SWAP
SOUTH WEST AUDIT PARTNERSHIP
Delivering Audit Excellence

Wiltshire Council

Report of Internal Audit Activity 2013/14

March 2014

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Contents

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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 31 recommendations raised since our last update with 61% being priority 3, 2 or 1."

"There has been no 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 any remaining work 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.

Appendix E includes any recommendations made which were not agreed by management. The report also includes recommendations made and agreed but which are still outstanding 3 months after the final report has been issued. Please note action may be outstanding if implementation dates are not yet due.

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SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the PSIAS.

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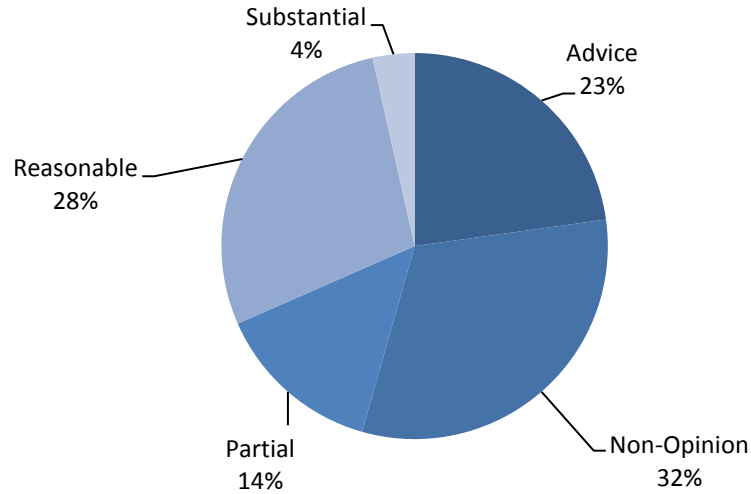
The SWAP definition of "added value" is "it refers to extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something "more" while adding little or nothing to its cost".

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:
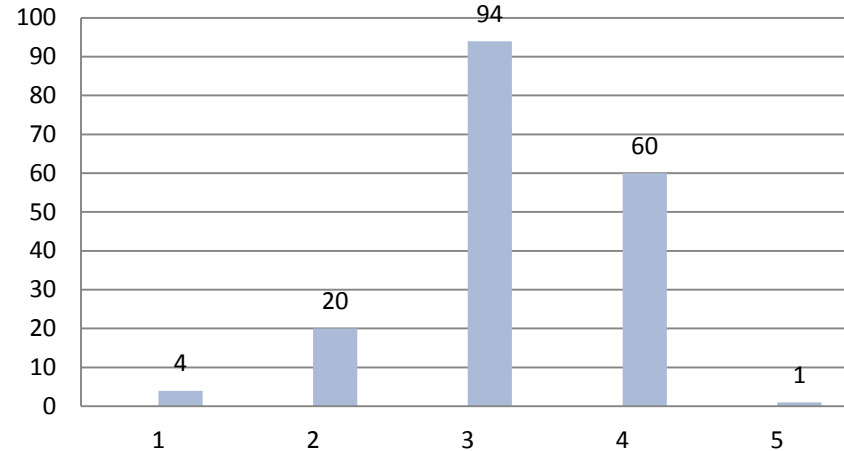
1. **Contract Monitoring in Childrens Centres** - Advice given for monitoring the contract using a risk based approach. This will allow the service to focus resources on centres currently not excelling, in light of recent changes, staff losses and increasing pressures on the service.

2. **Care and Nursing Home Provision** – Discrepancies in the accuracy of client lists and occupancy data was brought to the attention of finance staff. Advice was given regarding the reconciliation of data between the various lists.

3. **QL Housing Management System** – Although this was a key control audit, advice was given on the controls for the new system.

4. **Waste Strategy** – Advice given to the project on lessons learned following award of a major contract.

5. **OSJ Contract Monitoring** – Advice given to contracts officers on areas to focus on when carrying out monitoring visits in care homes. As a result, this year's audit found excellent progress in areas previously weak.

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Control Assurance % by Category
(including 12/13 work completed in year)

- Substantial 4%
- Advice 23%
- Reasonable 28%
- Non-Opinion 32%
- Partial 14%

Audit Recommendations by Priority

Priority	Count
1	4
2	20
3	94
4	60
5	1

Summary of Internal Audit Work to date

A total of 87 audit assignments from the 2013-14 plan have been progressed during the year. Of these, 25 reached final or draft report stage; 11 follow up reviews; 6 special investigations/advice and 45 are currently in progress. The diagrams above summarise the outcomes of final reports.

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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 31 January 2014) are as follows;

Performance Target	Average Performance
Audit Plan – Percentage Progress	
2012/13 Work C/Fwd	100%
Final, Draft and Discussion	43%
Fieldwork Completed awaiting report	1%
In progress	49%
Yet to commence	7%
Draft Report (2013/14)	
Issued within 5 working days	60% (Ave Days are 6)
Issued within 10 working days	71% (Ave Days are 6)
Final Reports Issued within 10 working days of discussion of draft report.	24% (Ave Days are 13)
Quality of Audit Work Customer Satisfaction Questionnaire	81%

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 81%

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.

Audit Framework Definitions

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

- **Substantial**
- **Reasonable**
- **Partial**
- **None**

Control Assurance Definitions

Substantial	★★★	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.
Reasonable	★★	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.
Partial	★	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.
None	▲	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.