whether we have provided sufficient, independent assurance to monitor the organisation’s risk profile effectively.

For those areas where no audit coverage is planned, assurance should be sought from other sources to provide a holistic picture of assurance against key risks.

Please note that a new approach audit planning has been discussed and agreed with the Chair and Deputy Chief Financial Officer which will be rolled out from April 2023. Further details on this will be provided at the April Audit and Governance Committee. The revised approach aims to deliver an audit service that is able to flex, pivot and be responsive to the needs of the organisation, along with providing the Committee and Senior Council officers real-time information around the work of Internal Audit.



SWAP Internal Audit Plan Coverage

The table below, captures our audit coverage, mapped against the Authority’s strategic risks. Furthermore, we have then overlaid the audit assurance outcomes of those risk areas that we have reviewed. As you will see audit work across 2022/23 has only provided coverage across some areas of the Strategic Risks. We will be working with the Corporate Directors to ensure that we provide more comprehensive coverage of the Council’s key risks going forward. We do not provide an indication of where work is planned because work could be delayed, deferred or removed from the plan. This table is providing information on work completed or currently in progress.

Strategic Risk	Coverage	Assurance assessment based on completed internal audit work
SR01 – Unable to Meet demands for Special Educational Needs or Disability	None	
SR02 – Lack of Capacity in the Social Care Market	Some	Non-Assurance audit work
SR03 – Uncontrolled Cost of Social Care (Predominantly Adults)	Some	Non-Assurance audit work
SR04 – Failure to Manage Housing Development	In progress	In Progress
SR05 – Cyber Resilience	Some	Reasonable
SR06 – Impact of Negative Media/Social Media Coverage on Council	None	
SR07 – Outbreak Management Control Plan	None	
SR08 – Failure in Safeguarding Children	None	
SR09 – Information Governance	None	
SR10 – Income Collection	None	
SR11 – Corporate Health, Safety and Wellbeing	Some	Non-Assurance audit work
SR12 – Hospital Discharges Resulting in Highly Restrictive Packages of Care	None	
SR13 – Budget Management	Some	Reasonable
SR14 – Not on Track for the Council to be Carbon Neutral by 2030	None	

Coverage Key	
Good	Good audit coverage completed
Adequate	Adequate audit coverage completed
Some	Some aspects of audit coverage
In Progress	Some aspects of coverage in progress
None	No audit coverage to date

Assurance Key	
Substantial	Sound system of governance, risk management and controls exist
Reasonable	Generally sound system of governance, risk management and control in place
Limited	Significant gaps, weaknesses or non-compliance were identified
No Assurance	Fundamental gaps, weaknesses or non-compliance identified

Internal Audit Plan Update

We review our performance to ensure that our work meets our clients' expectations and that we are delivering value to the organisation.

SWAP Performance Measures

Performance Measure	Performance
<p>Overall Client Satisfaction <i>(Did our work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation)</i></p>	100%
<p>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>	100%

Implementation of Audit Actions

We are currently reviewing our approach to action tracking whilst also embedding a new audit management system. We are taking this opportunity to review all outstanding actions to ensure that those carried over into our new system remain relevant. We can confirm that the situation has not changed substantially since the report we provided to the November audit Committee. Going forward we would like to report implementation of actions as a performance measure and we will provide more information on this when we report to the Committee in April 2023.

Internal Audit Plan Update

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

Cifas

Whilst Wiltshire Council has been a member of Cifas for some time, only limited progress has been made in rolling out its use across the Council. SWAP is supporting a targeted roll out to ensure that the Council is gaining maximum benefit for the membership fee of £13,020 which SWAP is currently paying. It is hoped that we will be able to provide more information on this in our next update report.

Data Analysis

ICT Boundary defences DA showing:

- Numbers of out of support network devices;
- Analysis of how long devices have been out of support; and
- Analysis of devices without the latest firmware installed.

Newsletters and updates

SWAP regularly produces a newsletter and other relevant updates for partners such as fraud bulletins, which provide information on topical issues of interest.

The role of SWAP as the internal auditors for Wiltshire Council is to provide independent assurance that the Council’s risk management, governance and internal control processes are operating effectively. In order for senior management and members to be able to appreciate the implications of the assurance provided within an audit report, SWAP provide an assurance opinion. The four recently revised opinion ratings are defined as follows:

Assurance Definitions	
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is 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 exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

In addition to the assurance definitions above we also provide an ‘assurance dial’ which indicates on a range of high medium or low where within the range of that assurance a particular audit assurance sits.



As can be seen in this example the assurance provided is low limited as the dial is sitting on the lower end of the limited scale. It could equally have been a medium limited assurance where the dial sits midway or high limited when it is sitting at the upper end close to the reasonable assurance.

Pension Key Controls – Final Report – January 2023



Audit Objective

To ensure key controls are operating effectively for the administration of the Pension Fund.

Assurance Opinion		Number of Actions		Risks Reviewed	Assessment
	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.	Priority	Number	Failure to have effective administration of the scheme resulting in incorrect payments, inefficiencies in the process and inadequate oversight over the fund.	High
		Priority 1	2		
		Priority 2	9		
		Priority 3	2		
		Total	13		

Key Findings	
	Following our previous audit which identified a number of unresolved aggregations resulting in a significant backlog; the Fund outsourced 3500 cases to be resolved over the next 11 months. During this review a further 500 cases were found that had not been identified in the original data to be outsourced.
	The Fund has introduced a new workflow management system, this is only live in the Member Services Team and should be implemented, as a priority, in the Employer Services Team. Whilst the workflow has improved the management of the Member Services Team tasks, we noted that the process for managing over payments are has not been fully implemented. Our review also identified that amendments, aggregations, and Status 2 Members are not being managed efficiently.
	To enhance the Funds oversight over the work completed by both teams, in our previous report, management agreed actions to ensure that quality assurance was conducted over a sample of tasks on a regular basis. Whilst quality assurance has commenced in the Member Services Team, we identified weaknesses in the process being followed and noted that no quality assurance has been introduced in the Employer Services Team.
	A weekly KPI report is distributed to the management team to help processing delays. Whilst the report provides greater transparency, we identified several weaknesses where the KPIs should be improved. For example, the KPIs were not always accurate as the correct data was not captured for aggregations, transfers in and Status 2 Members. Additionally, the KPIs do not cover all tasks completed by the Fund, in particular the tasks completed by the Employer Services Team such as new joiners and amendment processing.
	To bring overall assurance over the operational risks posed by the Fund, the Fund has introduced a Risks and Controls Register. The Management Team meet on a monthly basis to discuss whether the controls across the Fund are operating effectively and in turn assess the risks faced. Whilst this is a great step forward, our review identified that the register is still in the early stages, and more work is required to ensure this operates effectively long term.
	Whilst key controls within the Fund still need strengthening, improvement has been made since our last No Assurance review in March 2022. For example, new joiner letters and activation keys are no longer delayed, SAP to Altair reconciliations are being carried out on a regular basis, the payment approval's structure now has clear segregation of duties, the frozen refunds process has improved, and Status 3 member data has been cleared from Altair and a data retention policy and process has been introduced.

Audit Scope
An audit has been undertaken of the Pensions Key Controls. Our Audit included the following areas:
<ul style="list-style-type: none"> A. Enrolments; B. Contributions; C. Lump sum payments; D. Transfers in; E. Amendments; F. Operational Management G. Monitoring; H. Pension Projects; and I. Pensions risk and controls management.
We would like to thank all staff involved for their assistance during the audit.

Network Boundary Defences – Final Report – January 2023



Audit Objective

To provide assurance that the network boundary defences deployed by the Council’s ICT function effectively safeguard the Council’s network against internal and external security threats.

Assurance Opinion	Number of Actions	
		Priority
<p>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.</p>	Priority 1	1
	Priority 2	3
	Priority 3	2
	Total	6

Risks Reviewed	Assessment
Failure to manage appropriate and robust boundary defences may result in exploitable security vulnerabilities that could increase the likelihood of cyber-attack and security incidents, causing operational disruption, loss of critical services and data.	High

Key Findings

	Analysis of the Network Device Inventory found that there are 143 out of 648 devices (22.07%) that are no longer receiving security patches from the supplier, currently active on the network. (Pg. 1 and 2 of Data Analysis Appendix)
	There are currently 432 of 648 devices (66.67%) that do not have the latest firmware/Operating System version. There are dependencies on upgrading some out of support devices before other devices can be updated. Firmware version on 2 main firewalls was raised as not up to date during last penetration test. (Pg. 3 of Data Analysis Appendix.)
	Weak hashing algorithm in use for authentication of some remote sites connections to the data centres, via Virtual Private Network (VPN) connection. This was also highlighted during the last penetration test. There are some dependencies on upgrades before the use of these can be discontinued.
	We were informed that the Information Asset Register is not up to date. There is work planned to update this during an incorporation of a Record of Processing Activity (RoPA.)
	Investigations of security alerts and events is not always recorded. Where investigations are recorded this is not centrally available to allow controls to be updated based on trends in these alerts.
	No firewall logs are currently fed into the Security Information and Event Management (SIEM) system.

Audit Scope

The audit focused upon the assessment of those activities concerned with boundary defences and we:

- Performed a walkthrough with staff to determine the network’s design, document what boundary defences have been deployed and the technical validation applied to safeguard the network, including the collection and analysis of logs from network devices, and how action is taken to address.
- Undertook data analysis to confirm compliance with those policies and procedures that support boundary defences. Such data could involve configuration changes, issue logs, Hardware and Firmware support status etc. Given the sensitivity of the data concerned, we will agree our approach with you and possible alternatives such as scenario-based walkthroughs could also be considered.
- Identified what external assurance processes are also undertaken of the Councils boundary defences (including Pen tests) and evidence remedial actions that are taken by the Councils ICT to resolve a sample of the issues highlighted.

Audit Type	Audit Area	Status	Opinion	No of Actions	1 = High	↔	3 = Medium
					Action		
					1	2	3
2021-2022							
Completed							
Assurance	Payroll Continuous Audit Q3-Q4	Final	High Reasonable	3	-	-	3
Assurance	Housing Rents Continuous Audit Q3 - Q4	Final	Medium Substantial	1	-	-	1
Assurance	Council Tax & Business Rates Continuous Audit Q3-Q4	Final	Medium Substantial	1	-	-	1
Assurance	Main Accounting Continuous Audit Q3-Q4	Final	Medium Reasonable	1	-	-	1
Advisory	Workforce Planning and Capacity & Mental Health and Wellbeing	Final	N/A	-	-	-	-
Advisory	Housing Private Finance Initiative Contracts	Final	N/A	-	-	-	-
Assurance	Waste Collection Service	Final	High Reasonable	1	-	-	1
Reporting							
Assurance	Adult Payment to Providers	Draft					
2022-2023							
Completed							
Assurance	Pension Payroll Reconciliation Project	Final	Medium Limited	5	1	4	-
Assurance	Accounts Payable Continuous Audit – Period 1	Final	Medium Reasonable	2	-	2	-
Assurance	ICT Disaster Recovery	Final	Medium Reasonable	6	-	-	3

Audit Type	Audit Area	Status	Opinion	No of Actions	1 = High	↔	3 = Medium
					Action		
					1	2	3
Assurance	Accounts Receivable Continuous Audit – Period 1	Final	Medium Reasonable	4	-	1	3
Assurance	St Mary’s C of E School	Final	High Reasonable	5	-	1	4
Assurance	Housing Benefit and Council Tax Support Continuous Audit Period 1	Final	High Substantial	0	-	-	-
Assurance	ICT Network Boundary Defences	Final	Low Limited	6	1	3	2
Assurance	Pension Fund Key Controls	Final	Medium Limited	13	2	9	2
Assurance	Ludgershall Castle Primary School	Final	Low Substantial	3	-	-	3
Assurance	Harnham Infants School	Final	High Reasonable	4	-	1	3
Assurance	Treasury Management Continuous Audit Period 1	Final	High Substantial	0	-	-	-
Grant Certification	Supporting Families May Claim	Final	N/A	-	-	-	-
Grant Certification	Supporting Families August Claim	Final	N/A	-	-	-	-
Grant Certification	Supporting Families December Claim	Final	N/A	-	-	-	-
Grant Certification	Growth Hub	Final	N/A	-	-	-	-
Grant Certification	Universal Drug Treatment	Final	N/A	-	-	-	-
Grant Certification	Contain Outbreak Management Fund	Final	N/A	-	-	-	-
Grant Certification	Superfast Broadband Annual Return	Final	N/A	-	-	-	-

Audit Type	Audit Area	Status	Opinion	No of Actions	1 = High	↔	3 = Medium
					Action		
					1	2	3
Grant Certification	Public Health Grant	Final	N/A	-	-	-	-
Grant Certification	Local Authority Bus Services Operators Grant (BSOG)	Final	N/A	-	-	-	-
Grant Certification	Local Transport Capital Grant	Final	N/A	-	-	-	-
Grant Certification	Peer Networks Certification	Final	N/A	-	-	-	-
Follow Up	Baseline Assessment of Fraud Risk	Final	N/A	-	-	-	-
Follow Up	Brokerage – Adults	Final	N/A	-	-	-	-
Follow Up	Care Home Alliance	Final	N/A	-	-	-	-
Follow Up	Third Party Spend – Purchase to Pay	Final	N/A	-	-	-	-
Advisory	Housing Rents Data Analytics	Final	N/A	-	-	-	-
Advisory	Housing Rents Year End Balancing	Final	N/A	-	-	-	-
Advisory	Financial Controls – Feeder Systems	Final	N/A	-	-	-	-
Advisory	CASPAR Migration Investigation	Final	N/A	-	-	-	-
Advisory	School Cheque Fraud Advisory Work	Final	N/A	-	-	-	-
Reporting							
Follow Up	Category Management	Draft					
Follow up	Procurement Exemptions	Draft					
Assurance	Manor Fields Primary School	Draft					

Audit Type	Audit Area	Status	Opinion	No of Actions	1 = High	↔	3 = Medium
					Action		
					1	2	3
Assurance	Redland Primary School	Draft					
In Progress							
Assurance	Council Tax and Business Rates Continuous Audit Period 1	Fieldwork					
Assurance	Interim Loans	Fieldwork					
Assurance	Section 106 Financial Controls	Fieldwork					
Assurance	Horningsham Primary School	Fieldwork					
Assurance	Main Accounting Continuous Audit Period 1	Fieldwork					
Assurance	Cannon House Development Plan	Fieldwork					
Assurance	Payroll Continuous Audit Period 1	Fieldwork					
Work Planned *							
Assurance	Better Care Fund						
Assurance	Climate Change						
Assurance	Housing Repairs						
Assurance	Utility Contracts						
Assurance	Risk Management						
Assurance	Planning						

Audit Type	Audit Area	Status	Opinion	No of Actions	1 = High	↔	3 = Medium
					Action		
					1	2	3
Assurance	Adult Transformation (CQC)						
Assurance	Evolve Programme Support (Incl. Data Migration and Reconciliation)						
Assurance	Procurement						
Assurance	ICT identity Management in the eCloud						
Assurance	Longleaze Primary School						
Assurance	St Osmund's Catholic Primary School						
Grant Claim	Supporting Families – March 2023 Claim						
Follow up	Pension Payroll Reconciliation Project						

***Please note as indicated earlier in this report that a new approach audit planning has been discussed and agreed with the Chair and Head of Corporate Finance (Deputy Section 151) will be rolled out from April 2023. Further details on this will be provided at the April Audit and Governance Committee. The revised approach aims to deliver an audit service that is able to flex, pivot and be responsive to the needs of the organisation, along with providing the Committee and Senior Council officers real-time information around the work of Internal Audit.**