

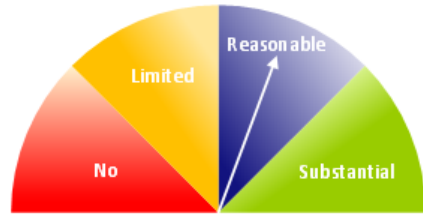
Wiltshire Council

Internal Audit Update Report 2022-23

November 2022

Internal Audit Update – 2022/23: ‘At a Glance’ November 2022

Rolling Opinion



There is generally a sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives.

The Headlines (Since our last update)

	1 High Significant Risk identified 1 Limited Opinion assigned 1 Priority 1 Actions
	22 reviews completed as part of the 2022/23 Internal Audit Plan Includes 13 assurance reviews (including grant certifications), and 9 advisory and follow up pieces.
	Internal Audit activity supporting the Council in its duty to prevent and detect fraud.
	Improvements from the implementation of agreed actions Action tracking is ongoing, and the Council is provided with monthly updates on outstanding actions.
	Adding Value by spreading awareness and learning SWAP’s Counter Fraud and Investigation Team have already delivered one fraud awareness training session, with further sessions planned for the near future.

Internal Audit Assurance Opinions 2022/23

	This Period	YTD
Substantial	3	3
Reasonable	2	3
Limited	1	1
No Assurance	0	0
Grant Certification	7	10
Advisory/Follow Up	9	9
Total	22	26

Internal Audit Agreed Actions 2022/23

	This Period	YTD
Priority 1	4	4
Priority 2	4	4
Priority 3	3	9
Total	11	17

Summary

As part of our rolling plan reports, we will provide an ongoing opinion to support the end of year annual opinion, detail progress against the approved plan and any updates in scope and coverage.

We will also provide details of any significant risks that we have identified in our work, along with the progress of mitigating significant risks previously identified through audit activity.

The contacts at SWAP in connection with this report are:

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Rolling Opinion and Summary of Significant Risks

Introduction

This is the November 2022 update for the 2022/23 financial year and reports against the quarterly plans agreed by this Committee. Our planning process involves quarterly reviews with senior managers to ensure internal audit activity remains appropriate in scope and timing with the opportunity for risk-based flex.

Rolling Opinion

The Rolling Opinion is based on information obtained from multiple engagements and sources, the results of which, when viewed together, provide an understanding of the organisation's governance arrangements, risk management processes and internal control environment and facilitate an assessment of overall adequacy and effectiveness. These sources include:

- Completed reviews since our last update which evaluate risk exposures relating to the organisation's governance, operations, risk and information systems, reliability and integrity of information, efficiency and effectiveness of operations and programmes, safeguarding of assets and compliance with laws and regulations;
- Observations from consultancy/advisory support;
- Follow up of previous audit activity, including agreed actions;
- Notable changes to the organisation's strategy, objectives, processes or IT infrastructure; and
- Other assurances (1st and 2nd line) and from other providers, including third parties, regulators etc.

Based upon our completed work to date, which covers various assurance and advisory pieces and a range of grant certifications, our rolling opinion is **Reasonable**. Appendix B summarises internal activity completed, in progress and due to commence for the period covered by this report. This, along with the cumulative summary position is provided above in the 'At a Glance' section.

Internal Audit Update






Our audit plan coverage assessment is designed to provide an indication of whether we have provided sufficient, independent assurance to monitor the organisation’s risk profile effectively.

For those areas where no audit coverage is planned, assurance should be sought from other sources to provide a holistic picture of assurance against key risks.

SWAP Internal Audit Plan Coverage

Recent internal audit coverage, over a rolling 12-month period, and outcomes are reflected in the chart below. Where we have no coverage, Senior Management and the Audit and Governance Committee should seek and confirm assurance from alternative sources, or consider re-focussing internal audit resource to provide coverage of these areas

Strategic Risk	Audit Coverage
SR01 – Unable to Meet demands for Special Educational Needs or Disability	Some aspects of coverage
SR02 – Lack of Capacity in the Social Care Market	Coverage in progress or planned
SR03 – Uncontrolled Cost of Social Care (Predominantly Adults)	Coverage in progress or planned
SR04 – Failure to Manage Housing Development	Coverage in progress or planned
SR05 – Cyber Resilience	Adequate coverage
SR06 – Impact of Negative Media/Social Media Coverage on Council	No coverage to date
SR07 – Outbreak Management Control Plan	Adequate coverage
SR08 – Failure in Safeguarding Children	Coverage in progress or planned
SR09 – Information Governance	Adequate coverage
SR10 – Income Collection	Good coverage
SR11 – Corporate Health, Safety and Wellbeing	Some aspects of coverage
SR12 – Hospital Discharges Resulting in Highly Restrictive Packages of Care	Some aspects of coverage
SR13 – Budget Management	Good coverage
SR14 – Not on Track for the Council to be Carbon Neutral by 2030	Coverage in progress or planned

Coverage Key	
	Good coverage
	Adequate coverage
	Coverage in progress or planned
	Some aspects of coverage
	No coverage to date

Internal Audit Update

Significant Corporate Risks:

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

Summary of Work Completed – Significant Corporate Risks

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

Pension Payroll Reconciliation Project

An audit was undertaken of the Pensions Payroll Reconciliation Project. Our audit included the following areas:

- a) Project objectives and deliverables;
- b) Roles and responsibilities;
- c) Issues handling; and
- d) Project outsourcing.

The issues identified were raised by SWAP during the audit at the beginning of June 2022. Progress was subsequently made in some areas whilst the audit was being undertaken. It should be noted that the report was given a Limited Assurance rating, prior to the progress which was made during the audit in improving the project reconciliations and progressing the third-party tender process, a No Assurance rating would have been issued.

Since our audit work was concluded, updates provided to SWAP by the Head of Wiltshire Pension Fund in August and September 2022 indicate that there are ongoing problems with the conclusion of this project, including the discovery of an additional 53 cases at stage 2, 361 additional cases at stages 3-4, and errors being made in correcting pensions and paying arrears (note that these findings have not been investigated due to the timing of their discovery and escalation).

Risk Reviewed	Assessment
1. The project is not delivered efficiently and accurately, resulting in the inaccurate pensions payments to members not being resolved.	High

Internal Audit Update

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 and Governance Committee.

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

Summary of Work Completed – Limited and No Assurance Opinions

Pension Payroll Reconciliation Project

Assurance Opinion



Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

Key Findings

	There is not a clear project brief with measurable deadlines. The Head of Wiltshire Pension Fund has requested for regular measurable project updates, this has not been provided by the Pensions Administration Lead who oversees the project.
	The work at stage 2 of the project was not reviewed and signed off. Subsequent issues have been identified where cases were not included when they should have been. Furthermore, there are no targets to progress the backlog of cases which have subsequently been identified.
	There is no robust process to reconcile the Master Control Workbook to the Pension Fund's System Altair and Payroll monthly.
	There is not a clear method to monitor the input from the project team when completing stage 3 project work. In addition, no targets were set to ensure the project progressed, the project meetings were not minuted and no actions were set.
	A clear plan is not in place to handover the project to the third party.

One Priority 1 action and four Priority 2 actions have been agreed with the Head of the Wiltshire Pension Fund, all have now reached their agreed implementation date. A follow up audit will be undertaken in due course.

Added Value

We keep our audit plans under regular review 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 rolling programme of audit work to ensure that it matches the changing risk profile of the organisation's operations, systems, and controls. Details of our current work areas are provided in **Appendix B**.

Unplanned work, special reviews or projects carried out on a responsive basis which are requested as a result of new and emerging risk areas, and which result in significant changes to the agreed plan will be reported to CLT and the Audit and Governance Committee. The agreed plan provides for flexibility in coverage and scope and includes some provision for responsive activity.

The following table highlights some notable changes to the plan.

Assignment	Amendment	Reason
Financial Controls – Feeder Systems	Addition	Request from the Corporate Director Resources and Deputy Chief Executive.
Housing Rents – Year End Balancing	Addition	As a result of the work already undertaken during the Housing Rents Continuous Audit process.
Contain Outbreak Management Fund	Addition	Late request received for Head of Internal Audit grant certification.
Universal Drug Treatment Grant	Addition	Late request received for Head of Internal Audit grant certification.
CASPAR Migration Investigation	Addition	Request from the Director Ageing and Living Well following a data loss incident.
S.106 Financial Controls	Addition	Audit to replace the deferred planning audit.
School Cheque Fraud	Addition	Request following a cheque fraud incident in a school.
Evolve – HR	Removed	Removed and replaced with more generalised support for the Evolve Project.
Brunel Pension Partnership Cost Transparency	Removed	Removed at the request of the Wiltshire Pension Fund. This work will now be undertaken by an investment specialist.
Use of Unregistered/Unregulated Placements	Removed	Agreed with the Director Families and Children that this audit will no longer add value at this stage.

Performance

Aged Analysis of Audit Actions Exceeding the Originally Agreed Target Implementation Date

Summary of Actions

Outstanding Audit Actions by Priority Non Schools

	< 30 Days	< 60 Days	< 90 Days	< 120 Days	120+ Days	Totals
3	1	3	0	3	11	18
2	4	5	0	7	15	31
1	0	1	0	2	1	4
Totals	5	9	0	12	27	53

Appendix C provides a summary of any outstanding Priority 1 and 2 non-schools actions.

Performance

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, and this can be demonstrated in a number of ways ranging from how we deliver your assurance requirements to how we optimise our reach across our partner base and the wider profession to deliver information, reflection and learning.

CIFAS

SWAP continue to support the council to roll out the use of the CIFAS database. The aim of this work is to prevent fraud by sharing data, intelligence and learning. By preventing fraud, the Council can save time and money in fraud investigation work and attempting to recover fraudulent expenditure.

Benchmarking:

Information on topical issues and good practice is gathered and appropriately shared across SWAP and sector partners – through a fortnightly *News Round Up*, attendance at professional groups and conferences and via benchmarking work.

Newsletters and updates

SWAP regularly produces a newsletter and other relevant updates for partners such as fraud bulletins, which provide information on topical issues of interest.

Performance

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

We will build our audit plan as the year progresses to ensure that we are auditing the right things at the right time.

SWAP Performance

SWAP performance is subject to regular review by both the Directors and Owners meetings. The respective outturn performance results for feedback received within 2022/23 year (as of 1st November 2022) are as follows:

Performance Measure	Performance
Quality of Audit Work	
Overall Client Satisfaction <i>(Did our work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation)</i>	96.36%
Value to the Organisation <i>(Client view of whether our audit work met or exceeded expectations in terms of value to their area)</i>	94.44%

Performance

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	
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

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 limited as the dial is sitting on the lower end of the limited scale. It could equally have been a medium limited assurance where the dial sits midway or high limited 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 action 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 action. Actions 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 action has been given a priority rating at service level with the following definitions:

Categorisation of Actions	
Priority 1	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	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	
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Summary of Internal Audit Work 2021/22

APPENDIX B

Audit Type	Audit Area	Status	Opinion	No of Actions	1 = Major	↔	3 = Medium
					Action		
					1	2	3
2021-2022							
Complete							
Assurance	Payroll Continuous Audit Q3 – Q4	Completed	High Reasonable	3			3
Assurance	Housing Rents Continuous Audit Q3 - Q4	Completed	Medium Substantial	1			1
Assurance	Council Tax and Business Rates Continuous Audit Q3 - Q4	Completed	Medium Substantial	1			1
Assurance	Main Accounting Continuous Audit Q3 – Q4	Completed	Medium Reasonable	1			1
Advisory	Workforce Planning and Capacity & Mental Health and Wellbeing	Completed	Advisory	N/A			
Reporting							
Assurance	Adult Payment to Providers	Draft Report					
Advisory	Housing Private Finance Initiative Contracts	Draft Report					
Assurance	Waste Collection Service	Discussion					
2022-2023							
Complete							
Assurance	Pension Payroll Reconciliation Project	Completed	Medium Limited	5	1	4	
Assurance	Accounts Payable Continuous Audit – Period 1	Completed	Medium Reasonable	0			
Assurance	ICT Disaster Recovery	Completed	Reasonable	6			6
Grant Certification	Supporting Families May Claim	Completed	Certification	N/A			

Internal Audit Definitions

APPENDIX A

Audit Type	Audit Area	Status	Opinion	No of Actions	1 = Major	↔	3 = Medium
					Action		
					1	2	3
Grant Certification	Supporting Families August Claim	Completed	Certification	N/A			
Grant Certification	Growth Hub	Completed	Certification	N/A			
Grant Certification	Universal Drug Treatment Grant	Completed	Certification	N/A			
Grant Certification	Contain Outbreak Management Fund	Completed	Certification	N/A			
Grant Certification	Superfast Broadband Annual Return	Completed	Certification	N/A			
Grant Certification	Public Health Grant	Completed	Certification	N/A			
Grant Certification	Local Authority Bus Services Operators Grant (BSOG)	Completed	Certification	N/A			
Grant Certification	Local Transport Capital Grants	Completed	Certification	N/A			
Grant Certification	Peer Networks Certification	Completed	Certification	N/A			
Follow Up	Baseline Assessment of Fraud Risk	Completed	Follow Up	N/A			
Follow Up	Brokerage – Adults	Completed	Follow Up	N/A			
Follow Up	Brokerage – Childrens	Completed	Follow Up	N/A			
Follow Up	Care Home Alliance	Completed	Follow Up	N/A			
Follow Up	Third Party Spend – Purchase to Pay	Completed	Follow Up	N/A			
Advisory	Housing Rents Data Analytics	Completed	Advisory	N/A			



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 Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Audit Type	Audit Area	Status	Opinion	No of Actions	1 =	↔	3 =
					Major		Action
					1	2	3
Advisory	Housing Rents – Year End Balancing	Completed	Advisory	N/A			
Advisory	Financial Controls – Feeder Systems	Completed	Advisory	N/A			
Reporting							
Assurance	Accounts Receivable Continuous Audit – Period 1	Draft					
ICT	CASPAR Migration Investigation	Discussion					
In Progress							
Assurance	Housing Benefit and Council Tax Support Continuous Audit – Period 1	Fieldwork					
Assurance	Housing Rents Continuous Audit – Period 1	Fieldwork					
ICT	ICT Network Boundary Defences	Fieldwork					
Assurance	Treasury Management Continuous Audit – Period 1	Fieldwork					
Advisory	Grant Register	Fieldwork					
Assurance	Interim Loans	Fieldwork					
Assurance	S.106 Financial Controls	Fieldwork					
Advisory	School Cheque Fraud Investigation	Fieldwork					
Assurance	Children’s Home Inspections	Initiating					
Assurance	Adults Transformation	Initiating					

Internal Audit Definitions

APPENDIX A

Audit Type	Audit Area	Status	Opinion	No of Actions	1 =	↔	3 =
					Major		Action
					1	2	3
Assurance	Pension Fund Key Financial Controls	Initiating					
Assurance	Schools Audits (12 Individual Schools Audits)	Initiating					
Advisory	Evolve Programme Support	Ongoing Support					
Advisory	National Fraud Initiative	Ongoing Support					
Advisory	External Audit Liaison	Ongoing Support					
Advisory	Anti-Fraud and Corruption Advice	Ongoing Support					
Advisory	CIFAS	Ongoing Support					
Advisory	COVID-19 Advice	Ongoing Support					
To Commence							
Assurance	Main Accounting Continuous Audit – Period 1				Data requested. Waiting for the 2021/22 Q3-Q4 audit to be finalised.		
Assurance	Payroll Continuous Audit – Period 1				Data requested. Waiting for the 2021/22 Q3-Q4 audit to be finalised.		
Assurance	Council Tax and Business Rates Continuous Audit – Period 1				Data requested. Waiting for the 2021/22 Q3-Q4 audit to be finalised.		
Assurance	Risk Management				Audit deferred to Q4 2022-23.		
Assurance	Planning				Audit deferred to Q4 2022-23.		
Assurance	Housing Repairs				Audit deferred to Q4 2022-23.		
Assurance	Fostering Excellence				Audit deferred to Q4 2022-23.		

Audit Type	Audit Area	Status	Opinion	No of Actions	1 =	↔	3 =
					Major		Action
					1	2	3
Assurance	Better Care Fund						
ICT	ICT Identity Management in the Cloud						
Assurance	Climate Change						
Grant Certification	Supporting Families December Claim						