

# Wiltshire Council

## Report of Internal Audit Activity

### Plan Progress 2018/19 Quarter 4

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## Summary

The Director of Planning is required to provide an opinion to support the Annual Governance Statement.

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

We will also provide details of any significant risks that we have identified in our work.



### Audit Opinion and Summary of Significant Risks

#### **Audit Opinion:**

Audit reviews since our last report to Committee, highlight that overall, risks are reasonably well managed with the systems of internal control working effectively.

The Plan continues to be updated to ensure focus is directed to the areas of high risk within the Council and plan progress overall is satisfactory.

#### **Significant Corporate Risks:**

In the 2018/19 final audit reports issued to date, one Significant Corporate Risk has been identified in our work. The details of this are included within this report.

## Internal Audit Plan Progress 2018/2019

### Our audit activity is split between:

- **Operational Audit**
- **School Themes**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **Other Reviews**



### Role of Internal Audit

The Internal Audit service for Wiltshire Council is provided by SWAP Internal Audit Services (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Audit Committee at its meeting on 11<sup>th</sup> April 2018.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes:

- Operational Audit Reviews
- Cross Cutting Governance Audits
- Annual Review of Key Financial System Controls
- IT Audits
- Grants
- Other Special or Unplanned Review

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Corporate Leadership Team. The 2018-19 Audit Plan was reported to this Committee and approved by this Committee at its meeting in April 2018. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk, however, we ensure an agile approach to enable us to respond any emerging risks and change.

## Internal Audit Plan Progress 2018/2019

### Outturn to Date:

We rank our recommendations on a scale of 1 to 5, with 1 being minor or administrative concerns to 5 being areas of major concern requiring immediate corrective action



### Internal Audit Work Programme

The schedule provided at **Appendix B** contains a list of all audits as agreed in the Annual Audit Plan 2018/19. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed at **Appendix A** of this document.

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 that have resulted in them receiving a ‘Partial Assurance Opinion’ have been summarised as part of this report.

However, in circumstances where findings have been identified which are considered to represent significant corporate risks to the Council, due to their importance, these issues are separately summarised.

# Internal Audit Plan Progress 2018/2019

## Significant Corporate Risks:

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



## Significant Corporate Risks

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

Review/Risks	Auditors Assessment
<p><b>Wiltshire Primary School (Anonymised)</b></p> <p><u>Objective:</u></p> <p>To determine from financial health check review the effectiveness of financial management and governance and compliance with SFVS and Wiltshire Schools regulations and through review of personnel files, procedures and documents the adherence to human resources regulations.</p> <p><u>Risks:</u></p> <ol style="list-style-type: none"> <li>1. The governing body and School staff - Failure to operate sound financial governance risks financial loss, reputational damage and nonachievement of educational goals and priorities.</li> <li>2. Setting the budget - Failure to set a realistic budget and to manage it effectively risks financial and reputational loss as well as nonachievement of educational goals and priorities.</li> <li>3. Recruitment and HR Management is not in line with Legislation, Council Policies and Council Procedures.</li> </ol>	<p style="text-align: center;">High</p>

### Completed Assignments:

**Summary of work completed with a focus on the high priority issues that we believe should be brought to the attention of the Audit Committee.**

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



### Summary of Work Completed – Partial and No Assurance Opinions

One audit finalised in the period was awarded No Assurance and one audit awarded Partial Assurance. The significant findings from these audits has been summarised below.

#### St Mary's Catholic Primary School – No Assurance

The scope of the audit focussed on two main areas – Financial Management and Human Resources Management. Although a limited number of basic system procedures and controls are operating, they are not clearly documented, approved by the Governing Body or adhered to, and several concerns are raised over the governance of the School. There are six major issues raised by this audit over the inadequacy of the control framework operating:

- It is evident that the Governing Body undertake more of an operational role in the day to day management of the School rather than a strategic leadership and oversight role, as per their terms of reference and DfE Statutory Guidance (2017);
- The School set a budget for 2017/18 however there was no indication that this has been formally approved. Furthermore, due to the lack of approval there was no indication that this was an accurate budget set using a balanced and clear method;
- The School does not operate a Finance Manual for effective financial governance;
- The Council did not receive a copy of an agreed budget for 2017/18 or the informal version used by the School, part of the Council's requirement for maintained schools to ensure an oversight over the budget as stated in section 2.4.1.3 of the Wiltshire Schools Finance Manual;
- The After-School Care Club operates without any robust governance arrangements. The club operates as a separate entity with its own Ofsted and HMRC numbers but it is not registered as an individual business with Companies House and there is no indication that the Governors had formally agreed to take on its operation and associated risks; and
- There are no approved fully documented operating procedures for HR management which include remuneration, appraisals and promotions for example, although there is a safer recruitment policy, and therefore the risk of tribunal actions over employment matters/rights.

### Completed Assignments:

**Summary of work completed with a focus on the high priority issues that we believe should be brought to the attention of the Audit Committee.**



### Summary of Work Completed – Partial and No Assurance Opinions

#### Traded Services with Schools – Partial Assurance

Traded Services with Schools has been operating for many years. However, the Traded Services with Schools Team is still in the process of being fully established with several key stages being delayed, such as the appointment of a Commercial Manager. Several components have been put in place, including the introduction of the digital platform, Right Choice which allows all schools to view available packages for each service and purchase them all from one place. This has made invoicing more streamlined and facilitated analysis of purchasing activity that can be extracted directly from the system. There are three core team members:

- Interim Traded Services Director;
- Business Coordinator for Commercial Services; and
- School Improvement Officer.

Currently the team do not come under the umbrella of Traded Services and are funded by Children's Services.

Although decisions are progressing on the direction of Traded Services there are several key controls that are not in place and these need to be addressed. A major concern is that the financial data examined does not suggest that Traded Services with Schools will show a break even or operating profit position for the Council as a commercial venture. Before the Council consider the recommendations made, it is suggested that it reviews the objectives behind introducing a Traded Services with Schools Team and whether it will succeed as a self-funding commercial entity. If it decides it will and continues with this venture, then it needs to fully invest in it and allocate the resources necessary to address the recommendations and meet the objectives of the service.



## Internal Audit Plan Progress 2018/2019

### 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

Primarily Internal Audit is an assurance function and will remain as such. However, 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.

The following are examples of Added Value during 2018/19:

- Sharing of significant risks identified across our Partnership;
- Point of Practice Request from the Local Authority Chief Auditors Network (LACAN) for best practice in relation to the declaration and recording of Members and Officers gifts and hospitality;
- Timely review of the controls operating in the Court of Protection service following the identification of fraudulent activity;

## Internal Audit Plan Progress 2018/2019

SWAP Internal Audit Services now has 26 partners, including 18 local authorities, and are proud to be a growing partnership.



### Partner Sharing Reports

With this vast resource of knowledge, SWAP undertake Partner sharing work, whereby requests are sent to each Partner to ascertain information on a specific subject area. A partner Sharing Report is then produced and distributed to each Partner.

The following SWAP Partner Sharing Reports have been produced during 2018/19:

- Building Control: Market Share and Fee Structure
- Electoral Registration Practice
- SEN Transport
- Business Rates Maximisation
- Bed and Breakfast VAT Charges
- Risk Policy/Strategy
- Data Protection Policy and Information
- Other Funding/Grants
- Business Continuity Management
- Sickness Management
- Revenue Debt Recovery
- Adult Debt Recovery Teams
- Waste Partnerships – Value for Money
- Elections – Compliance with DPA
- Parking Services – Benchmarking Survey

# Internal Audit Plan Progress 2018/2019

## SWAP Performance - Summary of Audit Opinions

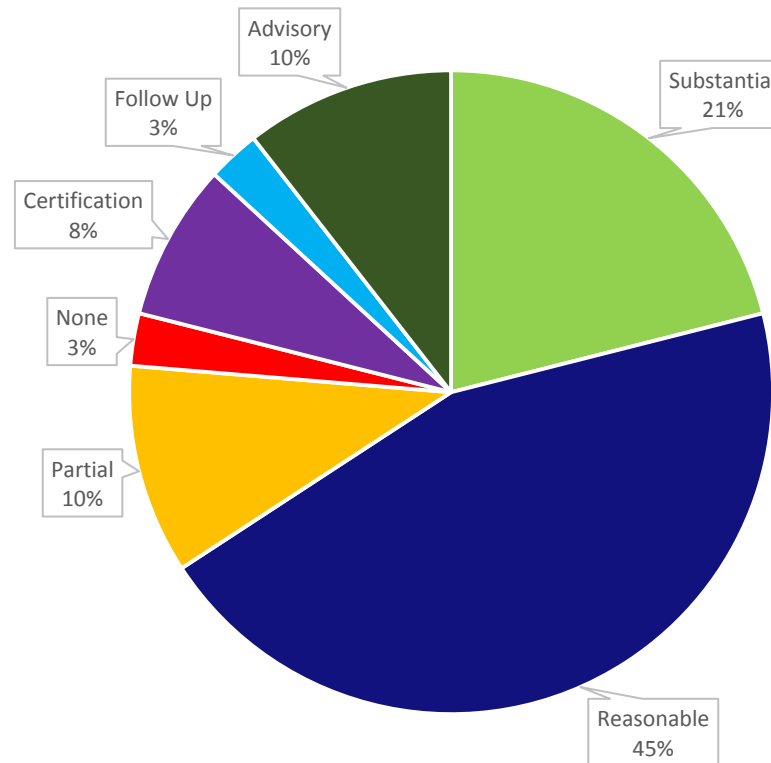
At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition";

- Substantial
- Reasonable
- Partial
- None
- Non Opinion
  - Certification
  - Follow Up
  - Advisory



## Summary of Control Assurance

Control Assurance by Category for the 2018/19 Internal Audit Plan



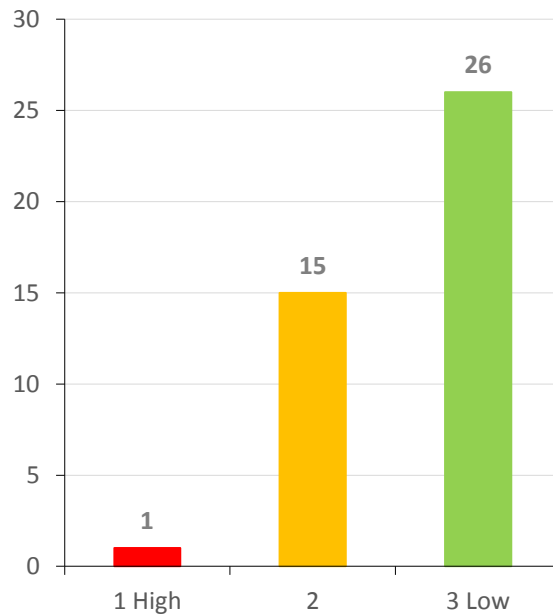
# Internal Audit Plan Progress 2018/2019

## Summary of Audit Recommendations by Priority

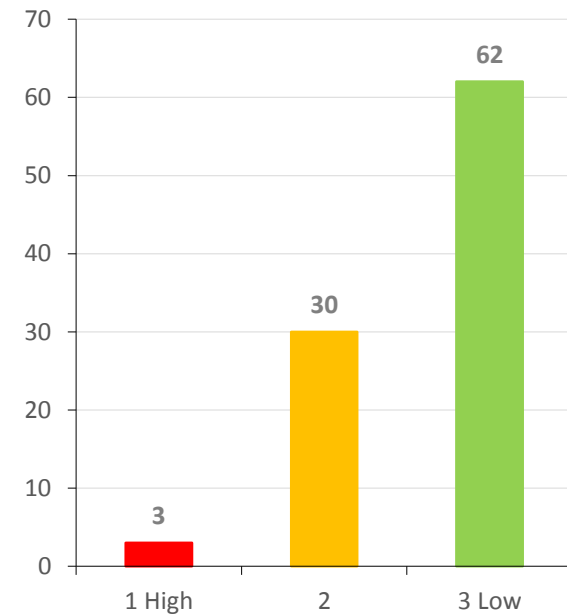


## Summary of Recommendations

**Audit Recommendations by Priority  
2018/19  
Non Schools**



**Audit Recommendations by Priority  
2018/19  
Schools**



## Internal Audit Plan Progress 2018/2019

Aged Analysis of Audit Recommendations Exceeding the Agreed Target Implementation Date



Summary of Recommendations

### Outstanding Audit Recommendations by Priority 2017/18 and 2018/19 Non Schools

Priority	< 30 Days	< 60 Days	< 90 Days	< 120 Days	120+ Days	Totals
<b>3</b>	15	0	0	8	16	<b>39</b>
<b>2</b>	3	2	0	2	1	<b>8</b>
<b>1</b>	1	0	0	0	0	<b>1</b>
<b>Totals</b>	<b>19</b>	<b>2</b>	<b>0</b>	<b>10</b>	<b>17</b>	<b>48</b>

### Outstanding Audit Recommendations by Priority 2017/18 and 2018/19 Schools

Priority	< 30 Days	< 60 Days	< 90 Days	< 120 Days	120+ Days	Totals
<b>3</b>	31	0	4	15	19	<b>69</b>
<b>2</b>	4	0	3	6	9	<b>22</b>
<b>1</b>	0	0	0	0	2	<b>2</b>
<b>Totals</b>	<b>35</b>	<b>0</b>	<b>7</b>	<b>21</b>	<b>30</b>	<b>93</b>

## Internal Audit Plan Progress 2018/2019

The Director of Planning for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.



### SWAP Performance

SWAP now provides the Internal Audit service for 26 Councils and also many subsidiary bodies. SWAP performance is subject to regular monitoring review by both the Board and the Member Meetings. The respective outturn performance results for Wiltshire Council for the 2018/19 year (as at 27<sup>th</sup> March 2019) are as follows;

Performance Target	Average Performance
<b><u>Audit Plan – Percentage Progress</u></b>	
Completed	60%
Work at Report Stage	11%
Fieldwork	24%
Scoping	0%
Yet to commence	5%
<b><u>Draft Reports</u></b>	
Issued within 5 working days	52%
Issued within 10 working days	72%
	(Average Days of 10)
<b><u>Final Reports</u></b>	
Issued within 10 working days of discussion of draft report	36%
	(Average Days of 26)
<b><u>Quality of Audit Work</u></b>	
Customer Satisfaction Questionnaire	99%

## Internal Audit Plan Progress 2018/2019

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



### Approved Changes to the Audit Plan

Planned audit work is as detailed in **Appendix B**. Audit 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 Officer) and are reported to this Committee.

The Director of Finance & Procurement (Section 151) in discussion with the Head of Audit has agreed that the following amendments be made to the 2017/18 Audit Plan:

Audit	Amendment	Reason
Court of Protection	Addition	Requested by Client
Court of Protection File Review	Addition	Requested by Client
Waste Management Contract	Defer to 2019/20 Plan	Due to current contract issues, the Client has requested a deferral to 2019/20.
Budget Management	Removed	Review work is being carried out on budget management across the Council by Finance. This audit would likely duplicate this.
Main Accounting	Removed	With a change in approach by the new External Auditors, Deloitte, the scope of this audit would likely duplicate work.
Cloud Computing	Removed	There is currently no major migration of applications to the cloud.
Fraud Intelligence Hub	Defer to 2019/20 Plan	The Fraud Intelligence Hub is being developed by the CIPFA Counter Fraud Centre with BEA Systems in London. There are no further plans to extend outside London, however, this will be reviewed in 2019/20.
Liquidlogic Case Management Application	Removed	The implementation of the application has been delayed.
Adoption	Defer to 2019/20 Plan	The commencement date for the new regional adoption agency was delayed.

## Internal Audit Plan Progress 2018/2019

Audit	Amendment	Reason
People with Learning Disabilities	Removed	Following research and an initial meeting, audit was advised that a consultant had been engaged. This audit would likely duplicate this work.
Workforce Planning	Defer to 2019/20 Plan	Following discussions with the service, the original scope of this review was found to be of little value at this time.
Financial Assessments	Defer to 2019/20 Plan	This audit has been rolled over due to additional work required as part of the Court of Protection reviews.
Network Management	Defer to 2019/20 Plan	This audit has been deferred to enable us to provide an accurate assurance of risk in this area to support and align with the proposed improvements as part of the Get Well programme.
Direct Payments	Defer to 2019/20 Plan	This audit has been rolled over due to additional work required as part of the Court of Protection reviews.
Cyber Security	Defer to 2019/20 Plan	This is deferred to enable us to provide an accurate assurance of risk to support and align with the proposed improvements as part of the Get Well programme.
Replacement Customer Service Application	Removed	The infrastructure is not advanced enough at present to enable this application to be implemented.
ICT Business Continuity	Defer to 2019/20 Plan	Resourcing issues due to sickness.
Street Lighting Contract Highways Consultancy Contract Ground Maintenance Contract	Merge	These audits will now be merged into one review of the contract management of these specific contracts.



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



Audit Framework and Definitions

- Substantial
- Reasonable
- Partial
- None

Each audit covers key risks to that area. At the commencement of each audit risks are assessed at the corporate level on an inherent basis (the risk of exposure with no controls in place). The Client will also assess where they believe their level of risk to be, with controls in operation. Once the audit is completed, the lead auditor will carryout a final evaluation of the residual risk level, taking into consideration controls found to be in operation.

Assurance Definitions

<b>None</b>	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.
<b>Partial</b>	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>Reasonable</b>	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>Substantial</b>	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.

Definition of Corporate Risks

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

Recommendations are prioritised from 1 to 3, based on importance to the service area. These are not necessarily how important they are to the organisation at a corporate level.

Categorisation of Recommendations

In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:

<b>Priority 1</b>	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
<b>Priority 2</b>	Important findings that need to be resolved by management.
<b>Priority 3</b>	Finding that requires attention.

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Recommendation		
						1 = Major	↔	3 = Minor
						1	2	3
<b>Complete</b>								
Operational	Off Street Parking	Q1	Completed	Partial	2		1	1
Operational	Risk and Performance Management	Q1	Completed	Reasonable	7	1	6	
Operational	Supply Chain Management	Q1	Completed	Partial	5			5
Operational	Property Management – Third Party Income	Q1	Completed	Reasonable	5		2	3
Operational	Staff Survey Action Plans	Q1	Completed	Reasonable	2		1	1
Operational	Schools Financial Value Standard	Q1	Completed	Reasonable	5			5
Non-Opinion	National Fraud Initiative	Q1	Completed	Advisory	N/A			
Non-Opinion	Data Analytics Exercises	Q1	Completed	Advisory	N/A			
School	Thematic – Health & Safety of School Premises	Q1	Completed	Reasonable	3		2	1
Grant Certification	Public Health Grant	Q1	Completed	Certification	N/A			
School	Clarendon Juniors	Q1	Completed	Partial	12		7	5
School	Clarendon Infants	Q1	Completed	Reasonable	10		2	8
School	St Mary's	Q1	Completed	No Assurance	27	3	12	12
School	North Bradley Primary	Q1	Completed	Reasonable	7		2	5
School	Westbury Leigh	Q1	Completed	Substantial	4			4

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Recommendation		
						1 = Major	↔	3 = Minor
						1	2	3
Operational	Homelessness Reduction Act	Q2	Completed	Reasonable	1		1	
Follow Up	Land Charges	Q2	Completed	Follow Up	N/A			
Operational	Traded Services with Schools	Q2	Completed	Partial	5		3	2
Grant Certification	Local Authority Bus Subsidy	Q2	Completed	Certification	N/A			
Operational	Housing Repairs Contract	Q2	Completed	Advisory	N/A			
Operational	Early Years Funding	Q2	Completed	Substantial	0			
Operational	Management of Blue Badges	Q2	Completed	Reasonable	0			
Operational	Financial Regulations and Contract Standing Orders	Q3	Completed	Reasonable	2		1	1
School	St Thomas A Beckett	Q3	Completed	Reasonable	8		1	7
Key Control	Accounts Receivable	Q3	Completed	Substantial	1			1
Operational	Apprenticeship Levy	Q3	Completed	Reasonable	1			1
School	Cricklade St Sampson	Q3	Completed	Reasonable	3			3
School	Wylve Valley	Q3	Completed	Reasonable	8		3	5
Key Control	Housing and Council Tax Benefit	Q3	Completed	Substantial	1			1
Operational	Pension Fund Transfer	Q3	Completed	Substantial	0			
Key Control	Council Tax	Q3	Completed	Reasonable	2			2

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 =	↔	3 =
						Major		Minor
						Recommendation		
						1	2	3
Key Control	Business Rates	Q3	Completed	Substantial	0			
School	Studley Green	Q3	Completed	Reasonable	8			8
Key Control	Accounts Payable	Q3	Completed	Reasonable	3			3
Operational	Disabled Facilities Grants	Q4	Completed	Substantial	0			
Grant Certification	Troubled Families	Q1-Q4	Completed	Certification	N/A			
School	Monkton Park	Q4	Completed	Reasonable	3			3
Key Control	Treasury Management	Q4	Completed	Substantial	0			
Non-Opinion	Court of Protection	Q4	Completed	Advisory	N/A			
<b>Reporting Stage</b>								
Operational	General Data Protection Compliance	Q1	Draft Report					
Operational	Deferred Payments	Q2	Draft Report					
Operational	Data Breaches	Q2	Draft Report					
Operational	Counter Fraud Strategy and Framework	Q2	Draft Report					
Operational	Digital Transformation Stream	Q3	Draft Report					
Operational	Pensions	Q4	Discussion					
School	Amesbury Primary	Q4	Draft Report					

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 =	↔	3 =
						Major		Minor
						Recommendation		
						1	2	3
<b>In Progress</b>								
Operational	Highways Contract – Use of Subcontractors	Q1	Fieldwork					
Advisory	Annual Governance Statement	Q1	Fieldwork					
Advisory	Organisational Fraud Awareness	Q1	Fieldwork					
Operational	Community Infrastructure Levy/S106 Agreements	Q2	Fieldwork					
Operational	Employment and Skills (Children’s Services)	Q2	Fieldwork					
Operational	Mobile Computing/Device Management	Q2	Fieldwork					
Operational	Families and Children Transformation Stream	Q2	Fieldwork					
School	Thematic – Schools Financial Management	Q2	Fieldwork					
Key Control	Payroll	Q3	Fieldwork					
Follow Up	ICT Asset Management	Q3	Fieldwork					
Operational	Premises Health and Safety	Q3	Fieldwork					
School	Shalborne	Q4	Fieldwork					
Grant Certification	Growth Hub	Q4	Fieldwork					
Operational	Adult Social Care Contracts	Q4	Fieldwork					
Key Control	Housing Rents	Q4	Fieldwork					

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 =	↔	3 =
						Major		Minor
						Recommendation		
						1	2	3
Non-Opinion	Court of Protection File Review	Q4	Fieldwork					
<b>Yet to Commence</b>								
Operational	Community Engagement Transformation Stream	Q3	Yet to Commence					
Operational	Commercialisation Transformation Stream	Q3	Yet to Commence					
Operational	Contract Reviews - Highways Consultancy / Street Lighting / Grounds Maintenance	Q3	Yet to Commence					