

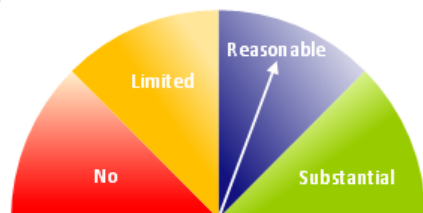
Wiltshire Council

Internal Audit Update Report

July 2022

Internal Audit Update: 'At a Glance' July 2022

Rolling Opinion



There is generally a 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.

The Headlines (Since our last update)

	<p>2 Significant Corporate Risks identified and 1 No Assurance Opinion assigned 4 Limited Opinion assigned 3 Priority 1 Actions</p>
	<p>31 reviews delivered since our last update in March 2022 Includes 23 assurance reviews (including 5 grant certifications), and 7 advisory pieces.</p>
	<p>Improvements from the implementation of agreed actions We continue to follow up agreed actions as part of our agreed follow up protocol.</p>
	<p>Range of innovations and enhancements made to our internal audit process throughout the year Data analytics continues to drive/support reviews; Further development of the Continuous Assurance programme for Key Financial Systems; Agile audit techniques; Benchmarking exercises offer useful insight and suggested practices.</p>

Internal Audit Assurance Opinions (Since last update)

	This Period
Substantial	5
Reasonable	9
Limited	4
No Assurance	1
Grant Certification	5
Advisory	7
Total	31

Internal Audit Agreed Action (Since last update)

	This Period
Priority 1	3
Priority 2	33
Priority 3	21
Total	57

Summary

As part of our rolling plan reports, we will provide an ongoing opinion to support the end of year annual opinion, detail progress against the approved plan and any updates in scope and coverage.

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

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Rolling Opinion and Summary of Significant Risks

Introduction

This is our July 2022 update and reports the progress since our March 2022 update against the quarterly plans agreed by this Committee. Our planning process involves regular reviews with senior managers to ensure internal audit activity remains appropriate in scope and timing with the opportunity for risk-based flex.

Rolling Opinion

The Rolling Opinion is based on information obtained from multiple engagements and sources, the results of which, when viewed together, provide an understanding of the organisation's governance arrangements, risk management processes and internal control environment and facilitate an assessment of overall adequacy and effectiveness. These sources include:

- Completed reviews since our last update which evaluate risk exposures relating to the organisation's governance, operations, risk and information systems, reliability and integrity of information, efficiency and effectiveness of operations and programmes, safeguarding of assets and compliance with laws and regulations;
- Observations from consultancy/advisory support;
- Follow up of previous audit activity, including agreed actions;
- Notable changes to the organisation's strategy, objectives, processes or IT infrastructure; and
- Other assurances (1st and 2nd line) and from other providers, including third parties, regulators etc.

Based upon our completed work to date, which covers various assurance and advisory pieces and a range of grant certifications, our rolling opinion is **'Reasonable'**. Appendix B summarises internal activity completed, in progress and due to commence for the period covered by this report.

Internal Audit Update

Significant Corporate Risks:

Identified Significant Corporate Risks should be brought to the attention of the Audit Committee.

Summary of Work Completed – Significant Corporate Risks

We provide a definition of the three Risk Levels for Corporate risk applied within audit reports within **Appendix A**. For those audits which have reached report stage through the year, we will report risks we have assessed as ‘High’.

Category Management

To provide assurance that category management is effective, complies with legislation and policies and is appropriate ensuring value for money.

For this audit we would normally have met with Category Managers, however, due to the vacant posts, we have instead met with commissioning staff within the services involved in the procurement process. We note the work being carried out on the restructure within services and the procurement governance project and have reviewed job descriptions for staff involved in procurement and commissioning. Category management policies and processes were reviewed where available, as was the management information to support procurement when available. Category management plans were included in the review to confirm whether benefits are identified and recorded. We also ascertained what performance is being recorded and how poor performance was addressed.

The following risks were reviewed as part of this audit and an assessment made of the residual risk.

Risk Reviewed	Assessment
1. The Authority’s Category Management Strategy has not been defined and individual strategies for categories are not complete. This could lead to improper or unlawful practices resulting in legal challenge, reputational damage and unnecessary financial loss.	High
2. Category management is not completed or reviewed effectively in accordance with the Authority’s policy, procedures and processes, leading to challenge, reputational damage and financial losses.	Medium

Five actions were agreed as a part of this audit, all with a target date of 30th September 2022. SWAP will conduct a follow up audit in October 2022 to ensure the risks have been mitigated.

Procurement Exemptions

To review whether the exemptions process provides adequate controls to ensure compliance with procurement rules and value for money.

This audit was requested by the Head of Commercial & Procurement as part of the audit plan for 2021/22. The scope included:

- Exemption policies and procedures.
- Roles and responsibilities.
- Confirming that exempted contracts are compliant with the exemption rules.

The following risks were reviewed as part of this audit and an assessment made of the residual risk.

Risk Reviewed	Assessment
1. The Authority's Exemption Policy and procedures are not current with legislation and best practice and do not promote achieving value for money.	Medium
2. Contract exemptions are not completed or reviewed effectively in accordance with the Authority's policy, procedures and processes for exemptions. Increasing the risk of challenge, reputational damage and financial losses.	High

Three actions were agreed as a part of this audit, due to be implemented by 30th September 2022. SWAP will conduct a follow up audit in October 2022 to ensure the risks have been mitigated.

Internal Audit Update

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 and Governance Committee.

All audits awarded a Limited or No Assurance rating will be followed up to provide assurance to the Corporate Director, Senior Managers and the Audit and Governance Committee, that the agreed actions to mitigate risk exposure have been implemented.

Summary of Work Completed – Limited and No Assurance Opinions

Pension Fund Key Control Review

Assurance Opinion



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.

Key Findings

	New enrolments are not always processed in line with SLAs, reconciliations are time consuming and not reviewed.
	Employer contribution rate checks are not robustly controlled and there is not clear ownership for escalating issues.
	Lumpsum payment are not always processed in line with SLAs, supporting documentation is not always saved on file, inadequate segregation of duties between the person processing calculations and approving payments.
	Accounting errors noted when processing members transferring into the Fund.
	Amendments are not always processed in line with SLAs and supporting documentation is not always saved on file.
	The process of distributing tasks to team members and ensuring robust monitoring of SLAs and team capacity / backlog requires review. A formal quality assurance process should be implemented to ensure work is carried out correctly.
	Weaknesses identified in the management of the Fund's projects.
	Backlog of historic tasks relating to aggregations, frozen refunds, retired members and status 3 members.
	Pensions system access review – the action to implement a schedule of software licenses for systems used within the Fund has not been implemented.

Nine actions have been agreed with the Head of the Wiltshire Pension Fund, all due to be implemented between May 2022 and October 2022. Two of these have now been implemented, three are in progress and five have not yet reached their implementation target date. SWAP will undertake a follow up audit in November 2022 to ensure all actions have been implemented and risks mitigated.

Internal Audit Update

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

Changes to the Audit 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 a result of new and emerging risk areas, and which result in significant changes to the agreed plan will be reported to CLT and the Audit and Governance Committee. The agreed plan provides for flexibility in coverage and scope and includes some provision for responsive activity.

The following table highlights some notable changes to the plan since the last update in March 2022.

Assignment	Amendment	Reason
Assurance Mapping	Deferred	To be undertaken during 2022/23
Climate Change Strategy	Removed	As agreed with the Corporate Director Resources and Deputy Chief Executive (S.151)
Downlands Special School	Deferred	Due to staffing challenges as a result of the Pandemic this audit has been deferred to 2022/23.
Horningsham Primary School	Deferred	Due to staffing challenges as a result of the Pandemic this audit has been deferred to 2022/23.
Financial Controls – Feeder Systems	Addition	Request from the Corporate Director Resources and Deputy Chief Executive.
Housing Rents Data Analytics	Addition	As a result of the work already undertaken during the Housing Rents Continuous Audit process.
Fostering Excellence	Deferred	Due to ongoing work in this area, this audit has been deferred to Q2 of the 2022/23 Plan.
Contain Outbreak Management Fund	Addition	Late request received for Head of Internal Audit grant sign off.
Universal Drug Treatment Grant	Addition	Late request received for Head of Internal Audit grant sign off.

Internal Audit Update

Aged Analysis of Audit Actions Exceeding the Originally Agreed Target Implementation Date

Summary of Actions

Outstanding Audit Actions by Priority Non Schools

	< 30 Days	< 60 Days	< 90 Days	< 120 Days	120+ Days	Totals
3	1	0	0	0	12	13
2	0	3	0	0	7	10
1	0	1	0	0	0	1
Totals	1	4	0	0	19	24

Appendix C provides a summary of any outstanding Priority 1 and 2 non-schools actions.

Added Value

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

SWAP strives to add value wherever possible, and this can be demonstrated in a number of ways ranging from how we deliver your assurance requirements to how we optimise our reach across our partner base and the wider profession to deliver information, reflection and learning.

CIFAS

SWAP continue to support the council to roll out the use of the CIFAS database. The aim of this work is to prevent fraud by sharing data, intelligence and learning. By preventing fraud, the Council can save time and money in fraud investigation work and attempting to recover fraudulent expenditure.

Benchmarking:

Information on topical issues and good practice is gathered and appropriately shared across SWAP and sector partners – through a fortnightly *News Round Up*, attendance at professional groups and conferences.

COVID Grant Certification Work:

Due to the COVID-19 pandemic, Central Government have issued numerous grants. We continue to undertake COVID related grant certification.

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.

Performance

The Chief Executive Officer for SWAP reports performance on a regular basis to the SWAP Directors and Owner Bords.

We will build our audit plan as the year progresses to ensure that we are auditing the right things at the right time.

SWAP Performance

SWAP performance is subject to regular review by both the Directors and Owners meetings. The respective outturn performance results for 2021/22 year (as of 5th July 2022) are as follows:

Performance Measure	Performance
Quality of Audit Work	
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>	98%
Value to the Organisation <i>(Client view of whether our audit work met or exceeded expectations in terms of value to their area)</i>	97%

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. We have four opinion ratings 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.

Advisory – As well as 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. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

In addition to the assurance definitions above we have also introduced 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.

We provide the Committee with details of the overall assurance opinion for all completed audits, and they can be seen in the plan progress table in Appendix B below.

In addition to the corporate risk assessment, it is important that management know how important the action is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the action. Actions are prioritised from 1 to 3 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level. Each action has been given a priority rating at service level with the following definitions:

Categorisation of Actions	
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.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

Definitions of Risk	
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.

Summary of Internal Audit Work

APPENDIX B

Audit Type	Audit Area	Status	Opinion	No of Actions	1 = Major	↔	3 = Medium
					Action		
					1	2	3
2021-2022							
Complete							
Assurance	Pension Fund Key Control Review	Completed	High No Assurance	9	2	7	
Assurance	Category Management	Completed	Low Limited	5		3	2
Assurance	Procurement Exemptions	Completed	Medium Limited	3	1	1	1
Assurance	Complaint Handling	Completed	Medium Limited	5		3	2
ICT	Information Asset Security	Completed	Medium Limited	6		5	1
ICT	Segregation of Duties and Profiles in Key financial Systems	Completed	Medium Reasonable	2		1	1
Assurance	Designated Officer for Allegations (DofA)	Completed	Medium Reasonable	4		4	
Assurance	Accounts Receivable Continuous Audit Q3	Completed	Medium Reasonable	1			1
Assurance	Education, Health and Care Plans	Completed	Medium Reasonable	5		4	1
Assurance	Accounts Payable Continuous Audit Q2	Completed	High Reasonable	2		2	
Assurance	Safeguarding Vulnerable People Partnership	Completed	High Reasonable	4		2	2
Assurance	Accounts Payable Continuous Audit Q3	Completed	High Reasonable	0			
Assurance	Accounts Payable Continuous Audit Q4	Completed	High Reasonable	0			
Assurance	Decision Making Processes	Completed	Low Substantial	2			2

Summary of Internal Audit Work

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Audit Type	Audit Area	Status	Opinion	No of Actions	1 = Major	↔	3 = Medium
					Action		
					1	2	3
Assurance	Virtual Schools	Completed	Low Substantial	3		1	2
Assurance	Housing Rents Continuous Audit Q2	Completed	High Substantial	0			
Assurance	Treasury Management Continuous Audit Q3 - Q4	Completed	High Substantial	0			
Assurance	Housing Benefit and Council Tax Support Continuous Audit Q3 - Q4	Completed	High Substantial	0			
Grant Certification	Supporting Families March Claim	Completed	Grant Certification	N/A			
Grant Certification	Covid-19 Bus Services Support Grant (CBSSG) Restart	Completed	Grant Certification	N/A			
ICT	Cyber Security Framework Review Follow-Up	Completed	Advisory	N/A			
Special Investigation	Special Investigation	Completed	Advisory	N/A			
Advisory	National Fraud Initiative	Completed	Advisory	N/A			
Advisory	External Audit Liaison	Completed	Advisory	N/A			
Advisory	Anti-Fraud and Corruption Advice	Completed	Advisory	N/A			
Advisory	CIFAS	Completed	Advisory	N/A			
Advisory	COVID-19 Advice	Completed	Advisory	N/A			
Reporting							
Assurance	Adult Payment to Providers	Draft Report					

Summary of Internal Audit Work

APPENDIX B

Audit Type	Audit Area	Status	Opinion	No of Actions	1 = Major	↔	3 = Medium
					Action		
					1	2	3
Assurance	Housing Rents Continuous Audit Q3 - Q4	Draft Report					
Advisory	Workforce Planning and Capacity & Mental Health and Wellbeing	Discussion					
In Progress							
Assurance	Housing Private Finance Initiative Contracts	Initiation					
Assurance	Waste Collection Service	Fieldwork					
Assurance	Main Accounting Continuous Audit Q3 – Q4	Fieldwork					
Assurance	Payroll Continuous Audit Q3 – Q4	Fieldwork					
Assurance	Use of Unregulated / Unregistered Placements	Fieldwork					
Assurance	Council Tax and Business Rates Continuous Audit Q3 - Q4	Fieldwork					
2022-2023							
Complete							
Grant Certification	Supporting Families May Claim	Completed	Certification	N/A			
Grant Certification	Contain Outbreak Management Fund	Completed	Certification	N/A			
Grant Certification	Superfast Broadband Annual Return	Completed	Certification	N/A			
Assurance	ICT Disaster Recovery	Completed	Reasonable	6			6

Summary of Internal Audit Work

APPENDIX B

Audit Type	Audit Area	Status	Opinion	No of Actions	1 =	↔	3 =
					Major		Action
					1	2	3
Reporting							
Assurance	Pension Payroll Reconciliation Project	Discussion					
In Progress							
Assurance	Financial Controls – Feeder Systems	Fieldwork					
Follow Up	Baseline Assessment of Fraud Risk	Fieldwork					
Follow Up	Brokerage – Adults	Fieldwork					
Follow Up	Brokerage – Childrens	Fieldwork					
Follow Up	Care Home Alliance	Fieldwork					
Follow Up	Third Party Spend – Purchase to Pay	Fieldwork					
Grant Certification	Growth Hub	Fieldwork					
Grant Certification	Universal Drug Treatment Grant	Fieldwork					
Advisory	Housing Rents Data Analytics	Fieldwork					
Advisory	National Fraud Initiative	Ongoing Support					
Advisory	External Audit Liaison	Ongoing Support					
Advisory	Anti-Fraud and Corruption Advice	Ongoing Support					
Advisory	CIFAS	Ongoing Support					

Summary of Internal Audit Work

APPENDIX B

Audit Type	Audit Area	Status	Opinion	No of Actions	1 = Major	↔	3 = Medium
					Action		
					1	2	3
To Commence							
Assurance	Main Accounting Continuous Audit – Period 1						
Assurance	Accounts Payable Continuous Audit – Period 1						
Assurance	Accounts Receivable Continuous Audit – Period 1						
Assurance	Payroll Continuous Audit – Period 1						
Assurance	Council Tax and Business Rates Continuous Audit – Period 1						
Assurance	Housing Benefit and Council Tax Support Continuous Audit – Period 1						
Assurance	Housing Rents Continuous Audit – Period 1						
Assurance	Risk Management						
Assurance	Planning						