

# Wiltshire Council

## Report of Internal Audit Activity

### Plan Progress 2019/20 Quarter 3

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## Summary

### 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 17<sup>th</sup> April 2019.

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 2019-20 Audit Plan was reported to this Committee and approved by this Committee at its meeting in April 2019. 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 to any emerging risks and change.

### Outturn to Date:



### Internal Audit Work Plan

The schedule provided at **Appendix B** contains a list of all audits as agreed in the Annual Audit Plan 2019/20. 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 in **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 the audit receiving a ‘Partial Assurance Opinion’ is given as part of this report.

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 2019/2020

## 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>Gross Loans</b> To provide assurance that Gross Loans as at 31<sup>st</sup> March 2019 have been appropriately managed with correct invoicing and accounting entries.</p> <p><b>Risk:</b> The Council does not adequately collect all monies owed due to poor accounting and management practices leading to increased expenditure.</p>	<p>High</p>
<p><b>Updated Management Response to the Identified Risk</b></p>	
<p>There have been some changes in personnel, as well as the implementation of a new system.</p> <p>Meetings are due to be held in January 2020 to ensure the reconciliation process is robust, documented and will be up to date by mid-February in preparation for year end. It has also been agreed that journals will be undertaken by Accountancy to ensure they are completed correctly.</p> <p>A follow up audit of the service is due to be undertake in quarter one of the 2020/21 Internal Audit Plan to ensure all recommendations have been fully implemented by the target implementation dates set.</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

Three audits finalised in the period were awarded Partial or No Assurance. The significant findings from these audits has been summarised below.

### Gross Loans – No Assurance

A review was requested by the previous Interim Director Finance and Procurement to provide assurance over the Gross Loans administered by the Placement Finance Team. During this review we noted a number of concerns and have detailed these within the Findings and Outcomes section of the audit report.

This review clearly demonstrated that there is a lack of compliance with documented procedures, including the Financial Regulations which form a part of the Council's Constitution and therefore we have given a no assurance opinion.

We have made 5 recommendations relating to:

- Training;
- Reconciliations;
- Procedures;
- Timely invoicing; and
- Raising credit notes.

### Deferred Payments – Partial Assurance

We requested a report of all deferred payment agreements (DPAs). Following testing, and subsequent presentation of our draft audit report, we were informed that the report provided did not contain all agreements and it had been found that there were five deferred payment agreements, totalling £205,504.32, which had not been included on the report. We have therefore made a priority 1 recommendation that the information obtained is reviewed and reconciled to the Financial Management System (SAP) to ensure that all deferred payment

agreements are included on the master list or central register for monitoring. Further audit work was undertaken to ensure that the validity of our findings was not compromised by the inaccurate data.

We have made two priority 2 recommendation in relation to:

- Inadequate reporting arrangements leading to inadequate oversight of DPAs; and
- The inadequate preparation of journals due to a lack of training.

We have made four priority 3 recommendations for the following aspects:

- The risk of a Solicitors Undertaking failing on unsecured loans;
- Signing and dating the spreadsheet to verify that the proper checks have been undertaken prior to approval and to demonstrate segregation of duties;
- Clarity on the DPA application form regarding what is expected of the customer in terms of maintaining the property for the life of the DPA; and
- Reviews should be properly scheduled and monitored for completion and the checks undertaken should be adequate.

We also made one suggestion for consideration to review the current procedural guidance for Officers. We found it to be difficult to read and suggest that clear headings are used with more precise information to ensure it is effective in guiding Officers through the DPA process.

## 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 audits have provided a cross comparison survey for the SWAP Partners within the period:

**Risk Management** - Benchmarking with other SWAP partners and other authorities in the Audit Together Group. A survey was distributed to understand how review and revision of risks is managed across similar organisations; to identify areas of best practice.

**Supplier Resilience** – Information was requested from all local authority partners to confirm their approach to managing the risk posed by supplier failure, with the aim being to compare arrangements and identify examples of best practice.

The findings of each survey have been shared with the SWAP Partners.



## SWAP Performance - Summary of Audit Opinions

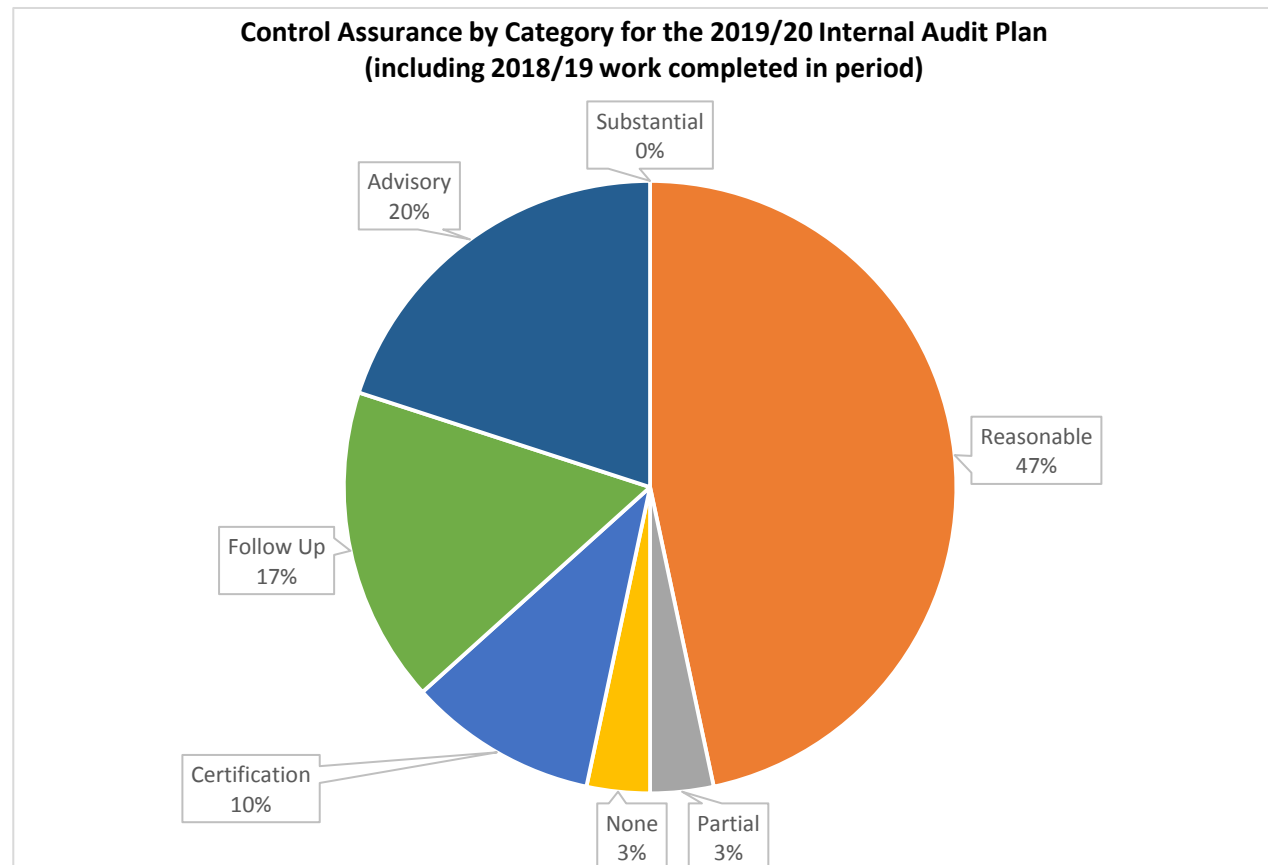
At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition";

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



## Summary of Control Assurance

Of the reviews that have a final report, the opinions offered are summarised below.



# Internal Audit Plan Progress 2019/2020

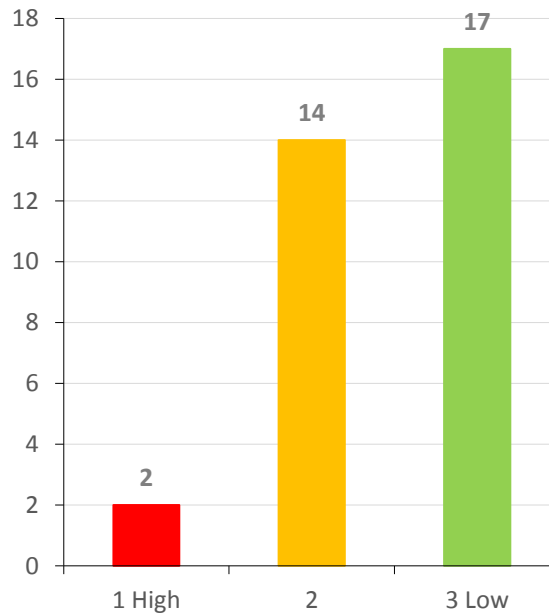
## Summary of Audit Recommendations by Priority

We rank our recommendations on a scale of 1 to 3, with 1 being a fundamental concern to the services/area being reviewed and 3 being a minor concern that requires management attention.

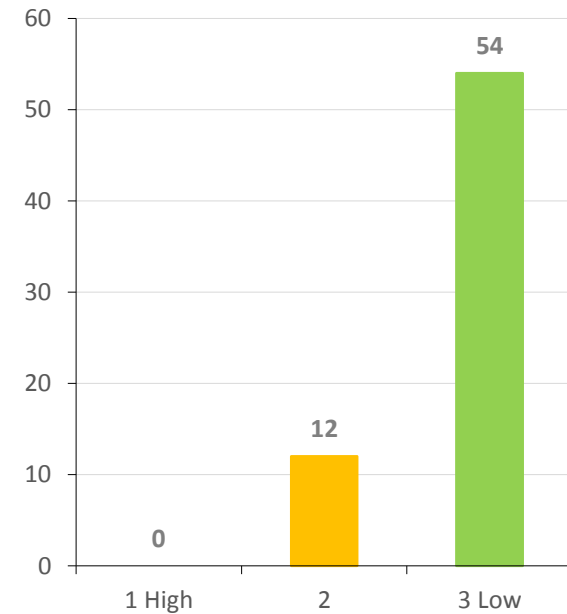


## Summary of Recommendations

Audit Recommendations by Priority  
2019/20  
Non Schools



Audit Recommendations by Priority  
2019/20  
Schools



## Internal Audit Plan Progress 2019/2020

### Aged Analysis of Audit Recommendations Exceeding the Originally Agreed Target Implementation Date



#### Summary of Recommendations

#### Outstanding Audit Recommendations by Priority 2017/18, 2018/19 and 2019/20 Non Schools

	< 30 Days	< 60 Days	< 90 Days	< 120 Days	120+ Days	Totals
<b>3</b>	8	6	2	0	22	<b>38</b>
<b>2</b>	4	1	1	2	11	<b>19</b>
<b>1</b>	0	0	0	0	2	<b>2</b>
<b>Totals</b>	<b>12</b>	<b>7</b>	<b>3</b>	<b>2</b>	<b>35</b>	<b>59</b>

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

	< 30 Days	< 60 Days	< 90 Days	< 120 Days	120+ Days	Totals
<b>3</b>	14	7	10	4	75	<b>110</b>
<b>2</b>	4	1	1	0	12	<b>18</b>
<b>1</b>	0	0	0	0	1	<b>1</b>
<b>Totals</b>	<b>18</b>	<b>8</b>	<b>11</b>	<b>4</b>	<b>88</b>	<b>129</b>

**Appendix C** provides a summary of the outstanding Priority 1, 2 and 3 recommendations, with updates provided by the responsible officer. Where a response to the update request was not received from the responsible officer, it has been assumed that the recommendation remains outstanding and the update noted as such.

**Note:** Schools recommendations are only followed up should a school be awarded a Partial or No Assurance audit opinion.

## Internal Audit Plan Progress 2019/2020

The Chief Executive 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 24 Partners 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 2019/20 year (as at 30<sup>th</sup> January 2020) are as follows;

Performance Target	Average Performance
<b><u>Audit Plan – Percentage Progress</u></b>	
Completed	36%
Work at Report Stage	4%
Fieldwork	31%
Scoping	5%
Yet to commence	23%
<b><u>Draft Reports</u></b>	
Issued within 5 working days	62.5%
Issued within 10 working days	87.5%
	(Average Days of 4.42)
<b><u>Final Reports</u></b>	
Issued within 10 working days of discussion of draft report	75%
	(Average Days of 13.29)
<b><u>Quality of Audit Work</u></b>	
Customer Satisfaction Questionnaire	97.8%

## Internal Audit Plan Progress 2019/2020

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



### Approved Changes to the Audit Plan

Planned audit work is as detailed in **Appendix B**. Unplanned work, special reviews or projects carried out on a responsive basis are requested through the Director of Finance & Procurement (Section 151 Officer). As new and emerging risks are identified, any changes to the plan will be subject to the agreement of the Interim Director of Finance & Procurement (Section 151 Officer) and 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 2019/20 Audit Plan:

Audit	Amendment	Reason
Gross Loans	Addition	Requested by Client.
Special Investigation	Addition	Requested by Client. The details of this work could be considered commercially sensitive at this stage and can therefore not be discussed at this time.
SAP Systems Controls	Addition	Requested by Client.
Use of Fleet Vehicles in Respite Care	Addition	Requested by Client.
Pensions Code of Practice 14 Compliance	Addition	Requested by Client.
Procurement Process Review	Addition	Requested by Client.
Whistle Blowing Policy and Procedure	Addition	Requested by Client.
Intelligent-i Proposal Analysis	Addition	Requested by Client.
Adult Social Care - Community Team for People with Learning Disabilities	Addition	Requested by Client.

## Internal Audit Plan Progress 2019/2020

Deprivation of Assets	Merger	This audit has now been amalgamated with the Financial Assessments audit.
Corporate Debt Management – Phase 2	Merger	This audit has now been merged with Phase 1 and will be undertaken as a single piece of work.
Partnership Governance – Phase 1	Removed	The scope of this review was to concentrate on identifying the various partnerships across the Authority. Following discussions, the Council is now going to undertake this work themselves.
Adult Social Care Transformation Stream	Removed	Following discussions with the Director Adult Care, Learning Disability & Mental Health, it was agreed this piece of work would no longer be valuable considering the work already undertaken within the Families and Children Transformation Stream audit. A request was made that we look at another area of the service.
Homelessness Strategy	Removed	Following discussions with the Director Housing and Commercial, it has been agreed that as the Homelessness Strategy has only just been approved, it would not be valuable to undertake this audit at this time. The scope of the Strategic Assets and Facilities audit has been broadened in replacement of this review.
Commercial Trading	Deferred	The Commercial Policy has only recently been approved by Cabinet. The subsequent commercial review across the Council has not commenced yet. It has therefore been agreed to defer this audit to the 2020/21 Internal Audit Plan.

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



Audit Framework Definitions

- Substantial
- Reasonable
- Partial
- None
- Advisory

Control Assurance Definitions

<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.
<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>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>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.

**Advisory** - In addition, to our opinion-based work we will provide consultancy services. The advice offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

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



Audit Framework Definitions

**Categorisation of Recommendations**

In addition to the corporate risk assessment it is important that management 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. 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.

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

**Definitions of Risk**

<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.



Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major 2 = Moderate 3 = Minor Recommendation		
						1	2	3
						<b>Outstanding 2018/19 Plan Progress</b>		
<b>Complete</b>								
Operational	Families and Children Transformation Stream	Q2	Completed	Advisory	N/A			
Operational	Highways Contract – Use of Subcontractors	Q1	Completed	Reasonable	1			1
<b>2019/20 Plan Progress</b>								
<b>Complete</b>								
Follow Up	Clarendon Juniors	Q1	Completed	Follow Up	N/A			
Advisory	Relief Bank	Q1	Completed	Advisory	N/A			
Advisory	SAP Systems Controls	Q1	Completed	Advisory	N/A			
Special Investigation	Gross Loans	Q1	Completed	No Assurance	5	2	3	
Operational	Court of Protection: Deputyship and Appointeeship for Service Users	Q1	Completed	Partial	5		4	1
Advisory	Special Investigation	Q1	Completed	Advisory	N/A			
Follow Up	Travel and Expense Claims Cloud Based System	Q1	Completed	Follow Up	N/A			
Grant Certification	Public Health Grant	Q1	Completed	Certification	N/A			
Grant Certification	Pothole Action Fund & Flood Resilience Fund	Q1	Completed	Certification	N/A			
Follow Up	Fraud Referral Process	Q1	Completed	Follow Up	N/A			

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major 2 = Moderate 3 = Minor Recommendation		
						1	2	3
						Operational	Transformation Delivery – Lessons Learnt	Q1
School	Derry Hill CE (VA) Primary School	Q2	Completed	Reasonable	7		1	6
School	Newton Tony CE (VC) Primary School	Q2	Completed	Reasonable	8			8
Follow Up	St Mary’s Primary School	Q2	Completed	Follow Up	N/A			
School	Stanton St Quinton Primary School	Q2	Completed	Reasonable	9			9
Operational	Pensions Code of Practice 14 Compliance	Q2	Completed	Reasonable	1		1	
Operational	Programme Management	Q2	Completed	Reasonable	7		2	5
Follow Up	Parking Income	Q2	Completed	Follow Up	N/A			
Grant Certification	Local Authority Bus Subsidy	Q2	Completed	Certification	N/A			
Operational	Use of Fleet Vehicles in Respite Care	Q2	Completed	Advisory	N/A			
School	The New Forest C of E (VA) Primary School	Q2	Completed	Reasonable	10			10
School	Sarum St Paul’s C of E (VA) Primary School	Q2	Completed	Reasonable	7		1	6
School	Kiwi Primary School	Q2	Completed	Reasonable	11		3	8
Operational	Financial Assessments and Deprivation of Assets	Q2	Completed	Reasonable	4		1	3
School	Crudwell C of E Primary School	Q3	Completed	Reasonable	5		3	2

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major 2 = Moderate 3 = Minor Recommendation		
						1	2	3
						Advisory	Procurement Process Review	Q3
School	Woodlands Primary School	Q3	Completed	Reasonable	9		4	5
Operational	Accounts Receivable	Q3	Completed	Reasonable	5		2	3
<b>Reporting Stage</b>								
ICT	Data Centre Operations	Q1	Discussion					
Operational	Contract Management	Q2	Draft					
Advisory	Adult Social Care - Community Team for People with Learning Disabilities	Q4	Discussion					
<b>In Progress</b>								
Grant Certification	Troubled Families	Q1-Q4	Fieldwork					
Governance, Fraud & Corruption	National Fraud Initiative (NFI)	Q1-Q4	Fieldwork					
Governance, Fraud & Corruption	Organisational Fraud Awareness	Q1-Q4	Fieldwork					
Healthy Organisation	Healthy Organisation	Q1-Q2	Fieldwork					
Follow Up	Officers Declarations of Interests, Gifts and Hospitality	Q1	Fieldwork					
Operational	ICT & Digital Strategy	Q1	Fieldwork					
Operational	Corporate Debt Management – Phase 1 and 2	Q2	Fieldwork					
Operational	Waste Management Contract	Q2	Fieldwork					

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major 2 = Moderate 3 = Minor Recommendation		
						1	2	3
						Operational	Council Tax	Q3
Operational	Business Rates	Q3	Fieldwork					
Operational	Accounts Payable	Q3	Fieldwork					
Operational	Direct Payments	Q3	Fieldwork					
Advisory	Whistleblowing Policy and Procedure	Q3	Fieldwork					
Operational	Workforce Planning	Q3	Fieldwork					
School	Christ the King Catholic School	Q3	Fieldwork					
School	Sambourne C of E (VC) Primary School	Q3	Fieldwork					
Governance, Fraud & Corruption	Financial Regulations and Contract Standing Orders	Q3	Scoping					
Operational	Housing Repairs	Q3	Scoping					
Follow Up	Traded Services with Schools	Q3	Fieldwork					
School	Thematic School Reviews	Q3-Q4	Scoping					
Operational	Housing and Council Tax Benefits	Q4	Fieldwork					
Operational	Payroll and Expenses	Q4	Fieldwork					
Operational	Main Accounting	Q4	Fieldwork					

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major 2 = Moderate 3 = Minor Recommendation		
						1	2	3
						Operational	Housing Rents	Q4
Advisory	Intelligent-I Proposal Analysis	Q4	Scoping					
Follow Up	Adult Social Care Contracts	Q4	Fieldwork					
Follow Up	Supply Chain Management	Q4	Fieldwork					
Follow Up	Premises Health and Safety	Q4	Fieldwork					
<b>Yet to Commence</b>								
Operational	High Needs Block	Q1						
Governance, Fraud & Corruption	Council Oversight of Maintained Schools	Q1						
Operational	Medium Term Financial Strategy	Q2						
ICT	Management of Hybrid Cloud Operations	Q2						
ICT	High Level Cyber Security	Q2						
Operational	Adoption	Q3						
Governance, Fraud & Corruption	Partnership Governance – Phase 2	Q3						
ICT	General Data Protection Regulations (GDPR) Compliance	Q3						
Operational	SEN Children’s Transition to Adult Services	Q4						

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major 2 = Moderate 3 = Minor Recommendation		
						1	2	3
						Grant Certification	Growth Hub	Q4
Operational	Strategic Assets and Facilities	Q4						
Governance, Fraud & Corruption	Fraud Intelligence Hub	Q4						
Operational	Pension Fund Investment Transfer	Q4						
Operational	Planned Maintenance of Leasehold Properties	Q4						
ICT	Business Continuity	Q4						
ICT	Agile ICT Audit Project Assurance including Get Well	Q4						
ICT	WAN Procurement Approach	Q4						
Operational	Public Health Contract Compliance	Q4						