

# AGENDA

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**Meeting:** Audit Committee  
**Place:** The Kennet Room - County Hall, Trowbridge BA14 8JN  
**Date:** Tuesday 12 December 2017  
**Time:** 2.00 pm

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Please direct any enquiries on this Agenda to Democratic Services, County Hall, Trowbridge, direct line 01225 713935 or email [committee@wiltshire.gov.uk](mailto:committee@wiltshire.gov.uk)

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## Membership:

Cllr Richard Britton (Chairman)	Cllr Jim Lynch
Cllr Tony Deane	Cllr Andy Phillips
Cllr Stewart Dobson (Vice Chairman)	Cllr Leo Randall
Cllr Mike Hewitt	Cllr Ian Thorn
Cllr Tony Jackson	Cllr John Walsh
Cllr Edward Kirk	

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## Substitutes:

Cllr Ian Blair-Pilling	Cllr Ross Henning
Cllr Anna Cuthbert	Cllr Ruth Hopkinson
Cllr Peter Evans	Cllr Jon Hubbard
Cllr Gavin Grant	Cllr Ricky Rogers

## **RECORDING AND BROADCASTING NOTIFICATION**

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## Part I

### Items to be considered while the meeting is open to the public

#### 1 **Apologies**

To receive any apologies or substitutions for the meeting.

#### 2 **Minutes of the Previous Meeting** (*Pages 5 - 10*)

To confirm and sign the minutes of the meeting held on 26 September 2017

#### 3 **Declarations of Interests**

To receive any declarations of disclosable interests or dispensations granted by the Standards Committee.

#### 4 **Chairman's Announcements**

#### 5 **Public Participation**

The Council welcomes contributions from members of the public.

#### Statements

If you would like to make a statement at this meeting on any item on this agenda, please register to do so at least 10 minutes prior to the meeting. Up to 3 speakers are permitted to speak for up to 3 minutes each on any agenda item. Please contact the officer named on the front of the agenda for any further clarification.

#### Questions

To receive any questions from members of the public or members of the Council received in accordance with the constitution.

Those wishing to ask questions are required to give notice of any such questions in writing to the officer named on the front of this agenda no later than 5pm on **Wednesday 6 December 2017** in order to be guaranteed of a written response. In order to receive a verbal response questions must be submitted no later than 5pm on **Friday 8 December 2017**. Please contact the officer named on the front of this agenda for further advice. Questions may be asked without notice if the Chairman decides that the matter is urgent.

Details of any questions received will be circulated to Committee members prior to the meeting and made available at the meeting and on the Council's website.

#### 6 **KPMG - Wiltshire Council - Annual Audit Letter 2016-17** (*Pages 11 - 20*)

To consider the Annual Audit Letter from Wiltshire Council's external auditors.

#### 7 **KPMG - Wiltshire Council - Audit Fee letter 2017-18** (*Pages 21 - 30*)

To consider the audit fee letter from Wiltshire Council's external auditors

**8 SWAP Internal Audit Activity Update** *(Pages 31 - 68)*

To provide an update to the Audit Committee on the work and performance of Internal Audit (IA) for 2017/18, at end of November 2017. It provides a summary of Progress made in:

- Delivering the 2017/18 Internal Audit and Counter Fraud Plans, by identifying audits completed, or in-progress compared to the original plan.
- The progress of management in responding to audit recommendations.
- The council's overall control environment.

**9 Forward Work Programme** *(Pages 69 - 70)*

To note the Forward Work Programme

**10 Date of Next Meeting**

To note that the next regular meeting of the Committee will be held at 10am on 14 February 2018.

**11 Urgent Items**

Any other items of business, which the Chairman agrees to consider as a matter of urgency.

**Part II**

**Items during whose consideration it is recommended that the public should be excluded because of the likelihood that exempt information would be disclosed**

## **AUDIT COMMITTEE**

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### **DRAFT MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 26 SEPTEMBER 2017 AT THE KENNET ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.**

#### **Present:**

Cllr Richard Britton (Chairman), Cllr Anna Cuthbert (Substitute - Part II), Cllr Tony Deane, Cllr Stewart Dobson (Vice-Chairman), Cllr Tony Jackson, Cllr Edward Kirk, Cllr Andy Phillips and Cllr Leo Randall

#### **Also Present:**

Cllr Philip Whitehead, Cllr Richard Clewer

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#### **25 Apologies**

Apologies were received from Cllr John Walsh, Cllr Jim Lynch, and Cllr Mike Hewitt (who was substituted for by Cllr Anna Cuthbert).

The Leader of the Council was represented by Cllr Philip Whitehead

#### **26 Minutes of the Previous Meeting**

The minutes of the previous meeting were presented and it was

#### **Resolved:**

**To confirm and sign as a correct record the minutes of the meeting of the Audit Committee held on 26 July 2017**

#### **27 Declarations of Interests**

There were no declarations of interest

#### **28 Chairman's Announcements**

SWAP was due to deliver two regional seminars on the Local Authority Audit process. These were not training events but would provide useful horizon-scanning information and opportunities for networking with other local authority audit committee members.

Following the outcome of a national tender for auditors of public services, it was reported that Wiltshire Council's external auditors for 2018/19 would be Deloitte. They would start working with the Council early in 2018. KPMG, the present incumbent, would continue to work with the Council until the summer of 2018 and would conduct the external audit for the 2017/18 financial year.

The Audit Committee would have an opportunity to meet the new external auditor to discuss expectations and support the handover process.

## 29 **Public Participation**

No statements or questions had been received

## 30 **Healthy Organisations Briefing session**

Ian Withers, from SWAP, delivered a short briefing session on the Healthy Organisations audit approach. It was explained that the Healthy Organisation approach was based on three lines of defence and had been developed by SWAP and implemented with five of their partners. Its purpose was to provide assurance of the council's performance and finance management and to support its scrutiny and management functions. The last Healthy Organisations audit had been completed in 2016 and an update was scheduled to start in December 2017.

The Chair explained that the purpose of the Audit Committee was to: approve the audit plan, monitor the progress of the plan, and to monitor the impact of the audit's recommendations. The Healthy Organisations approach supported this third function by offering a measure of impact and improvement.

In addition to receiving the briefing, members discussed the use of RAG rating in assessing risk and audit outcomes.

## 31 **Internal Audit Activity and Opinion Annual Report 2016-17**

The report was presented. It was explained that this was a look back at the 2016/17 financial year and that a reasonable assurance opinion had been given.

In response to questions it was reported that Wiltshire Council had not agreed to two recommended actions and had accepted the risk involved in this. It was agreed to provide details in future reports of recommendations that were not agreed. It was reported that five of the outstanding audits from the 2016/17 financial year had been removed with the agreement of senior management. The remainder had been carried forward into the 2017/18 audit plan and had since been completed. The completion time requirements for different priority areas were explained.

It was explained that actions relating to the schools audit had been put in place and a follow up would be completed to check that these had been completed. The schools chosen for the original audit had been those identified by the

council as the most at risk of challenges and the outcome of the audit had therefore been expected. The council was liaising with the schools finance team to look at future risk areas and members were reassured that adequate resources were being directed to meeting the identified challenges and risks. The progress made in this area would be included within the new audit plan.

**Resolved:**

**To consider the Internal Audit Activity and Opinion Annual Report 2016 and to note the findings of the internal auditors**

**32 Internal Audit Plan 2017-18**

The internal audit plan for 2017-18 was presented. It was explained that the plan was based on the Healthy Organisation audit and a full risk assessment of the local authority conducted by SWAP in consultation with key officers within the council. The proposed audits were targeted at areas where they would have the most value and where resources could most efficiently be employed. Members were also asked to consider Appendix One of the plan, the Internal Audit Charter, for their approval.

**Resolved:**

**To approve the Internal Audit Plan for 2017/18 and the Internal Audit Charter**

**33 Counter Fraud Plan 2017/18**

Ian Withers, from SWAP, presented the plan which was split into three areas: proactive and preventative work; audit reviews; and reactive work. He reported that the focus of the plan was on identifying areas of higher risk of fraud rather than identifying whether fraud was present.

A typographical error was corrected on page six of the report and it was confirmed that the Council's annual income from off-street parking was £750,000

**Resolved:**

**To approve the Counter Fraud Plan for 2017-18 with the correction as above.**

**34 Internal Audit Activity 2017-18 - September Update**

The report was presented and in the discussion that followed, the following issues were raised:

It was explained that recommendations with a Priority 3 classification were typically due for action within 3-6 months depending on a range of factors including their complexity. The number of overdue days was measured from the

start of this time range which meant some actions looked more problematic than the reality.

Work was ongoing to ensure that the two outstanding Priority 4 recommendations were completed and work on the Counter Fraud Work Plans (page 21-22 of the report) had now been scheduled.

It was explained that actions identified by the Healthy Organisations Audit usually took longer to implement as they were related to embedded work processes and approaches rather than specific activities.

Suggested improvements were identified to the format of future reports to provide more clarity on areas of concern or particular interest. Examples included better categorisation of overdue actions, and a more distinct split between actions which had not yet commenced and those that had started but had not yet been reviewed. It was agreed to set up a committee task group to consider these suggestions and make recommendations. The following councillors agreed to join this task group: Cllr Cuthbert, Cllr Dobson, Cllr Kirk, and Cllr Britton.

**Resolved:**

**To receive the September Update on the Internal Audit Activity 2017-18 and the findings of the Internal Auditors**

**To establish a task group to look at the presentation and format of internal audit plans.**

**35 Information Governance SIRO Annual Report**

The Information Governance SIRO Annual Report was presented and the Chairman thanked the team involved for the substantial and professional work involved. Carlton Brand, Corporate Director, reported that a large amount of work had been undertaken following the inspection and that the remaining risk was now largely in the potential for human error. The Governance Commissioner's response to this was not yet known.

It was explained that Information Governance was about protecting individuals' personal data and respecting their right to privacy. It was of paramount importance and a key area of priority for Wiltshire Council as mistakes could have devastating effects on a person's life as well as damaging people's trust in the council.

It was explained that town and parish councils faced similar issues with information governance but may be less equipped to deal with them due to a lower level of resources and/or awareness. While meeting legislative requirements remained their responsibility an event had been organised for all parish and town councils at the end of November 2017 to offer advice and informational support.



The report author was congratulated for the presentation, language and detail of the report in addition to the work detailed within it.

**Resolved:**

**To note with approval the conclusions and recommendations of the Information Governance SIRO Annual Report**

**36 Forward Work Programme**

The Forward Work Programme was presented.

**Resolved:**

**To note the Forward Work Programme**

**37 Date of Next Meeting**

The Chairman thanked everyone for their attendance and informed members that the November meeting of the Audit Committee, currently scheduled for 30 November, would need to be rescheduled and the new date would be circulated to them in due course.

**38 Urgent Items**

The Chairman thanked everyone for their attendance and informed members that the November meeting of the Audit Committee, currently scheduled for 30 November, would need to be rescheduled and the new date would be circulated to them in due course.

(Duration of meeting: 2.00 - 3.40 pm)

The Officer who has produced these minutes is Becky Holloway of Democratic Services, direct line 01225 718059, e-mail [committee@wiltshire.gov.uk](mailto:committee@wiltshire.gov.uk)

Press enquiries to Communications, direct line (01225) 713114/713115

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# Annual Audit Letter 2016/17

# Wiltshire Council



[kpmg.com/uk](http://kpmg.com/uk)

October 2017

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Darren Gilbert, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers ([andrew.sayers@kpmg.co.uk](mailto:andrew.sayers@kpmg.co.uk)). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk), by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

The contacts at KPMG in connection with this report are:

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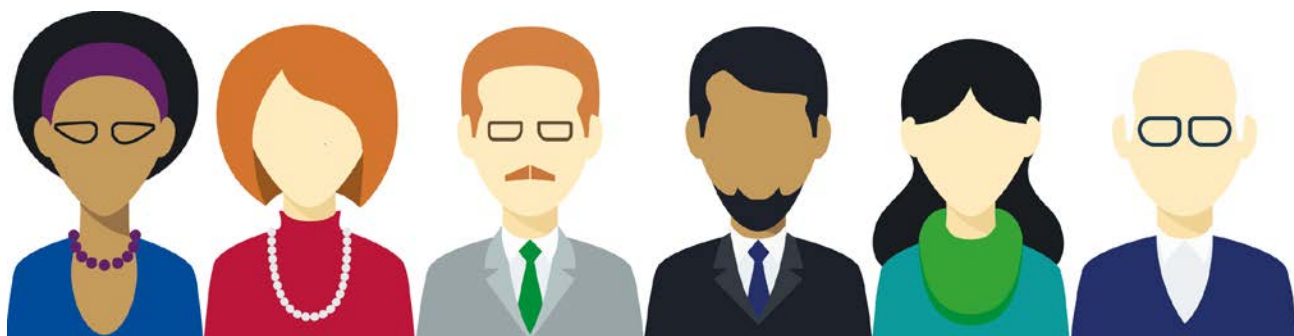
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## Section one

# Summary

This Annual Audit Letter summarises the outcome from our audit work at Wiltshire Council in relation to the 2016/17 audit year. Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

### VFM conclusion

We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2016/17 on 26 July 2017. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.

To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.

### VFM risk areas

We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.

Our work identified a significant matter in relation to the delivery of savings plans. We reviewed the Medium Term Financial Plan and assessed its reasonableness. Whilst it is believed that the plan is broadly suitable, it will be challenging to deliver the transformational change needed to meet future savings targets. However, the Authority continued to achieve savings targets for 2016/17 and therefore should be well positioned to achieve future requirements.

### Audit opinion

We issued an unqualified opinion on the Authority's financial statements on 26 July 2017. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. The financial statements also include those of the pension fund.



## Section one

### Financial statements audit

We identified a significant audit risk in respect of our audit of the Authority's financial statements which related to the changes in the pension liability as a result of the triennial valuation. We reviewed the process used to submit payroll data to the Pension Fund and tested the year-end submission process and controls. The assumptions used by your actuary were compared to industry standards, as well as being reviewed by our internal actuarial team. We also substantively agreed the total figures submitted to the actuary to the ledger and engaged with our colleagues in the Pension Fund audit team to gain assurance over the pension figures. No issues were identified as a result of this work.

Our overall audit work identified three audit adjustments with a total net value of £33.9 million. These adjustments related to:

- A balance of £6.9 million owed to Swindon Borough Council being show as "sundry creditors" rather than "local authority creditors";
- Correcting the treatment of gains and losses on investment properties so that they are taken to the Capital Adjustment Account (via the Comprehensive Income & Expenditure Statement) rather than directly to the Revaluation Reserve; and
- The use of an incorrect adjustment factor by the Authority's external valuer when determining the value of social housing stock resulting in assets being undervalued by £33.9 million.

### Other information accompanying the financial statements

Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.

### Pension fund audit

There were no significant issues arising from our audit of the pension fund and we issued an unqualified opinion on the pension fund financial statements as part of our audit report.

### Whole of Government Accounts

We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that, following an update to reflect the audit misstatements identified as a result of our financial statements audit, the Authority's pack was consistent with the audited financial statements.

### High priority recommendations

We raised one high priority recommendations as a result of our 2016/17 audit work. This is detailed in Appendix 1 together with the action plan agreed by management. This recommendation related to the resolution concerns identified in relation to the Authority's IT control environment. A more detailed report was issued separately to management setting out a range of recommendations to address each specific area of concern.

We will formally follow up this recommendations as part of our 2016/17 work.


### Certificate

Following completion of our work in relation to the Authority's Whole of Government Accounts submission and the review of the Pension Fund Annual Report, we issued our certificate on 30 September 2017. The certificate confirms that we have concluded the audit for 2016/17 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

### Audit fee

Our fee for 2016/17 was £180,562, excluding VAT. This is higher than the planned fee of £167,420 as a result of additional work to address failures identified in the Authority's IT control environment. Further detail is contained in Appendix 3.

# Key issues and recommendations

No.	H/M/L	Issue and recommendation	Management response/responsible officer/due date
1		<p><b>IT Control Failures</b></p> <p>As a result of our audit work over the Authority’s IT systems we identified a number of significant weaknesses. As a result of this, we were unable to place reliance upon the automated controls operating within these systems and additional work was required in order to gain assurance over system reports. The control failings identified can be summarised as follows:</p> <p><i>SAP IT Issues</i></p> <p>The Authority had previously implemented a process to monitor the use of the extremely powerful SAP_ALL access profile. Due to staffing changes in August 2016, these accounts were not appropriately monitored during the year after that period.</p> <p>Therefore, there was a potential during the year to have unlimited access to change system parameters and alter audit trails without detection.</p> <p><i>Northgate IT Issues</i></p> <p>There are a high number of Northgate accounts which have access to systems underlying database. The testing performed in 2016/17 has confirmed that this includes the ability to delete records and change reporting functionality without testing or approval.</p> <p>These issues have meant that extensive additional testing had to be performed in the year, including lowering the performance materiality threshold and increased substantive testing over management provided reports.</p> <p>Due to the critical and sensitive nature of the issues identified, a separate IT report has been issued detailing the full range of SAP issues and our recommendations.</p> <p><b>Recommendation</b></p> <p>Ensure that the agreed recommendations set out in the separate IT report are actioned in a timely manner.</p>	<p><i>SAP IT Issues</i></p> <p>Point agreed and actions taken. All access was removed from all dialog SAP accounts at various points during the financial year, with the last one removed 5 January 2017. No dialog users therefore now have access to SAP-ALL. Action now complete, but area will be continually reviewed as part of normal controls procedures.</p> <p><i>Northgate IT Issues</i></p> <p>Point agreed and actions taken. Immediate action was taken to clear out all user accounts that have no need to access the domain at this level. Accounts were also removed during the 2016/2017 financial year. Action now complete, but area will be continually reviewed as part of normal controls procedures.</p> <p><i>Other</i></p> <p>The other medium and low risk IT issues have also been discussed and appropriate actions taken. Most have actions have already been completed.</p> <p><b>Responsible Officer</b></p> <p>Steve Vercella (Head of ICT)</p> <p><b>Deadline for Implementation</b></p> <p>High risk areas Complete.</p> <p>Most medium and low risk already complete, but final target 31/12/2017</p>

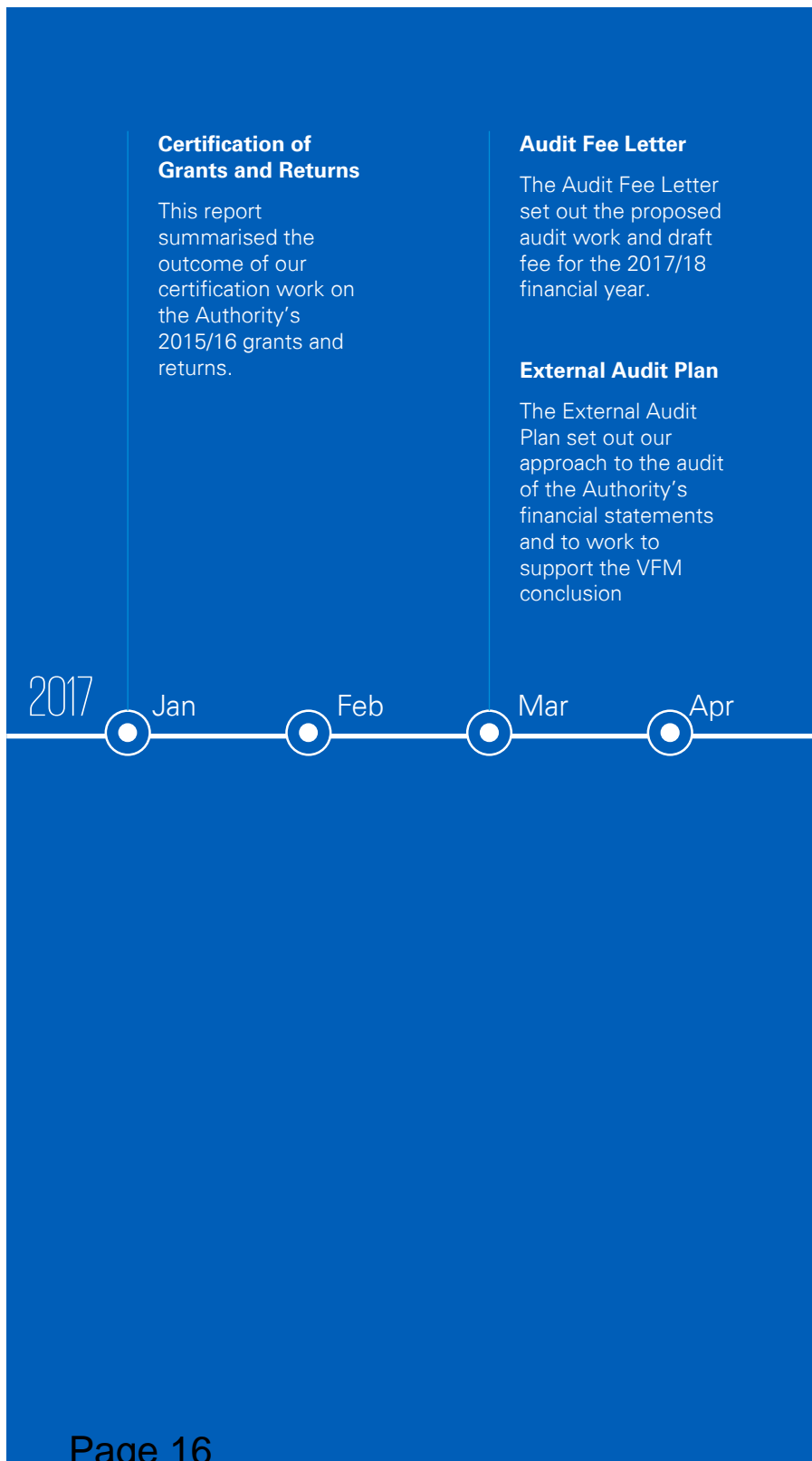
**Follow up of previous recommendations**

As part of our audit work we followed up on the Authority’s progress against previous audit recommendations. We are pleased to report that there were no high priority recommendations raised in the prior year and that the sole recommendation raised (low priority) has been implemented in full.

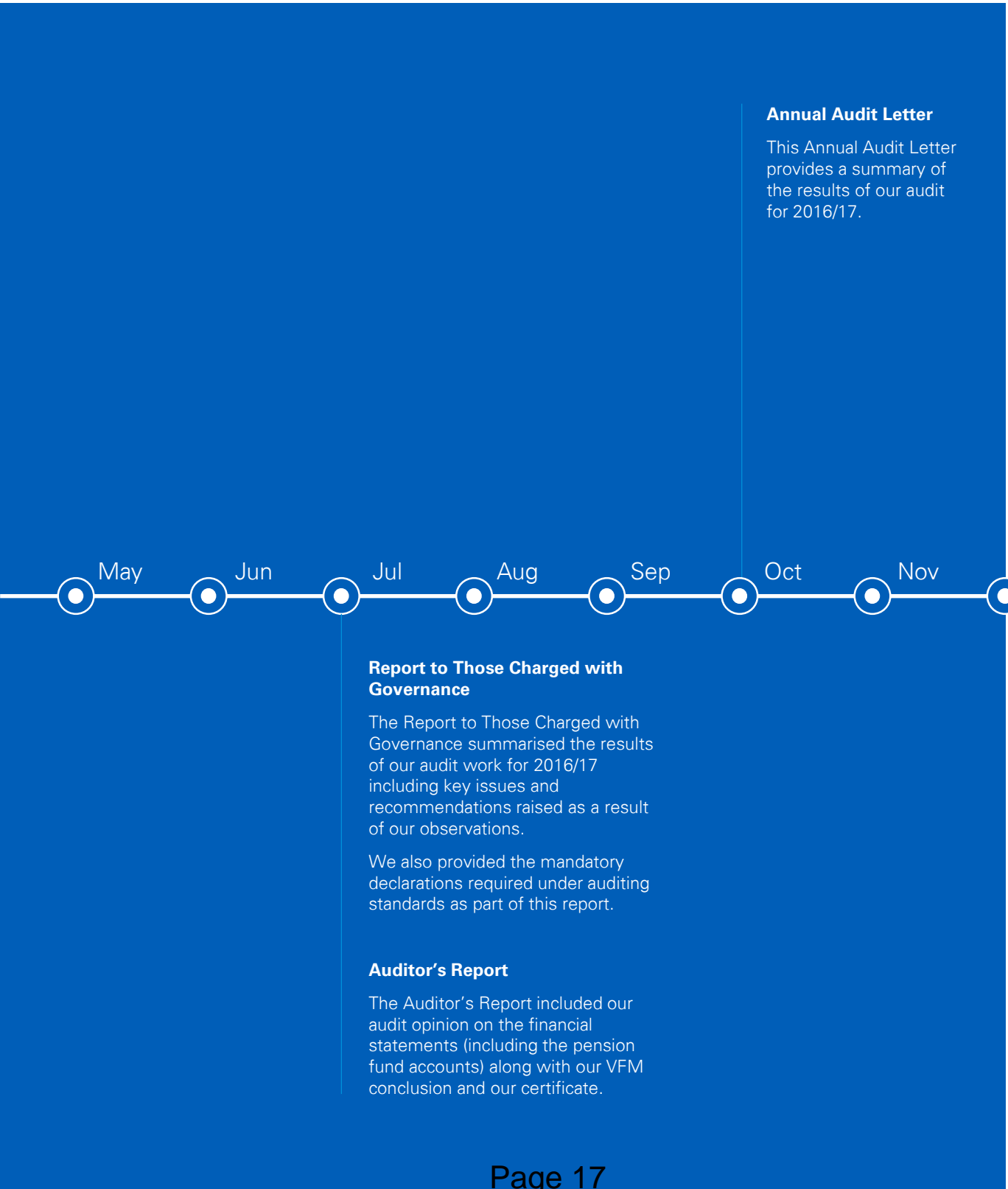
# Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter.

These reports can be accessed via the Audit Committee pages on the Authority's website at [www.authorityname.gov.uk](http://www.authorityname.gov.uk).







**Annual Audit Letter**

This Annual Audit Letter provides a summary of the results of our audit for 2016/17.

May

Jun

Jul

Aug

Sep

Oct

Nov

**Report to Those Charged with Governance**

The Report to Those Charged with Governance summarised the results of our audit work for 2016/17 including key issues and recommendations raised as a result of our observations.

We also provided the mandatory declarations required under auditing standards as part of this report.

**Auditor's Report**

The Auditor's Report included our audit opinion on the financial statements (including the pension fund accounts) along with our VFM conclusion and our certificate.

## Appendix 3

# Audit fees

This appendix provides information on our final fees for the 2016/17 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2016/17 planned audit fee.

### External audit

Our final fee for the 2016/17 audit [of the Authority] was £180,562. This compares to a planned fee of £167,420. The increase in fee reflects the extent of additional work that was required as a result of the issues identified in the Authority's IT control environment.

Our final fee for the 2016/17 audit of the Pension Fund was £25,678 which compare to the planned fee of £24,246. The increase in fee was required as a result of additional work over the fair value of assets.

Our fees are still subject to final determination by Public Sector Audit Appointments.

### Certification of grants and returns

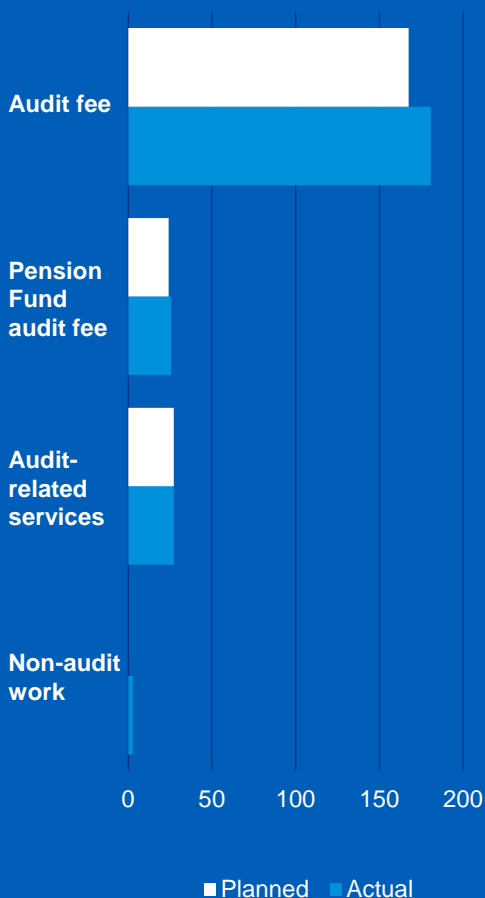
Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work in January 2018 but is currently expected to be in line with planned fee of £21,165.

### Other services

We charged £6,000 for additional audit-related services for the certification of the Pooling of Housing Capital Receipts Return and the Teachers' Pensions Agency Return which are outside of Public Sector Audit Appointment's certification regime. This work is still ongoing.

We also charged £2,700 for further work in relation to the provision of a review of the Authority's Medium Term Financial Planning processes. This work was commenced during 2015-16 and was not related to our responsibilities under the Code of Audit Practice.

External audit fees 2016/17  
(£'000)



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Our ref WiltC/1718/Fee Letter

29 March 2017

Dear Michael

**Annual audit fee 2017/18**

I am writing to confirm the audit work and fee that we propose for the 2017/18 financial year at Wiltshire Council. Our proposals are based on the risk-based approach to audit planning as set out in the Code of Audit Practice and Public Sector Audit Appointments Ltd's (PSAA's) published work programme and fee scales.

**Planned audit fee**

The planned audit and certification fees for 2017/18 are shown below, along with a comparison to the prior year's fee. All fees are exclusive of VAT.

<b>Audit area</b>	<b>Planned fee 2017/18</b>	<b>Planned fee 2016/17</b>
Audit fee – Wiltshire Council	167,420	167,420
Audit fee – Wiltshire Pension Fund	24,246	24,246
Certification of housing benefit grant claim	TBC	21,165

PSAA has set the 2017/18 scale fees at the same level as for 2015/16 and 2016/17, thereby preserving the 25 per cent reductions in cash terms that were applied to those years which in turn were in addition to the savings of up to 40 per cent in scale audit fees and certification fees in 2012/13. This equates to a real terms saving of 61 per cent over this period. The 2017/18 planned fee is in line with the scale fee.

The 2017/18 scale fee for the certification of housing benefit grant claims is still to be published. We will inform you of any changes in fee as a result of this once final scale fees are announced.

As we have not yet completed our audit for 2016/17 the audit planning process for 2017/18, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary. We will naturally keep you informed.

### **Redistribution of Audit Commission surplus**

PSAA plans, during the course of 2017/18, to make a distribution of surplus funds to principal local government and police bodies. The distribution is made possible by the transfer of an element of the Audit Commission's retained earnings prior to its closure in March 2015 and by PSAA continuing to generate surplus funds and make further efficiencies since its establishment.

This distribution will be made directly by PSAA and not via KPMG. Based on current information, PSAA anticipates that the amount of the redistribution is likely to be in the order of 15% of the scale fee.

### **Factors affecting audit work for 2017/18**

We plan and deliver our work to fulfil our responsibilities under the Code of Audit Practice (the Code) issued by the National Audit Office (NAO). Under the Code, we tailor our work to reflect local circumstances and our assessment of audit risk. We do this by assessing the significant financial and operational risks facing an audited body, and the arrangements it has put in place to manage those risks, as well as considering any changes affecting our audit responsibilities or financial reporting standards.

Under the Code, we have a responsibility to consider an audited body's arrangements to secure economy, efficiency and effectiveness in its use of resources and to do this we will undertake appropriate value for money (VFM) audit work. The 2017/18 fees have been set on the basis that the NAO's Code and supporting guidance does not change the level of work required on the VFM audit. Should this not be the case, or if new or increased significant VFM audit risks arise that require further audit work, additional fees will be necessary over and above the scale fee. Any such additional fees will be subject to approval through PSAA's fee variation process.

### **Certification work**

As well as our work under the Code, we will certify the 2017/18 claim for housing benefit subsidy to the Department for Work & Pensions (DWP).

The 2017/18 subsidy claim will be the final year for which PSAA will make arrangements for auditors to undertake housing benefit subsidy certification work. After the end of the transitional arrangements and the current audit contracts, PSAA has no legal power or remit in relation to assurance on claims or returns. The DWP is developing its own assurance arrangements from 2018/19 and has issued further

guidance directly to local authorities. We will liaise with the Council over the future approach to this work as details emerge.

There are no longer any other claims or returns that we are required to certify under the PSAA audit contract. Assurance arrangements for other schemes are a matter for the relevant grant-paying body, and may be the subject of separate fees and tri-partite arrangements between the grant-paying body, the audited body, and the auditor. We would be happy to discuss any such certification needs with you.

### **Assumptions**

The indicative fees are based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. Our assumptions are set out in more detail in Appendix 1 to this letter.

In setting the fee at this level, we have assumed that the general level of risk in relation to the audit of the financial statements and certification work is not significantly different from that identified for the current year's audit, except for in relation to the Council's general IT controls where we assume that issues identified during 2016/17 will be fully resolved. A more detailed audit plan will be issued early next year. This will detail the risks identified, planned audit procedures and (if required) any changes in fee. If we need to make any significant amendments to the audit fee during the course of the audit, we will first discuss this with you and then prepare a report for the Audit Committee, outlining the reasons why the fee needs to change.

We expect to issue a number of reports relating to our work over the course of the audit. These are listed at Appendix 2. A statement of our independence is included at Appendix 3.

The proposed fee excludes any additional work we may agree to undertake at the request of Wiltshire Council. Any such piece of work will be separately discussed and a detailed project specification agreed with you.

### **Beyond 2017/18**

The 2017/18 audit will be the last under the current transitional arrangements whereby PSAA is responsible for managing the audit contracts novated to it from the Audit Commission upon its closure in March 2015.

For audits of the accounts from 2018/19, the provisions of the Local Audit & Accountability Act 2014 in relation to local appointment of auditors take effect. The

Secretary of State for Communities and Local Government has specified PSAA as the appointing person for principal local government and police bodies. PSAA will therefore appoint auditors and set scale audit fees for bodies that have opted into its national scheme.

### **Our team**

The key members of our audit team for the 2017/18 audit are:

<b>Name</b>	<b>Role</b>	<b>Contact details</b>
Darren Gilbert	Director	darren.gilbert@kpmg.co.uk 0292 046 8110
Adam Bunting	Manager	adam.bunting@kpmg.co.uk 0117 905 4470
Phil Tapping	In-charge	phil.tapping@kpmg.co.uk 0117 905 4671
Duncan Laird	Pension Fund Manager	duncan.laird@kpmg.co.uk 0117 905 4253

### **Quality of service**

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact me and I will try to resolve your complaint. If you are dissatisfied with your response please contact the national contact partner for all of KPMG's work under our contract with PSAA, Andy Sayers ([andrew.sayers@kpmg.co.uk](mailto:andrew.sayers@kpmg.co.uk)). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk), by telephoning 020 7072 7445 or by writing to:

Public Sector Audit Appointments Limited  
3rd Floor  
Local Government House  
Smith Square  
London  
SW1P 3HZ





**KPMG LLP**  
Annual audit fee 2017/18  
29 March 2017

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Darren Gilbert', with a small flourish at the end.

Darren Gilbert  
Director, KPMG LLP

cc: Audit Committee

## Appendix 1 – Audit fee assumptions

In setting the fee, we have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2016/17;
- appropriate controls over high powered access to the SAP and Northgate systems are implemented and operate effectively throughout the period;
- you will inform us of significant developments impacting on our audit work;
- internal audit meets the appropriate professional standards;
- internal audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit;
- you will identify and implement any changes required under the CIPFA Code of Practice on Local Authority Accounting within your 2017/18 financial statements;
- your financial statements will be made available for audit in line with the timetable we agree with you (note that 2017/18 is the first year in which the 'faster close' timetable applies whereby the deadline for draft accounts moves to the end of May and the deadline for publishing audited accounts moves to the end of July);
- good quality working papers and records will be provided to support the financial statements in line with our *prepared by client* request and by the date we agree with you;
- requested information will be provided within agreed timescales;
- prompt responses will be provided to draft reports;
- complete and accurate claims and returns are provided for certification, with supporting working papers, within agreed timeframes; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

Where these assumptions are not met, we will be required to undertake additional work and charge an increased audit fee. The fee for the audit will be re-visited when we issue the detailed audit plan.

Any changes to our audit plan and fee will be agreed with you. Changes may be required if:

- new residual audit risks emerge;

- additional work is required by KPMG, PSAA, the NAO or other regulators; or
- additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.

## Appendix 2: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

<b>Planned output</b>	<b>Indicative date</b>
External audit plan	January 2018
Interim audit report (if required)	May 2018
Report to those charged with governance (ISA260 report)	July 2018
Auditor's report giving the opinion on the financial statements, value for money conclusion and audit certificate	July 2018
Opinion on Whole of Government Accounts return	September 2018
Annual audit letter	October 2018
Certification of grant claims summary report	December 2018

### **Appendix 3 – Independence & objectivity requirements**

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit Committee.

KPMG LLP is committed to being and being seen to be independent. The APBs Ethical Standard requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the NAO's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.
- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.

- Audit staff are expected not to accept appointments as Governors at certain types of schools within a local authority area.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

#### **Confirmation statement**

We confirm that as of March 2017 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.

Wiltshire Council

Agenda Item No.

Audit Committee

12<sup>th</sup> December 2017

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## SWAP Internal Audit Activity Update – December 2017

### 1. Purpose of the Report

1.1 To provide an update to the Audit Committee on the work and performance of Internal Audit (IA) for 2017/18, at end of November 2017. It provides a summary of Progress made in:

- Delivering the 2017/18 Internal Audit and Counter Fraud Plans, by identifying audits completed, or in-progress compared to the original plan.
- The progress of management in responding to audit recommendations.
- The council's overall control environment.

### 2. Executive Summary

2.1 Currently 44 general audits have commenced relating to the 2017/18; and 100% of audits carried forward from 2016/17 have also been completed. Of these 44 audits, 16 have been completed to final report, 4 are at draft stage and 24 are in progress.

2.2 In addition, 12 counter fraud audits have commenced. Of these 12 audits, 4 have been completed to final report, 1 is at draft stage and 7 are in progress.

2.3 From this work, no high significant 'corporate' risks have so far been identified.

2.4 The time to finalise reports has improved significantly from 2016/17 with 71% of reports issued within the targets of 5 days for draft and 86% completed within 10 days from issuing of the draft report for final. Whilst this is still below the high target the direction of travel is pleasing. There remains a slightly poorer performance in finalising school audits and the target for these is perhaps in need of extension to reflect the more remote working arrangements and environment.

- 2.5 Overall 64% and 63% of the general and counter fraud audit plan has been commenced. This is slightly behind the original forecast due in part to SWAP being under full establishment and senior officers requesting audits to be slipped to allow for the recent LGA Peer inspection.
- 2.6 To deliver the plan by year end it has been agreed with senior officers that a number of audits are moved to quarters three and four. No audits have been removed, although two audits have been merged (Corporate Debt and accounts Receivable).
- 2.7 The SWAP report identifies that a total of 279 recommendations (Priority 5,4,3 and Health Organisation) have been raised relating to the 82 audits completed for 2016/17 and 25 for the 2017/18 audits completed to date to (draft or final, and 5 in relation to Counter Fraud). The breakdown of these is that 155 related to the Council and 124 related to School Audits.
- 2.8 Of the 279 recommendations, 194 relate to 2016/17 and 85 to 2017/18. Of the 85 raised for 2017/18 audits 6 (7%) recommendations were assessed as Priority 4 (second highest category) and 62 (73%) were Priority 3, the remaining recommendations being priority 2 and 1 (17 or 20%). Overall for the two years there were 5 (6%) audits completed that were deemed of a substantial assurance, 42 (55%) reasonable with assurance and only 13 (17%) with partial assurance (10 for 2016/17 and 3 for 2017/18 to date). None were deemed no assurance, with the balance of 22% relating to audits where no opinions given, e.g. grants. As such the control environment remains strong.
- 2.9 Following the last Audit Committee senior officers have worked hard with SWAP to clear the previous reported backlog of recommendations actioned. There are now 15 recommendations that are still outstanding greater than 120 days past their due implementation date. Work is ongoing to address this further and it is hoped no outstanding audit actions will be reported at the next Committee update.
- 2.10 It is pleasing to note that SWAP's Customer Satisfaction scores have maintained high and at 81% overall is welcomed. The trend will be appraised by the senior officers and the Committee to assess the ongoing feedback.



### **3. Proposal(s)**

- 3.1 Members are asked to note the Internal Audit Activity for 2017/18 and the outcomes of audit and counter fraud work completed to date.

### **4. Reason for Proposal**

- 4.1 To ensure an effective Internal Audit, and that the Council is effectively managing its financial, governance and counter fraud frameworks to manage within a strong control environment.

**Michael Hudson**  
**Director of Finance, S.151 Officer**

**Report author: Michael Hudson**  
01225 713601  
[michael.hudson@wiltshire.gov.uk](mailto:michael.hudson@wiltshire.gov.uk)

Unpublished documents relied upon in the preparation of this Report: None.

Appendices:

A – Report on Internal Audit Activity 2017/18 December Update

B - Report on Internal Audit Counter Fraud Activity 2017/18 December Update

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# Wiltshire Council

Report of Internal Audit Activity 2017/18

December Update

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## The contacts at SWAP in connection with this report are:

### Gerry Cox

Chief Executive

Tel: 01935 385906

[gerry.cox@southwestaudit.co.uk](mailto:gerry.cox@southwestaudit.co.uk)

### David Hill

Executive Director

Tel: 01935 385906

[david.hill@southwestaudit.co.uk](mailto:david.hill@southwestaudit.co.uk)

### Ian Withers

Assistant Director

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[ian.withers@southwestaudit.co.uk](mailto:ian.withers@southwestaudit.co.uk)



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Role of Internal Audit Work & Audit Work Quarter Summary

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SWAP Performance

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Approved Amendments to Annual Audit Plans 2017/18

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Audit Framework Definitions

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Appendix 1: Internal Audit Plan Update 2017/18

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## Summary

The Chief Executive of SWAP is required to provide an opinion to support the Annual Governance Statement.

**“risks are generally well managed and the systems of internal control are working effectively”**



### Audit Opinion

Overall, based on the work completed to date this financial year, we can report that risks are generally well managed and the systems of internal control are working effectively. Management generally respond positively to Internal Audit recommendations for improvements and corrective action is often taken quickly, wherever this is possible or practical.

SWAP now has 24 partners, including 18 local authorities and are proud to be a growing partnership.



## Role of Internal Audit and Audit Work Summary

Our internal audit activity is broadly split between:

- **Healthy Organisation**
  - Corporate Governance
  - Commissioning & Procurement
  - Financial Management
  - Programme & Project Management
  - Performance Management
  - People and Asset Management
  - Information Management
- Requested by Management
- Key Financial Systems
- Schools
- Follow-up
- Grants
- Client Support

The Internal Audit service for Wiltshire Council is provided by South West Audit Partnership (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). The Partnership is also guided by the Internal Audit Charter approved by this Committee.

Internal Audit provides an independent and objective opinion on the Authority's governance, risk and control environment by evaluating its effectiveness. Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Associate Director, Finance (Section 151 Officer), following consultation with the Corporate Leadership Team, the Audit Committee and External Auditors. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, risk and control. This audit assignment activity is broken down into various categories of work as outlined in the bullet points shown in the column on the left of this page.

For the 2017/18 Audit Plan we have so far initiated 44 audits and reviews, of which 16 are completed to final report and 4 are at draft report stages. All audits have been completed for 2016/17 and included in the Internal Audit Activity and Annual Opinion 2016/17 report.

To improve the completion of audits, we are currently applying an improved process that going forward will include alerting the Director of Finance through monthly performance reporting and greater engagement with members of the Corporate Leadership Team to assist in resolving any issues and to finalise, ensuring control improvements are achieved.

## Outturn to Date:

We rank our recommendations on a scale of 1 to 5: with priority 1 being very minor or administrative concerns that are not formally captured but the client is informally advised during the audit instead, through to priority 5 being areas of major concern that would require immediate remedial action by senior management.

Healthy Organisation recommendations are rated high; medium and low according to the opinion.

44 audits have been initiated for 2017/18, 20 at final or draft report stage. A total of 6 priority 4 and 62 priority 3 recommendations have been made so far for 2017/18 audits.

3 audit reports have so far been issued giving partial assurance for 2017/18



## Internal Audit Work Programme

The table at Appendix 1, shows all audits as per the agreed Internal Audit 2017/18. 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 Annual Audit Plan. Explanations for any delays or action taken to agree and finalise audit reports is given in the comments column.

Each completed audit to final or draft report, includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised and agreed with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed from page 13 of this report.

In circumstances where findings have been identified which are considered to represent significant corporate risks to the Council, these would be included in this activity report. We are pleased to report that there are no significant risks for this quarter.

To assist the Committee in its important monitoring and scrutiny role, in those cases where weaknesses have been identified in service/function reviews that are considered to represent significant service risks, a summary of the key audit findings would be included in this activity report. To date there are zero audits for 2017/18 that have resulted in a “No” but 3 audits have given a “Partial Assurance Opinion”, 1 at final report stage with actions agreed for improvement and 2 at draft report stage currently being discussed with management.

Outturn to date:

## Efficiencies and 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.**

**“Audits have added value through recommending improvements that will deliver more efficient processes.”**



## Efficiencies and Added Value

Members requested that we provide them with examples of where we have “added value” to a particular service or function under review. In response to this we have changed our approach and internal processes and will now formally capture at the end of each audit where we have “added value”. The SWAP definition of “added value” is “it refers to 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”. As we complete our operational audit reviews and through our governance audit programmes across SWAP, we seek to bring information and best practice to managers to help support their systems of risk management and control.

**Use of Data Analytics and IDEA Software Tool** We are continuing to increase the use of IDEA and other data analytics tools, as part of our normal audits. Recent examples in use include accounts payable and staff expenses in examining the 100% of the system data and identified cars not effectively issued for business use, putting the Council at risk of any claim.

### Healthy Organisation:

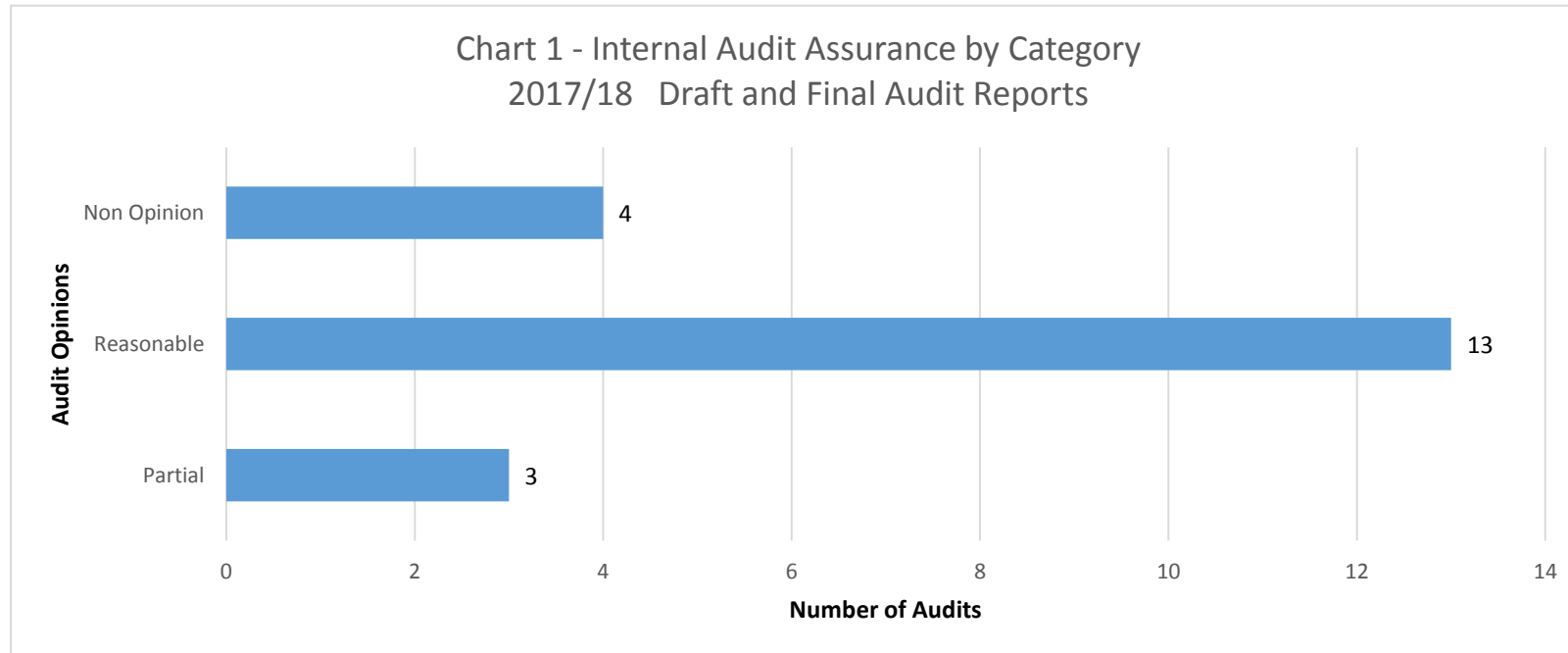
We are continuing to integrate the Healthy Organisation into our audit approach, in particular our planning and identifying areas of risk to audit and maximise value. The Healthy Organisation will be reviewed and updated in January 2018 with one aim of informing the 2018/19 Internal Audit Plan that will be reported to the Audit Committee in May 2018.





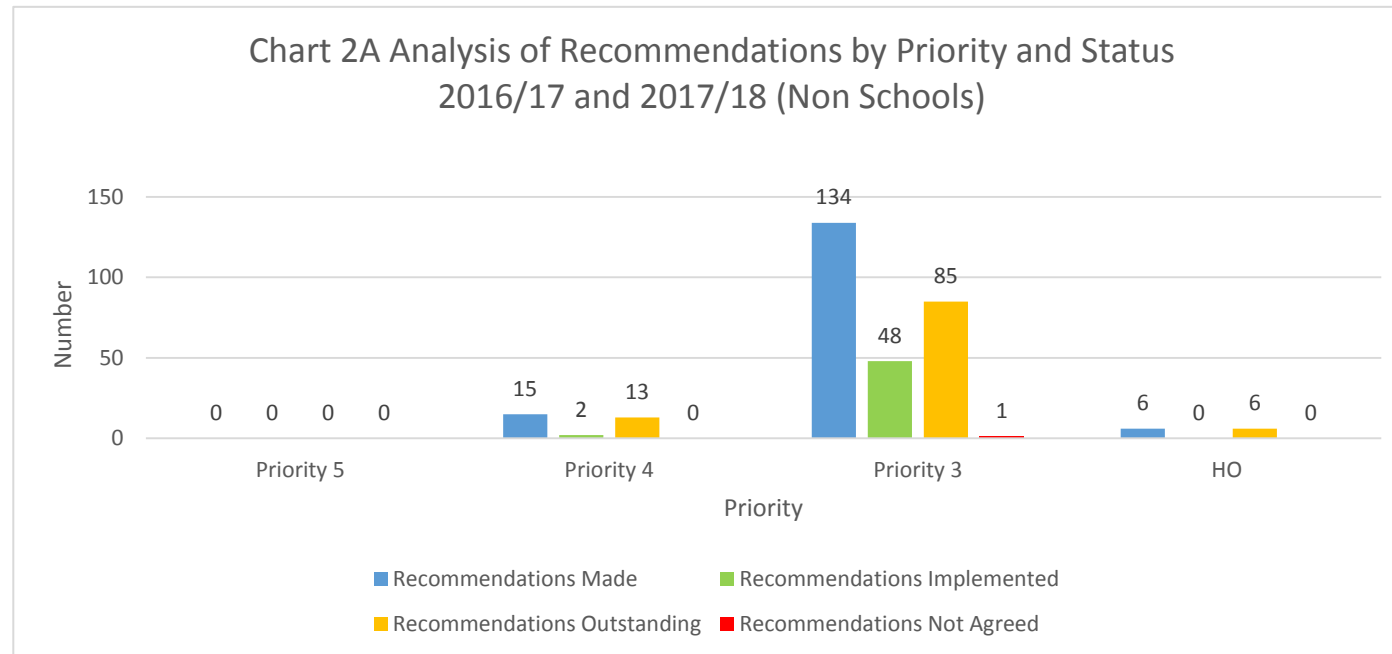
## Assurance by Category

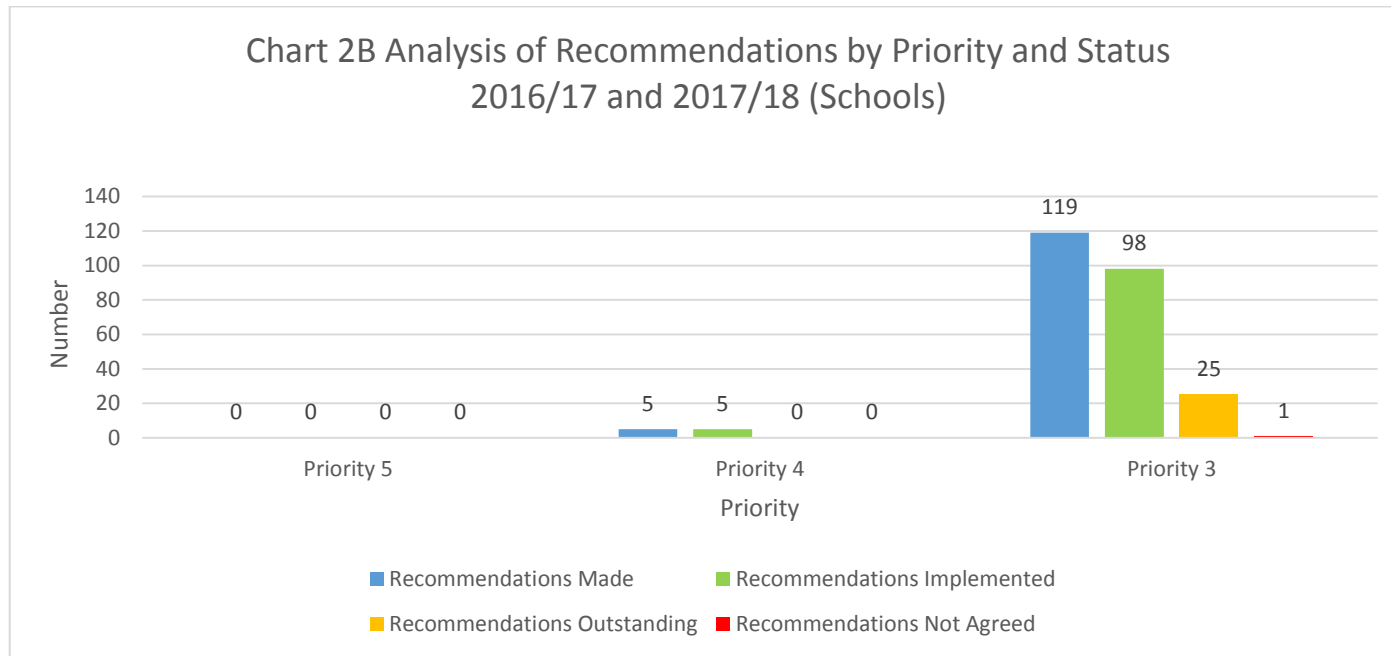
Chart 1 below provides an analysis of the audit assurance levels given in the 20 audits at final and draft report stage.



## Audit Recommendations Made 2016/17 and 2017/18 (to date)

Charts 2A and 2B provide an analysis of total audit recommendations made during 2016/17 and 2017/18 in final and draft audit reports. These include audit recommendations where the agreed target implementation dates have not been reached and therefore the total outstanding will be different from overdue. We are following up those outstanding audit recommendations exceeding target implementation dates (overdue).





It is important that the organisation understands the position of agreed internal audit recommendations to ensure that they are implemented in a timely manner. The current position shows 66 recommendations outstanding but of these 15 (13 non-schools and 2 schools) are over 120 days. The position has improved since the last activity update report.

Tables 1A and 1B below shows an aged analysis of outstanding recommendations for schools and non-schools audits i.e. not implemented but exceeding agreed target dates, carried out in 2016/17 and 2017/18

The overdue recommendations are currently being followed up either with the responsible Director and/or Service Manager including by the way of planned follow up audits and shows a significant reduction in the level of outstanding recommendations from the last Activity Report (September 2017).

**Table 1A – Aged Analysis of Overdue Audit Recommendations - Exceeding Target Implementation Dates (Non-Schools) 2016/17 and 2017/18**

Priority	<30 days	< 60 days	< 90 days	< 120 days	120+ days	Totals
4	2	2	1	0	1	6
3	5	12	16	4	6	43
HO	0	0	0	0	6	6
<b>Totals</b>	7	14	17	4	13	55

**Table 1B - Aged Analysis of Overdue Audit Recommendations - Exceeding Target Implementation Dates (Schools) 2016/17 and 2017/18**

Priority	<30 days	< 60 days	< 90 days	< 120 days	120+ days	Totals
4	0	0	0	0	0	0
3	2	2	5	0	2	11
<b>Totals</b>	2	2	5	0	2	11

A verbal update will be provided at the Audit Committee meeting on any further progress and position regarding the implementation of outstanding audit recommendations.

# Internal Audit Work Plan 2017/18

The Assistant Director and Director for SWAP reports performance on a regular basis to the SWAP Management Team and Partnership Board.

## SWAP Performance

SWAP performance is subject to regular monitoring review by both the Board and the Members Meeting. The respective performance results for Wiltshire Council for the 2017/18 year so far are as follows:

Performance Target	Average Performance
<b><u>Audit Plan – Percentage Progress (Audits)</u></b>	
16/17 completion (to final)	100%
17/18 Final/Draft	20 (29%)
17/18 In Progress	24 (35%)
17/18 Yet to Start	25 (36%)
<b><u>Draft Reports 2017/18</u></b>	
Issued within 5 working days of closeout	71% (Target 95%)
Issued within 10 working days of closeout	86% (Target 100%)
<b><u>Final Reports 2017/18</u></b>	
Issued within 10 working days of discussion of draft report.	100% (Target 95%)
<b><u>Quality of Audit Work</u></b>	
Customer Satisfaction Questionnaire	81% (Target 80%)

The fact that the number of audits at draft/final is low is to be expected for this time of the year and in line with previous years and a large number of audits are in progress starting in the second quarter. The team has experienced higher than expected staff sickness and vacancies levels but this has been managed by bring in backfill resources from other SWAP partner sites, reallocating some audits to quarters 3 and 4, and we have recently recruited a Principal Auditor and Assistant Auditor, both commencing at the beginning of January 2018.

SWAP reports performance on a regular basis to the SWAP Management and Boards.



## SWAP Quality Assessment

At the end of each audit review, a Customer Satisfaction Questionnaire is sent out to the service manager or nominated officer. The aim of the questionnaire is to gauge satisfaction against timeliness; quality; and professionalism. As part of the Balanced Scorecard presented to the SWAP Management Board, a target of 80% is set where 75% would represent a 'good' score. The actual achieved is 81% and this is consistent with the previous activity update report.

# Internal Audit Work Plan 2017/18

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



## Amendments to Annual Audit Plan 2017/18

Our approach is aimed to be flexible and respond to changes in risks and needs of the Council. Our work remains under constant review to ensure that, if necessary, internal audit resources can also be targeted at emerging issues in a timely manner. Any changes that are required are agreed with the Director of Finance & Procurement (Section 151) and are reported to the Audit Committee.

### Amendments to the Annual Internal Audit Plan 2017/18

Audit	Amendment	Reason
Corporate Debt Recovery	Merged	Risks and issues identified at planning stage (March 2017) changed and decision taken to merge with Accounts Receivable Audit where there is overlap of scope.

At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

- Substantial
- Reasonable
- Partial
- None



## Audit Framework Definitions

### Control Assurance Definitions

<b>Substantial</b>		I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
<b>Reasonable</b>		I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>Partial</b>		I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>None</b>		I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

### Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation 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 recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.



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



## Audit Framework Definitions

- Priority 5: Findings that are fundamental to the integrity of the unit’s business processes and require the immediate attention of management.
- Priority 4: Important findings that need to be resolved by management.
- Priority 3: The accuracy of records is at risk and requires attention.
- Priority 2: Minor control issues have been identified which nevertheless need to be addressed.
- Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

## Definitions of Risk

Risk	Reporting Implications
Low	Issues of a minor nature or best practice where some improvement can be made.
Medium	Issues which should be addressed by management in their areas of responsibility.
High	Issues that we consider need to be brought to the attention of senior management.
Very High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments
								5 = Major		↔		1 = Minor		
								No. of Recs	5	4	3	2	1	
<b>2017/18 Audits at Final/Complete (Status Green)</b>														
Healthy Organisation – Financial Management	Use of Consultants and IR35	1	02/05/2017	Final	Reasonable	11/08/2017	18/10/2017	6	0	0	6	0	0	Complete. Was some delay in between draft and final as officer on leave.
Healthy Organisation – Financial Management	Concessionary Fares	2	17/07/2017	Final	Partial	10/11/2017	30/11/2017	6	0	4	2	0	0	Audit delayed due to awaiting information and meeting consultants.
Healthy Organisation – Commissioning & Procurement	Highways Maintenance Contract	3	14/07/2017	Final	Reasonable	18/09/2017	04/10/2017	2	0	0	2	0	0	Final report issued and audit complete.
Schools	Fynamore Primary School	1	27/06/2017	Final	Reasonable	13/07/2017	14/07/2017	4	0	0	4	0	0	Commencement of audit delayed due to close down of accounts and staff shortages.
Schools	Wilton and Barford Primary School	2	03/07/2017	Final	Reasonable	13/07/2017	18/07/2017	3	0	0	3	0	0	Final report issued and audit complete.
Schools	The Stonehenge School	2	18/09/2017	Final	Reasonable	06/11/2017	08/11/2017	4	0	0	4	0	0	Final report issued and audit complete.
Schools	Broad Chalk Primary School	2	19/09/2017	Final	Reasonable	25/09/2017	27/09/2017	5	0	0	4	1	0	Final report issued and audit complete.
Schools	Great Wishford CofE Primary School	3	07/11/2017	Final	Reasonable	14/11/2017	30/11/2017	6	0	0	4	2	0	To be followed up end of November for response to draft audit report

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Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments
								5 = Major		↔		1 = Minor		
								No. of Recs	5	4	3	2	1	
Schools	Bitham Brook Primary School	2	26/09/2017	Final	Reasonable	16/11/2017	30/11/2017	9	0	0	9	0	0	Start of audit delayed due to awaiting information from school
Schools	Mere Primary School	3	16/11/2017	Final	Reasonable	30/11/2017	01/12/2017	8	0	0	5	3	0	Final report issued and audit complete.
Follow-Up	Vehicle Workshops	3	24/11/2017	Completed	Non-Opinion	-	-	-	-	-	-	-	-	All audit recommendations implemented.
Follow-Up	Bishops Cannings Primary School	2	02/10/2017	Final	Non-Opinion	-	-	-	-	-	-	-	-	All audit recommendations implemented.
Follow-Up	St Barnabas CofE Primary School	2	26/10/2017	Completed	Non-Opinion	-	-	-	-	-	-	-	-	Actual start delayed due to request of the school.
Grants	Growth Hub	2	14/09/2017	Completed	Non-Opinion	-	28/09/2017	-	-	-	-	-	-	Grant claim certified.
Grants	Public Health Grant	2	14/09/2017	Completed	Non-Opinion	-	28/09/2017	-	-	-	-	-	-	Grant claim certified.
Grants	Bus Subsidy Grant	2	14/09/2017	Completed	Non-Opinion	-	28/09/2017	-	-	-	-	-	-	Grant claim certified.
<b>2017/18 Audits at Draft (Amber Status)</b>														
Healthy Organisation-Information Management	ICT Asset Management	1	10/07/2017	Draft	Partial	14/11/2017		5	0	0	5	0	0	Audit delayed due to restructure of ICT Division.

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Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments
								5 = Major		↔		1 = Minor		
								No. of Recs	5	4	3	2	1	
Health Organisation – Commissioning & Procurement	Contract Management Framework	2	18/07/2017	Draft	Reasonable	23/11/2017		5	0	0	5	00		Audit delayed due to availability of management plus other work priorities.
Requested by Management	Wiltshire & Swindon History Centre	2	19/07/2017	Draft	Partial	10/10/2017		8	0	2	6	0	0	Query raised by Centre manager over draft audit report and being resolved by SWAP AD.
Schools	Hindon CoFE Primary School	3	10/10/2017	Draft	Reasonable	16/10/2017		3	0	0	3	0	0	Following up for response to draft audit report.
<b>2017/18 Audits in Progress (Amber Status)</b>														
Healthy Organisation – Corporate Governance	Officers Declarations of Interests, Gifts and Hospitality	1	05/06/2017	Fieldwork										1 <sup>st</sup> draft audit report completed but carrying out further comparison work with other swap partners.
Healthy Organisation – Corporate Governance	Council's Culture and Ethics	1	-	Planning & Initiation										Deferred to quarter 4 to coincide with timing of similar reviews across SWAP partners.
Healthy Organisation – Corporate Governance	Corporate Complaints	2	-	Planning & Initiation										Agreed to delay start of audit due to related review by management.
Healthy Organisation – Corporate Governance	Area Boards	2	-	Planning & Initiation										Start of audit delayed due to staff resourcing problems.
Healthy Organisation – Corporate Governance	Swindon and Wiltshire Local Enterprise Partnership (LEP)	2	-	Planning & Initiation										Start of audit delayed due to staff resourcing problems.

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Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments
								5 = Major		↔		1 = Minor		
								No. of Recs	5	4	3	2	1	
Healthy Organisation – Programme & Project Management	Project Management Framework	2	-	Planning & Initiation										Start of audit delayed due to management agreement of scope.
Healthy Organisation – Commissioning & Procurement	Client Passenger Transport	1	25/08/2017	Fieldwork										Audit delayed due to lead auditor on sick leave but currently due to return in December so recommence. ...
Healthy Organisation – Commissioning & Procurement	ICT Traded Services with Wiltshire Police	2	21/08/2017	Fieldwork										Approaching draft but awaiting information from client.
Healthy Organisation – Financial Management	Special Educational Needs	2	09/08/2017	Fieldwork										Audit delayed due to lead auditor on sick leave but currently due to return in December so recommence
Healthy Organisation – Information Management	General Data Protection Regulations (GDPR) Readiness	1	-	Planning & Initiation										Audit delayed due to work being carried out in area by service management. Planning to undertake in December on actions taken.
Healthy Organisation – Information Management	Cyber Security	1	21/08/2017	Fieldwork										Audit start delayed due to looking at cross SWAP themed work on cyber security to increased valued added.
Healthy Organisation – People & Asset Management	Housing Needs	3	-	Planning & Initiation										Audit delayed due to lead auditor on sick leave but currently due to return in December so recommence

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Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments
								5 = Major		↔		1 = Minor		
								No. of Recs	5	4	3	2	1	
Key Financial Systems	Accounts Payable	3	01/11/2017	Fieldwork									Obtaining data sets for use of data analytics.	
Key Financial Systems	Accounts Receivable	3	1/11/2017	Fieldwork									Audit merged with Corporate Debt Recovery and will include in scope.	
Key Financial Systems	Treasury Management	3	-	Planning & Initiation									Agreed with management to have short period of deferment and to start to January 2018 due to other work priorities on key officer.	
Key Financial Systems	Capital Accounting	3	-	Planning & Initiation									Scoping	
Key Financial Systems	Housing and Council Tax Benefits	2	-	Planning & Initiation									Start of audit delayed due to staff resourcing problems. Fieldwork due to start 28/11/2017.	
Schools	Thematic - Banking Arrangements	2	25/09/2017	Fieldwork									Approaching draft report. Further work requested to provide guidance to schools.	
Schools	Sutton Veny Primary School	3	-	Planning & Initiation									Awaiting visit to school	
Schools	Tisbury St. Johns Primary School	3	-	Planning & Initiation									Awaiting visit to school	
Follow-Up	Land Charges	3	29/11/2017	Fieldwork									Discussing outstanding actions with management and solutions.	

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Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments
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								No. of Recs	5	4	3	2	1	
Follow-Up	Staverton CofE Primary School	1	-	Planning & Initiation										Start delayed due to staff resource constraints and school holiday period. Fieldwork commencement being arranged with school for early December .
Follow-Up	Luckington Community School	1	22/11/2017	Fieldwork										Start delayed due to staff resource constraints and school holiday period.
Grants	Troubled Families	3-4	12/09/2017	Fieldwork										Auditing periodic submissions of grant claims. Next in December then final March.
<b>2017/18 Audits Planned but not Commenced (Status Green)</b>														
Healthy Organisation – Corporate Governance	Healthy Organisation Update	3		Not Commenced										Short delayed until January 2018 agreed at request of management due to LGA Peer Review.
Healthy Organisation – Financial Management	Financial Regulations Compliance	3		Not Commenced										Short delay agreed at request of management due to own review work.
Healthy Organisation – Financial Management	Better Care Fund	4		Not due to have Commenced										Planned to commence in January 2018
Healthy Organisation – Performance Management	Performance Management Framework	2		Not Commenced										Audit deferred due to LGA Peer Review. To commence January 2018.
Healthy Organisation – People & Asset Management	Maintenance of Council Property	4		Not due to have Commenced										Planned to commence in January 2018

Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments
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								No. of Recs	5	4	3	2	1	
Healthy Organisation – Information Management	Data Sharing Protocols with Partners	4		Not due to have Commenced										Planned to commence in January 2018
Healthy Organisation – Information Management	Cloud Based Computing	4		Not due to have Commenced										Planned to commence in March 2018
Healthy Organisation – Information Management	Network Management	4		Not due to have Commenced										Planned to commence in March 2018
Healthy Organisation – Information Management	Mobile Computing/Devise Management	3		Not Commenced										Audit planned to commence December 2017.
Requested by Management	European Funding	3		Not Commenced										Audit planned to commence December 2017.
Key Financial Systems	Council Tax	4		Not due to have Commenced										Planned to commence in January 2018
Key Financial Systems	Business Rates	4		Not due to have Commenced										Planned to commence in January 2018
Key Financial Systems	Housing Rents	4		Not due to have Commenced										Planned to commence in January 2018
Key Financial Systems	Main Accounting	4		Not due to have Commenced										Planned to commence in January 2018
Key Financial Systems	HR/Payroll	3		Not Commenced										Audit planned to commence December 2017.



Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments
								5 = Major		↔		1 = Minor		
								No. of Recs	5	4	3	2	1	
Key Financial Systems	Pensions	4		Not due to have Commenced										Planned to commence in January 2018. Currently liaising with management over scope.
Schools	Thematic - ICT Security	1		Not Commenced										Agreed with management to defer to quarter 3. Planned to commence in December 2017.
Schools	Thematic - HR/Payroll	3		Not Commenced										Audit planned to commence December 2017.
Schools	Specific Schools (Actual schools to be decided quarterly) 2 remaining	1-4		Not Commenced										Final 2 schools audits to commence in February 2018.
Follow-Up	Safeguarding	3		Not Commenced										Planned to commence in December 2017.
Follow-Up	Early Years Funding	4		Not due to have Commenced										Draft report from 2016/17 still to be agreed.
Follow-Up	Right to Buy	3		Not Commenced										Planned to commence in December 2017.
Follow-Up	Housing Repairs	3		Not Commenced										Planned to commence in December 2017.
Follow-Up	St Andrews CofE Primary	3		Not Commenced										Planned to commence in December 2017.

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Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments
								5 = Major		↔		1 = Minor		
								No. of Recs	5	4	3	2	1	
<b>Client Support (Status Green)</b>														
Client Support	Corporate Advice	1-4											Ongoing through year	
Client Support	Annual Governance Statement	1-4											Ongoing through year	
Client Support	Audit Committee/Members Liaison	1-4											Ongoing through year	
Client Support	External Audit Liaison	1-4											Ongoing through year	
Client Support	Planning/Client Liaison	1-4											Ongoing through year	
Client Support	CLT Attendance and Reporting	1-4											Ongoing through year	
Client Support	Follow Up Contingency	1-4											Ongoing through year	

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# Wiltshire Council

Report of Counter Fraud Activity 2017/18

December Update

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## Summary

## Contents

### The contacts at SWAP in connection with this report are:

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### Counter Fraud Programme 2017/18

Role of SWAP and Counter Fraud Work Summary

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Amendments to Counter Fraud Plan 2017/18

Page 2

Appendix 1: Counter Fraud Work Plan Update 2017/18

Page 3

**Latest Protecting the English Purse report potentially identified nationally Council's fraud loss of £212m per annum.**

**12 audits and reviews have commenced in 2017/18 and 23 recommendations made.**



### Role of SWAP and Counter Fraud Work Summary

The Counter Fraud service for Wiltshire Council is provided by South West Audit Partnership (SWAP). SWAP is a Local Authority controlled company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors and uses accredited counter fraud specialists.

SWAP aims to ensure an effective counter fraud framework operates for the Council to minimise the risk of financial and reputational loss. Further to raise fraud awareness across the Council by promoting a counter fraud culture. The Counter Fraud Plan for 2017/18 reflects SWAP's proactive and preventative approach but we ensure flexibility into being able to carry out reactive investigations as required.

For the 2017/18 Counter Fraud Plan 12 reviews have been initiated of which 4 are at final report stage and 1 at draft. The audits have not identified any actual or potential fraudulent activity but common issues reported included ineffective procedures and improvement to cash handling and monitoring.

A key part of the Council's Counter Fraud Framework is the Anti-Fraud and Corruption Strategy. This is currently being updated and SWAP have provided a structure and comments to assist the production and ensure an effective and embedded strategy.



### Amendments to Counter Fraud Plan 2017/18

Planned counter fraud work is detailed in Appendix 1. Our work remains under constant review to ensure that, if necessary, internal audit and counter fraud staff resources can be targeted at areas of fraud risk to the Council. Any changes that are required are agreed with the Director of Finance and Procurement (Section 151) and are reported to the Committee.

There have been no amendments so far to the Counter Fraud Plan for 2017/18.



Audit Plan Area	Audit Title	Indicative Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments
								5 = Major			↔		1 = Minor	
								No. of Recs	5	4	3	2	1	
<b>2017/18 Audits and Reviews at Final/Complete (Status Green)</b>														
Counter Fraud – Internal Audit Reviews	Registration Service	1	24/04/2017	Final	Reasonable	07/07/2017	12/07/2017	3	0	0	3	3	0	Audit finalised.
Counter Fraud – Internal Audit Reviews	City Hall Salisbury	1	01/06/2017	Final	Reasonable	13/09/2017	20/09/2017	7	0	0	7	0	0	Audit start delayed due to change of lead auditor.
Counter Fraud – Internal Audit Reviews	Licensing (Taxi and Private Hire)	1	15/05/2017	Final	Reasonable	07/09/2017	09/11/2017	7	0	0	7	0	0	Audit start delayed due to awaiting information from management
Counter Fraud – Internal Audit Reviews	Car Parking	1	12/07/2017	Final	Reasonable	30/10/2017	31/10/2017	1	0	0	1	0	0	Follow-up work to review new car parking cash collection arrangements.
<b>2017/18 Audits and Reviews at Draft (Amber Status)</b>														
Counter Fraud – Internal Audit Reviews	Staff Travel and Expenses	2	01/10/2017	Draft	Partial	23/11/2017	-	5	0	0	5	0	0	Use of data analytics to review.
<b>2017/18 Audits and Reviews in Progress (Amber Status)</b>														
Counter Fraud – Proactive & Preventative	Counter Fraud Strategy & Framework	2	03/10/2017	Fieldwork										Review delayed due to waiting for initiation meeting with Directors. Structure provided, and comments made. Currently waiting for draft strategy to be produced then further review. .
Counter Fraud – Proactive & Preventative	National Fraud Initiative (NFI)	1-3	01/04/2017	Fieldwork										Ongoing and liaising. Further review work planned for December.

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Audit Plan Area	Audit Title	Indicative Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments
								5 = Major		↔		1 = Minor		
								No. of Recs	5	4	3	2	1	
Counter Fraud – Proactive and Preventative	Whistleblowing Arrangements	2	03/10/2017	Planning & Initiation										Review delayed due to waiting for initiation meeting with Directors. On 05/10/2017
Counter Fraud – Proactive and Preventative	Fraud Intelligence Hub	2-4	-	Planning & Initiation										Liaising with CIPFA Counter Fraud Centre over joining a pilot hub.
Counter Fraud -Reactive	Ad-hoc Investigations	1-4	20/11/2017	Fieldwork										One referral received by SWAP so far for 2017/18 and investigation taking place.
Counter Fraud – Internal Audit Reviews	Housing Tenancy Management	2	-	Planning & Initiation										Audit start delayed due to sickness absence of lead auditor. Fieldwork to commence in December.
Counter Fraud – Internal Audit Reviews	Market Trading	3	17/10/2017	Fieldwork										Approaching draft report stage.
<b>2017/18 Audits and Reviews Planned but Not Yet Commenced (Status Green)</b>														
Counter Fraud – Proactive and Preventative	Data Analytics Exercises	1-4		Not Yet Commenced										Specific areas being considered for the use of data analytics.
Counter Fraud – Proactive and Preventative	Organisation Fraud Awareness	1-4		Not Yet Commenced										Awaiting meeting with Associate Directors to discuss programme.
Counter Fraud – Proactive and Preventative	Fraud Referral Process	2		Not Yet Commenced										Requested by Directors not to undertake at present as part of wider management review.
Counter Fraud – Internal Audit Reviews	Direct Payments (Children)	4		Not Yet Commenced										Planned to commence in January 2018.

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Audit Plan Area	Audit Title	Indicative Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions						Comments
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								No. of Recs	5	4	3	2	1	
Counter Fraud – Internal Audit Reviews	Financial Assessments	3	-	Not Yet Commenced										Planned to commence in December 2017
Counter Fraud – Internal Audit Reviews	Pupil Premium	2		Not Yet Commenced										Delayed due to issues over ability to carry out data matching and potential changes to Pupil Premium.
Counter Fraud – Internal Audit Reviews	Schools Admissions and Places Planning	3	-	Not Yet Commenced										Planned to commence in December 2017

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## AUDIT FORWARD PLAN

### PROPOSED WORK PROGRAMME FOR THE AUDIT COMMITTEE - 2017/18

Meeting Date and Time	Name of Report	Report Author	Deadline for KPMG and SWAP	Deadline for submission of internal reports	Legal publication date
Wednesday 14 February 2018 10am	Q3 IA report and Healthy Organisations	SWAP	27/01/18	03/02/18	06/02/18
	Grant Certification Report 2016/17	KPMG	27/01/18	03/02/18	06/02/18
	KPMG External Audit Plan	KPMG	24/10/17	31/10/17	01/11/17

## PROPOSED WORK PROGRAMME FOR THE AUDIT COMMITTEE - 2017/18

### AUDIT CONTACTS

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**Legal:** Ian Gibbons – Associate Director, Legal & Governance

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