

Wiltshire Council

Report of Internal Audit Activity

Progress Report 2023/24- November 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. Wiltshire Council is a part-owner of SWAP, and we provide the internal audit service to the Council.

For further details see:
<https://www.swapaudit.co.uk/>



Audit Opinion, Significant Risks and Audit Follow Up Work

Audit Opinion

This is our second update report for 2023/24 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 July, we have issued **two Limited** assurance opinion 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. A limited opinion was issued following the reviews of Risk Management and the review of Procurement Cards. Agreed action plans are in place to improve internal control around these key areas of activity for the Council. At the time of our work there was a clear commitment to implementing the agreed actions and we are aware that progress is already being made.

Significant Corporate Risks

There are three, previously reported, significant corporate risks. The first being the Pension Fund Key Controls. We are currently undertaking a detailed follow up audit in this area, and we aim to report back to the Committee in our January update.

Similarly, we reported the ICT Network Boundary Defences as a significant corporate risk. We are aware that full mitigation of the risks identified as part of our work are a longer-term ambition. Therefore, we have not yet undertaken any follow up work but we aim to programme a series of follow up pieces in due course; in order to keep the Committee updated on progress.

Additionally, 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. The most recent actions update indicates that the outsourced project's target completion date has been extended to the end of 2023.

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.



SWAP Internal Audit Plan Coverage

The table below, captures our audit coverage, mapped against the Authority’s strategic risks since January 2023. Furthermore, we have then overlayed the audit assurance outcomes of those risk areas that we have reviewed. Whilst we have increased the number of strategic risks with some audit coverage, there are still some gaps where Internal Audit are looking to focus some work. We have been working with the Corporate Directors and Directors to ensure that we provide a more comprehensive coverage of the Council’s key risks going forward and we have work planned that will provide some coverage across areas such as climate change. Members and Senior Officers of the Council are able to view our live rolling plan dashboard, at any time, through SWAP’s audit management software; AuditBoard.

Strategic Risk	Coverage (Completed Audits)	Average Opinion of Completed Audits
WC R01 - Unable to meet demand for special educational needs or disability (SEND) school provision	None	
WC R02 - Lack of capacity in the social care market	Some	Non Opinion Audits
WC R03 - Failure to manage housing developing	None	
WC R04 - Increasing vulnerability to climate impacts	None	
WC R05 - Uncontrolled cost of social care (predominately adults)	Some	Substantial
WC R06 - Cyber Resilience	Some	Limited
WC R07 - Impact of negative media/social coverage on the Council	Some	Reasonable
WC R08 - Failure in Safeguarding Children	Some	Reasonable
WC R09 - Information Governance	Some	Reasonable
WC R10 - Income Collection	Adequate	Reasonable
WC R11 - Corporate Health, Safety and Wellbeing	Some	Reasonable
WC R12 - Hospital discharges resulting in high cost and highly restrictive packages of care	None	
WC R13 - Budget Management	Good	Reasonable
WC R14 - Not on track for the Council to be carbon neutral by 2030	None	

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

Assurance	Description
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

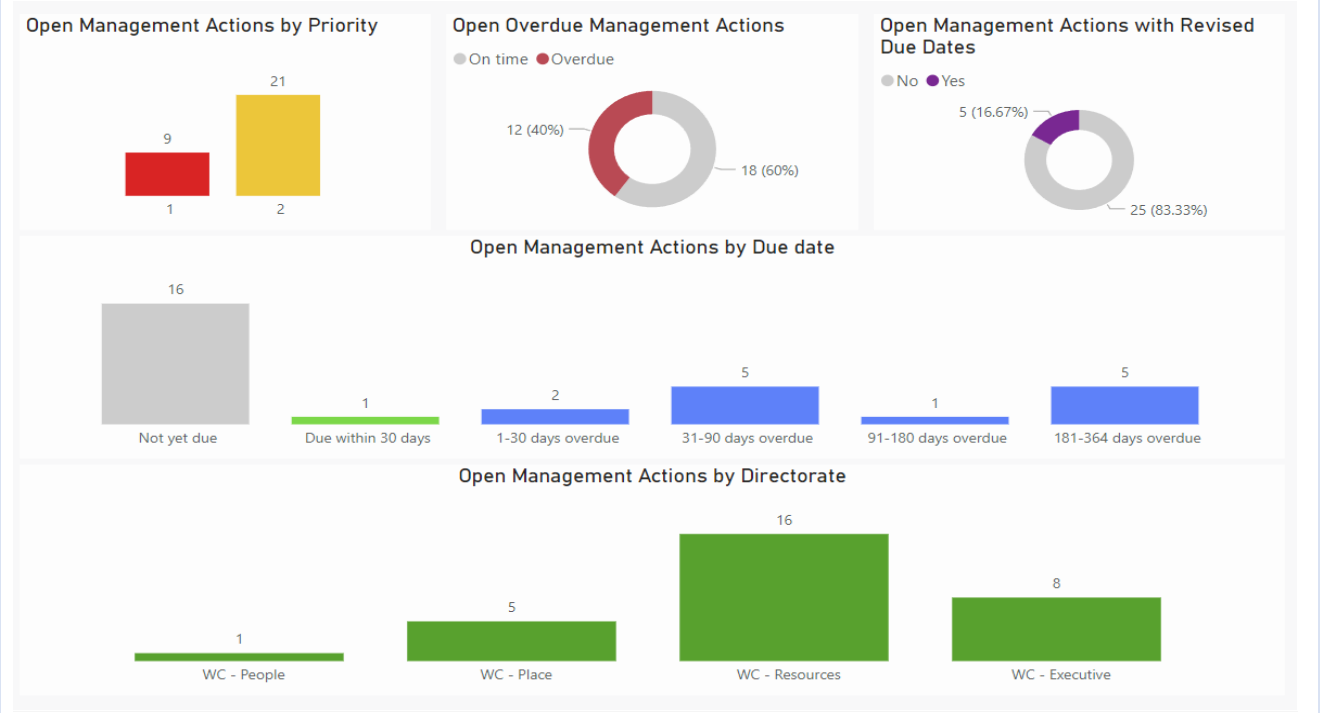
We review our performance to ensure that our work meets our clients' expectations and that we are delivering value to the organisation.

SWAP Performance Measures

Performance Measure	Performance
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>	97%
Value to the Organisation <i>(Client view of whether our audit work met or exceeded expectations, in terms of value to their area)</i>	100%

Implementation of Audit Actions

The graph below indicates the number of long overdue priority 1 and 2 actions.



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

We continue to work with the Council to identify and support services where use of Cifas could bring benefits.

Use of SWAP’s Data Analytics team

As part of the Risk Management audit review SWAP’s Data Analytics team were able to review the revised risk register record used by the Risk Management team to ensure there were adequate controls to prevent errors in the record.

Sharing of Best Practice

We identified a research and analysis report completed for central government on behaviours, relationships and disputes across the PFI sector. Additionally, the report provided recommendations for how to improve these aspects of the PFI sector. We forwarded a link to the report to relevant staff within Wiltshire Council who manage PFI contracts.

We also shared a Bevan Brittan video explaining amendments to the Procurement Bill concerning contract management, with a strong focus on the proactive selection of key performance indicators prior to contract finalisation. The video explored the significance of key performance indicators and the specific changes that organisations should be mindful of.

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.

Internal Audit Plan Update

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 provides an assurance opinion. The four 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 a high medium or low range within the assurance level.





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 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.



Risk Management – Final Report – July 2023



Audit Objective To provide an assessment of the current risk management framework

Assurance Opinion	Number of Actions	Risk Reviewed	Assessment										
 <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>	<table border="1"> <thead> <tr> <th>Priority</th> <th>Number</th> </tr> </thead> <tbody> <tr> <td>Priority 1</td> <td>3</td> </tr> <tr> <td>Priority 2</td> <td>4</td> </tr> <tr> <td>Priority 3</td> <td>4</td> </tr> <tr> <td>Total</td> <td>11</td> </tr> </tbody> </table>	Priority	Number	Priority 1	3	Priority 2	4	Priority 3	4	Total	11	Risk management arrangements are not effective, leading to uninformed decision-making or unforeseen exposure, resulting in failure to achieve key priorities and objectives.	
	Priority	Number											
	Priority 1	3											
	Priority 2	4											
	Priority 3	4											
Total	11												

Key Findings

	<p>The Corporate Support Manager, who has recently joined the Council, had already identified a number of control weaknesses and begun taking action to rectify these issues.</p> <p>Risks are reported to members regularly through the Strategic Risk Register and decision-making reports include consideration of associated risks.</p> <p>A Risk Management Working Group is set to be established and will take forward a number of the areas identified and form an ongoing support for risk management within the Council.</p>
	<p>Whilst senior officers are identifying and managing risks and opportunities as part of their business-as-usual processes, the risk management framework in which they are operating is not effective.</p> <p>Significant gaps in training and documentation were identified and key areas of an effective and robust risk management framework were inconsistently applied or missing.</p>

Audit Scope

Following a Risk Maturity self-assessment, we will consider the internal controls in place in the following areas through a combination of desktop review and liaison with key officers within the Corporate Support service:

- Risk Management Strategy and Framework;
- Risk Management training and awareness – this will include a survey of a selection of officers across the Council to assess the embeddedness of Risk Management;
- Corporate, service, project and partnership risk registers; and
- Risk reporting and escalation.

We conducted a survey, with additional interviews held following completion, with Senior Management and discussed their opinions on the maturity and effectiveness of current risk management arrangements.

Conclusion

Overall, it is our opinion that whilst risks are being identified, managed and used to inform decision making the overarching risk management framework is not effective and at times current practices impede the process of effectively managing, reporting and monitoring risk and opportunities. The agreed actions, once implemented, should provide a basis for a more robust and effective risk management framework that officers find less time consuming and more supportive. The Head of Executive Office has agreed to take a progress report to the Council’s Corporate Leadership Team in September and further demonstrates the commitment to make progress with the agreed actions.

Procurement Cards (incl. Proactive Fraud Review) – Final Report – October 2023



Audit Objective

To review procurement card transactions from 1st April 2021 to date to identify those which are non-compliant with Policy and to consider the risks of fraudulent use.

Assurance Opinion		Number of Actions		Risk Reviewed	Assessment
	<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 this area and reduce the risk of fraud.</p>	Priority	Number	<p>Inappropriate, unauthorised and/or fraudulent transactions are made using council issued procurement cards leading to financial loss and reputational damage.</p>	<p>Medium</p>
		Priority 1	0		
		Priority 2	3		
		Priority 3	2		
		Total	5		

Key Findings		Audit Scope
<p>The Council, and specifically the Finance team, has shown it is keen to review procurement card processes to deter and prevent fraud. The Finance team within the Council has had a period of high turnover which has begun to stabilise in recent months, with officers now being positioned to manage the required changes going forward.</p>	<p>The process for increasing procurement card limits is adequate in design. Limit increases are appropriately managed and are for a temporary period only, reverting to their original limits at the end of the statement period. This reduces the risk that officers can continue spending over their original limits.</p>	<p>This audit focused on Wiltshire Council procurement card transactions from the 1st April 2021 to March 2023.</p> <p>A review of the following has been undertaken:</p> <ul style="list-style-type: none"> • The policies and procedures governing the use of procurement cards and how users are made aware of this; • Monitoring, reporting and management oversight of procurement cards; • The provision of new procurement cards to Council Officers; • Officer authorisations for all card holders; • Limit increase and authorisation processes, and • Operational transaction approval by line management. <p>We were unable to conduct transactional Data Analysis to identify potential fraudulent payment activity and weekend spending as this was not provided at the time of the review.</p>
<p>A previous audit identified that information in the procurement card master list was not complete, and there was a lack of available signed guidance notes for procurement card users. This audit showed that these issues have not been rectified. In addition, we have also identified a lack of review of the appropriateness of the card holder list and dormant cards.</p>	<p>A previous audit identified that information in the procurement card master list was not complete, and there was a lack of available signed guidance notes for procurement card users. This audit showed that these issues have not been rectified. In addition, we have also identified a lack of review of the appropriateness of the card holder list and dormant cards.</p>	
<p>There is no clear process to notify Accounts Payable of organisational leavers or changes of role, so that they can take action to cancel the procurement card and ensure that the officers account is closed. This provides opportunity for fraudulent transactions to take place up to a month after an officer leaves the Council, depending on when the next statement is due for line management approval.</p>	<p>There is no clear process to notify Accounts Payable of organisational leavers or changes of role, so that they can take action to cancel the procurement card and ensure that the officers account is closed. This provides opportunity for fraudulent transactions to take place up to a month after an officer leaves the Council, depending on when the next statement is due for line management approval.</p>	

Conclusion

Whilst elements of the procurement card control framework are sound in design, we identified some significant gaps in how effective those controls are in practice. We have identified some opportunities to improve the control framework to further reduce the risk of fraud.