

# Wiltshire Council

Report of Internal Audit Activity

Plan Progress 2020/21 – August 2020

## Executive Summary

The Assistant Director is required to provide an annual 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, along with the progress of mitigating previously identified significant risks by audit.

The contacts at SWAP in connection with this report are:

**Charlotte Wilson**

Assistant Director

Tel: 07732688 505

[Charlotte.wilson@swapaudit.co.uk](mailto:Charlotte.wilson@swapaudit.co.uk)

**Becky Brook**

Principal Auditor

Tel: 01225 763495

[Becky.brook@swapaudit.co.uk](mailto:Becky.brook@swapaudit.co.uk)



### Audit Opinion and Summary of Significant Risks

#### **Introduction**

In liaison with the Authority's S.151 Officer and the Chair of the Audit Committee, we effectively 'paused' our programme of internal audit work in March (through to the end of June) to allow the Authority to fully focus on the response effort to COVID-19. Internal Audit staff were redeployed into areas of high need (Business Grant Payments & advice). However, we did maintain a level of internal audit work including investigations and grant certifications.

It is unfortunate, but unavoidable and inevitable, that audit plans for SWAP partners will suffer from some reduction. We would normally expect to complete one quarter of the agreed plan by end of June, but completion in the first quarter of the year has been impacted by COVID-19. Whilst we would, ideally, like to make up lost time in the rest of the year this, as previously recognised and accepted, is unachievable.

Consequently, SWAP is proposing that, for each Partner, we re-assess each internal audit plan for 2020/21. This process will make the assumption that, as at 30th June, one quarter of the year's internal audit resources will have been utilised, leaving three quarters of the resources available for the rest of the year. We have consulted with other audit partnerships in the Audit Together group and the collective view from this is that the majority of partnerships are taking a similar approach in agreeing this course with their respective partners.

#### **Significant Risks:**

There have been no new significant risks identified during this period.

#### **Follow Up:**

When we undertake follow up audits, we would ideally hope to find all our recommendations implemented, however often this is not the case, sometimes for good reason. However, we monitor and report to members the recommendations that have passed their target implementation date.

Within this period, we have completed two follow up reviews. We would draw members attention to the figure of 73% on page 3 below, which provides the percentage of recommendations that are not implemented at the time of our follow up audits despite the implementation date having passed. whilst we recognise the percentage

## Executive Summary

of recommendations not yet complete is high, good progress has been made on these recommendations despite delays caused by the COVID-19 pandemic and we expect the majority to have been fully implemented by the end of September 2020 for Direct Payments and November 2020 for Gross Loans. We have also included in Appendix C, a summary of all outstanding recommendations along with a progress update from management where received. Where we feel insufficient progress has been made, we have agreed a revised implementation date and will continue to follow the progress of these outstanding recommendations and report to members on a regular basis.

## Internal Audit Plan Progress 2020/2021

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



### SWAP Performance

SWAP performance is subject to regular review by both the Directors and Owners meetings. The respective outturn performance results for Wiltshire Council for the 2020/21 year (as at 17 September 2020) are as follows:

Performance Target	Average Performance
<p><b><u>Audit Plan – Percentage Progress*</u></b></p> <p>Completed 27.5%</p> <p>Work at Report Stage 4%</p> <p>Fieldwork 30.5%</p> <p>Scoping 19%</p> <p>Yet to commence 19%</p> <p>* The above percentages are based on the internal audit work plan presented in July, covering the first six months of the financial year and make the assumption that as at 30<sup>th</sup> June, one quarter of the internal audit resources have been utilised</p>	
<p><b><u>Quality of Audit Work</u></b></p> <p>Overall Client Satisfaction 98%</p> <p><i>(Did our work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation)</i></p>	
<p><b><u>Outcomes from Follow Up Audit Work</u></b></p> <p>Percentage of recommendations for Partial assurance audits, that remains outstanding when the follow up audit is undertaken 73%</p>	

## Internal Audit Plan Progress 2020/2021

### Added Value

**Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.**



### Added Value

SWAP strives to add value wherever possible i.e. going beyond the standard expectations and providing something 'more' while adding little or nothing to the cost.

In a previous report to members, we outlined our intention to expand on our current regular data analytics work to develop a range of reports to identify potential fraud and errors within the Council's transaction base. This work is progressing, and SWAP have appointed two Data Analysts who are assisting our auditors as part of the routine audit work.

In addition, SWAP is progressing a programme of Continuous Auditing. This is a method whereby audit testing of key controls of an areas or activity, is performed on a more frequent basis. It changes the audit approach from periodic reviews incorporating a small sample of transactions, to ongoing testing of a larger overall sample, with audit results produced shortly after testing. The benefits are a more reactive and timely approach to auditing which gives a continuous assurance on systems and processes throughout the year.

# Internal Audit Plan Progress 2020/2021

## 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>	3	5	4	1	49	<b>62</b>
<b>2</b>	0	0	2	1	20	<b>23</b>
<b>1</b>	0	0	0	0	1	<b>1</b>
<b>Totals</b>	<b>3</b>	<b>5</b>	<b>6</b>	<b>2</b>	<b>70</b>	<b>86</b>

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

	< 30 Days	< 60 Days	< 90 Days	< 120 Days	120+ Days	Totals
<b>3</b>	1	4	1	4	130	<b>140</b>
<b>2</b>	0	2	0	0	29	<b>31</b>
<b>1</b>	0	0	0	0	1	<b>1</b>
<b>Totals</b>	<b>1</b>	<b>6</b>	<b>1</b>	<b>4</b>	<b>160</b>	<b>172</b>

**Appendix C** provides a summary of the outstanding Priority 1, 2 and 3 non schools recommendations.

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

## Internal Audit Plan Progress 2020/2021

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



### Changes to the Audit Plan

We will regularly re-visit and adjust our programme of audit work to ensure that it matches the changing risk profile of the organisation's operations, systems, and controls.

Due to the COVID-19 Pandemic, our approach to planning for 2020/21 has changed. Instead of preparing a full twelve-month plan, we proposed the preparation of a quarterly 'Agile' work plan, containing key areas of coverage, to ensure we are auditing the right areas at the right time. At the meeting of the Audit Committee on 22<sup>nd</sup> July 2020 the audit plan for Quarter 2 was approved, and work has commenced on delivering this plan.

As a result of being able to bring new work into the plan part-way through the year, this means there will be fewer changes and amendments to the plan. The following changes have been made to our plan of work presented within our last update report. Full details of our current on-going work are detailed in Appendix B on page 9.

Audit	Amendment	Reason
Brokerage	Split	Following initial discussions, the Brokerage audit has now been split into two separate pieces of work for Brokerage – Adults and Brokerage – Children's.
COVID-19 Discretionary Grants	Addition	To provide assurance on the process for distributing COVID-19 Discretionary Funds.

The role of SWAP as the internal auditors for Wiltshire Council is to provide independent assurance that the Council’s risk management, governance and internal control processes are operating effectively. In order for senior management and members to be able to appreciate the implications of the assurance provided within an audit report, SWAP provide an assurance opinion. We have four opinion ratings defined as follows:

Assurance Definitions	
<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.

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

In addition to the assurance definitions above we have also introduced an ‘assurance dial’ which indicates on a range of high medium or low where within the range of that assurance a particular audit assurance sits.



As can be seen in this example the assurance provided is low partial as the dial is sitting on the lower end of the partial scale. It could equally have been a medium partial assurance where the dial sits midway or high partial when it is sitting at the upper end close to the reasonable assurance.

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



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

Categorisation of Recommendations	
<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 2019/20 Plan Progress</b>		
<b>Complete</b>								
Operational	Pension Fund Investment Transfer	Q4	Completed	Substantial	1			1
<b>In Progress</b>								
Healthy Organisation	Healthy Organisation	Q1-Q2	Fieldwork					
<b>2020/21 Plan Progress</b>								
<b>Complete</b>								
Follow Up	Direct Payments	Q2	Completed	Follow Up	N/A			
Follow Up	Gross Loans	Q2	Completed	Follow Up	N/A			
<b>Reporting</b>								
Advice	COVID Business Grants Process Assurance Review	Q2	Reporting					
<b>In Progress</b>								
Grant Certification	Troubled Families	Q1-Q4	Ongoing					
Governance, Fraud & Corruption	National Fraud Initiative (NFI)	Q1-Q4	Advice and Guidance					
Operational	Pension Fund Key Control Review	Q2	Fieldwork					
ICT	Cyber Security Framework	Q2	Fieldwork					
Grant Certification	COVID-19 Bus Services Support Grant (Restart)	Q2	Scoping					

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major 2 = Moderate 3 = Minor Recommendation		
						1	2	3
						Grant Certification	Local Authority Bus Subsidy	Q2
Grant Certification	Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund	Q2	Fieldwork					
Operational	Brokerage - Adults	Q2	Scoping					
Operational	Brokerage - Children's	Q2	Scoping					
Key Control	Continuous Assurance and Data Analytics	Q2	Scoping					
Grant Certification	COVID-19 Discretionary Grant	Q2	Fieldwork					
Grant Certification	Local Transport Capital Grants	Q2	Fieldwork					
Grant Certification	Public Health Grant	Q2	Scoping					
<b>Yet to Commence</b>								
ICT	ICT Strategy	Q2						
Grant Certification	Infection Control Funding Assurance	Q2						
Advisory	Assurance work over the Authority's COVID-19 recovery plan; specifically gains made and lessons learnt	Q2						
Grant Certification	Test and Trace Service Support Grant	Q2						
Operational	Budget Management	Q2						