

# APPENDIX A



## Wiltshire Council

Report of Internal Audit Activity 2013/14  
December 2013

# Contents

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**

Group Audit Manager

Tel: 01935 385906

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

**Denise Drew**

Audit Manager

Tel: 01225 712702

[denise.drew@southwestaudit.co.uk](mailto:denise.drew@southwestaudit.co.uk)

**Suella Coman**

Audit Manager

Tel: 01225 712704

[suella.coman@southwestaudit.co.uk](mailto:suella.coman@southwestaudit.co.uk)

Audit Opinion	Page 1
Role of Internal Audit and Audit work	Page 2
Internal Audit Work Programme 2013-14	Page 3
Efficiencies and Added Value	Page 4
SWAP Performance	Page 5 - 7
Approved Amendments to Annual Audit Plan 2012-13	Page 8
Audit Framework Definitions	Page 9-10

**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, I can report that risks are generally well managed and the systems of internal control are working effectively. Management respond positively to internal audit suggestions for improvements and corrective action is often taken quickly, wherever this is possible or practical.

Our audit activity is split between:

- **Operational Audits**
- **Key Control Audits**
- **Governance, Fraud & Corruption Audits**
- **IT Audits**
- **Special Reviews**

## Role of Internal Audit and Audit Work

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 and External Auditors. This year's Audit Plan was reported to this Committee at its meeting on 20th March 2013.

Key Control Audits are undertaken in quarter three of each year and these are planned in conjunction with the Council's External Auditor to assist in their assessment of the Council's financial control environment. This reduces the overall cost of audit to the Council.

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.

## 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**

**“There have been 24 recommendations raised since our last update with 92% being priority 3 or 2.”**

**“There have been no partial or non-assurance opinions issued”**

## Internal Audit Work Programme

The schedule provided at Appendix B contains a list of all audits as agreed in the Annual Audit Plan 2013/14 and also records the status of any outstanding work carried forward from the 2012/13 plan. 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 on pages 9 and 10 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 in Appendix D.

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 in Appendix C. These items will remain on this schedule for monitoring by the Committee until the necessary management action is taken and appropriate assurance has been provided that the risks have been mitigated / addressed.

## Summary of Control Assurance and Recommendations

### 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.”**

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”.

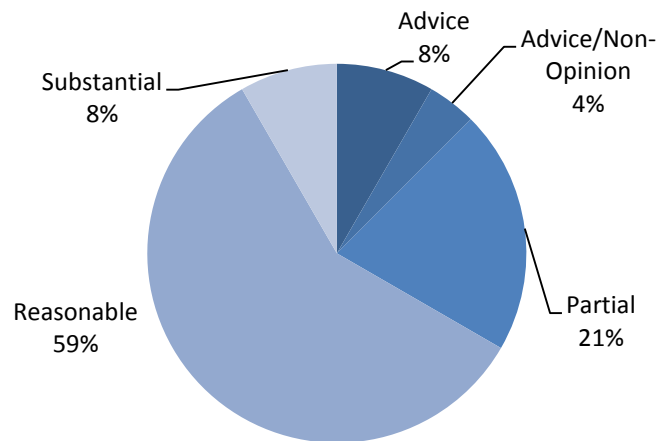
The SWAP definition of “added value” is “it refers to extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something "more" while adding little or nothing to its cost”.

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. Work of particular note this quarter includes:

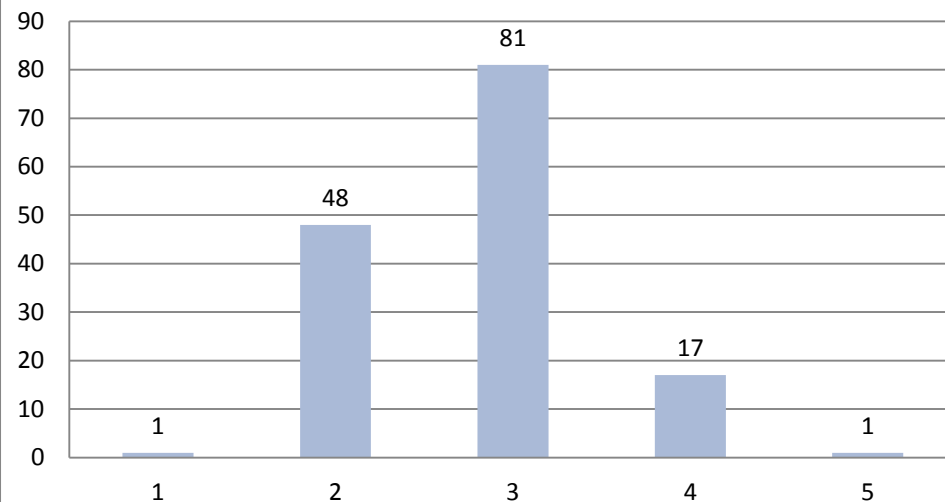
1. Homes4Wiltshire - An area of over control was identified and implementation of the associated recommendations should free up in house staff so that they can process their own work more quickly.
2. Information Assurance - Value was added to this audit in that the split between Assurance Officers situated under Governance and the Assurance officer situated under operational IT meant that no previous overview of Assurance checks had taken place, as a whole function.
3. Accounts Payable - This audit is recognised by the client as complementing the ongoing FIT Review. Some fundamental decisions will be taken by Corporate management to respond to the actions raised and improve the efficiency of the payments system.
4. Highways - Contract transition arrangements/Exit arrangements will be looked at across the whole authority and the lessons learned applied to strengthen future contract monitoring.

### Control Assurance % by Category

(including 12/13 work completed in year)



### Audit Recommendations by Priority



#### **Summary of Internal Audit Work to date**

A total of 79 audit assignments from the 2013-14 plan have been progressed during the year. Of these, 24 reached final or draft report stage; 10 follow up reviews; 3 special investigations/advice and 42 are currently in progress. The diagrams above summarise the outcomes of final reports.

Performance:

The Chief Executive of SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.

“More work is needed to improve the timeliness of issuing final reports”

## SWAP Performance

SWAP now provides the Internal Audit service for 12 Councils and also many subsidiary bodies.

SWAP performance is subject to regular monitoring review by both the Board and the Members Meeting. The respective outturn performance results for Wiltshire Council for the 2013/14 year (as at 30 November 2013) are as follows;

Performance Target	Average Performance
<b><u>Audit Plan – Percentage Progress</u></b>	
2012/13 Work C/Fwd	99%
Final, Draft and Discussion	33%
Fieldwork Completed awaiting report	0%
In progress	41%
Yet to commence	26%
<b><u>Draft Report (2013/14)</u></b>	
Issued within 5 working days	61% (Ave Days are 6)
Issued within 10 working days	78% (Ave Days are 6)
<b><u>Final Reports</u></b>	
Issued within 10 working days of discussion of draft report.	31% (Ave Days are 12)
<b><u>Quality of Audit Work</u></b>	
Customer Satisfaction Questionnaire	79%



Performance:

**The Chief Executive of SWAP reports performance on a regular basis to the SWAP Management and Boards.**

**“Feedback returns remains low, but satisfaction is broadly in line with target.”**

**SWAP Performance**

At the close 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 85% is set where 75% would represent a score of good. The current accumulative feedback for Wiltshire Council is 79%.

There is still concern about the level of feedback received in terms of numbers, currently standing at about 30%. In order for Internal Audit to continue to improve the service it provides, feedback is an essential ingredient and we would therefore continue to encourage management to complete the customer questionnaires sent at the conclusion of each audit.

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

## Approved Amendments to Annual Audit Plan 2013-14

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 Associate Director Finance (Section 151) and are reported to the Committee.

During the first two quarters specific requests for Internal Audit support has resulted in a requirement to complete additional audit work. At present these additions are covered from the agreed contingency allowance or from deferred or removed audits.

The additional work covers review activity in the following areas:





- Access Controls.
- Simdell Migration for KPMG.
- Information Services, Systems Administration.
- Ongoing Investigation work as and when required.

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.