

AGENDA

Meeting: Audit Committee
Place: Kennet Room - County Hall, Bythesea Road, Trowbridge, BA14
8JN
Date: Wednesday 6 February 2019
Time: 10.00 am

Please direct any enquiries on this Agenda to Jessica Croman of Democratic Services, County Hall, Trowbridge, direct line 01225 718262 or email jessica.croman@wiltshire.gov.uk

All public reports referred to on this agenda are available on the Council's website at www.wiltshire.gov.uk .

Press enquiries to Communications on direct lines (01225) 713114 / 713115

Membership:

Cllr Richard Britton (Chairman)	Cllr Andy Phillips
Cllr Stewart Dobson (Vice-Chairman)	Cllr Leo Randall
Cllr Gavin Grant	Cllr John Smale
Cllr Mike Hewitt	Cllr Ian Thorn
Cllr Edward Kirk	Cllr John Walsh
Cllr Tony Jackson	

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Part I

Items to be considered while the meeting is open to the public

1 **Apologies**

To receive any apologies or substitutions for the meeting

2 **Minutes of the Previous Meeting** (*Pages 5 - 8*)

To confirm and sign the minutes of the meeting held on 14 November 2018

3 **Declarations of Interests**

To receive any declarations of disclosable interests or dispensations granted by the Standards Committee

4 **Chairman's Announcements**

5 **Public Participation**

The Council welcomes contributions from members of the public.

Statements

If you would like to make a statement at this meeting on any item on this agenda, please register to do so at least 10 minutes prior to the meeting. Up to 3 speakers are permitted to speak for up to 3 minutes each on any agenda item. Please contact the officer named on the front of the agenda for any further clarification.

Questions

To receive any questions from members of the public or members of the Council received in accordance with the constitution.

Those wishing to ask questions are required to give notice of any such questions in writing to the officer named on the front of this agenda no later than 5pm on **(4 clear working days, e.g. Wednesday of week before a Wednesday meeting)** in order to be guaranteed of a written response. In order to receive a verbal response questions must be submitted no later than 5pm on **(2 clear working days, eg Friday of week before a Wednesday meeting)**. Please contact the officer named on the front of this agenda for further advice. Questions may be asked without notice if the Chairman decides that the matter is urgent.

Details of any questions received will be circulated to Committee members prior to the meeting and made available at the meeting and on the Council's website.

6 **External Auditors** (*Pages 9 - 38*)

- Understanding the Key Steps in the Conduct of an External Audit
- Audit Plan
- Working with SWAP

- 7 **Approach to Internal Audit Plan 2019/20** *(Pages 39 - 44)*
To consider a report on SWAP's internal audit plan for 2019/20
- 8 **Q3 Internal Audit Report** *(Pages 45 - 72)*
To consider the internal audit report for quarter 3 - 2018/19
- 9 **Update: Anti-Fraud and Corruption Policy**
To receive a verbal update from SWAP
- 10 **Risk and Performance Management** *(Pages 73 - 94)*
To consider a report on risk and performance management processes
- 11 **Finance Department Risk Register** *(Pages 95 - 98)*
To receive a presentation from Becky Hellard, Director of Finance & Procurement
- 12 **Finance Director Recruitment Update**
To receive a verbal update on the recruitment of a financial director
- 13 **Forward Work Programme** *(Pages 99 - 100)*
To note the forward work programme
- 14 **Date of Next Meeting**
To note that the next regular meeting of the Committee will be held on 17 April 2019.
- 15 **Urgent Items**
Any other items of business, which the Chairman agrees to consider as a matter of urgency.

Part II

Items during whose consideration it is recommended that the public should be excluded because of the likelihood that exempt information would be disclosed

AUDIT COMMITTEE

DRAFT MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 14 NOVEMBER 2018 AT KENNET ROOM - WILTSHIRE COUNCIL OFFICES, COUNTY HALL, TROWBRIDGE.

Present:

Cllr Richard Britton (Chairman), Cllr Stewart Dobson (Vice-Chairman), Cllr Peter Evans (Substitute - Part II), Cllr Gavin Grant, Cllr Mike Hewitt, Cllr Tony Jackson, Cllr Edward Kirk, Cllr Leo Randall, Cllr John Smale, Cllr Ian Thorn and Cllr John Walsh

Also Present:

Cllr Philip Witehead

41 **Apologies**

Apologies were received from Cllr Andy Philips, who was substituted by Cllr Peter Evans.

42 **Minutes of the Previous Meeting**

Resolved:

To confirm the minutes of the meeting held on 24 July 2018.

43 **Declarations of Interests**

There were no declarations of interest.

44 **Chairman's Announcements**

The Chairman welcomed Becky Hellard to the meeting, who was the Interim Director of Finance and Procurement.

It was noted that a report on risk and performance, which was scheduled for the meeting, was not currently available, although it was in its final stages of being signed off. The report would be circulated to all Members as soon as possible and the Chairman would make a decision on whether a special meeting would be required.

Work on partnership governance had begun and a report would come to the committee in April 2019.

An idea was floated to invite risk owners to committee meetings where they could talk through the operational side of managing audits and to seek assurance that managers were confident managing the audits.

45 **Public Participation**

There were no members of the public present.

46 **Why Bother With Internal Audit?**

David Hill, SWAP, gave a presentation on why internal audits were important to the success of an organisation.

Key points of the presentation included:

- Recent examples of where internal audit made improvements in organisations;
- The importance of internal audit;
- The three lines of defence;
- The role and focus of audit committees;
- The evolving nature of internal audits as drivers for change;
- The annual planning process;
- Risk assessment planning;

The Chairman made note that it was important to ensure that SWAP were focusing their resources in the right areas and was keen to see a clear linkage between the audit reviews and the risk register, seeking assurances in areas other than finance.

The Chairman thanked SWAP for their presentations.

47 **External Audit Update**

The external auditors report was included in the agenda. A question was asked on the working relationship between external and internal auditors. The committee were advised that usually external and internal auditors set their plans together at the start of the financial year, with a triannual review to assess the reliability of the audits carried out.

48 **Internal Audit Activity Report - November 2018 Update**

The report to Committee updated on the progress of the Internal Audit in respect of delivering the 2018/19 Internal Audit and Counter-Fraud Plans,

managing response to audit recommendations and the Council's overall control environment.

SWAP highlighted that 57% of the audits were in progress or completed, this was slightly behind schedule, although further resources would be brought in to ensure the audits would be completed on time. There had been a vast improvement with management engagement, resulting in improvements with implementing overdue actions and recommendations. One audit had been given no assurance which related to a school, work was ongoing to implement the recommendations and finally there was an amendment to the internal audit plan which required approval..

The committee discussed the outstanding recommendations, it was noted that they related to one particular service area which was experiencing resource issues. Further discussion took place on whether there was a need to increase SWAP's input in school governance following a number of concerns of school governance.

SWAP advised that currently school governor's self-assessments and meeting minutes were reviewed and SWAP agreed to build into their reviews a mechanism of alert to flag up issues before they escalated and to assess any difference between primary/ secondary and religious/ non-religious schools.

Members also agreed to refer the issues to scrutiny.

Resolved:

To approve the amendments to the internal audit plan for 2018/19.

To notify Scrutiny of the concerns raised during the meeting.

49 **5 Year History of Reserves**

The Chairman introduced the item, referring to the report included with the agenda and welcomed the Interim Director of Finance and Procurement to give a short presentation on theory of reserves.

Following a general discussion, it was noted that Wiltshire Councils reserves were acceptable and the committee were reassured that the consistency of the reserves was positive.

50 **Forward Work Programme**

It was noted that the forward work plan would be updated and circulated to members.

51 **Date of Next Meeting**

The next meeting would take place on 6 February 2019.

52 **Urgent Items**

There were no urgent items.

(Duration of meeting: 10.00 - 11.55 am)

The Officer who has produced these minutes is Jessica Croman, of Democratic Services, direct line 01225 718262, e-mail jessica.croman@wiltshire.gov.uk

Press enquiries to Communications, direct line (01225) 713114/713115

Briefing on audit matters

Published for those charged with governance



This document is intended to assist those charged with governance to understand the major aspects of our audit approach, including explaining the key concepts behind the Deloitte Audit methodology including audit objectives and materiality.

Further, it describes the safeguards developed by Deloitte to counter threats to our independence and objectivity.

This document will only be reissued if significant changes to any of those matters highlighted above occur.

We will usually communicate our audit planning information and the findings from the audit separately. Where we issue separate reports these should be read in conjunction with this "Briefing on audit matters".

Approach and scope of the audit

Primary audit objectives

We will conduct our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISA (UK and Ireland)") as adopted by the UK Auditing Practices Board ("APB") and Code of Audit Practice issued by the National Audit Office ("NAO"). The Council will prepare its accounts under the Code of Practice on Local Authority Accounting ("the Code") issued by CIPFA and LASAAC.

Our audit objectives are to:

- express an opinion in true and fair view terms on the financial statements;
- issue a separate assurance report to the NAO on the Council's separate return required for the purposes of its audit of the Whole of Government Accounts;
- express a conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of its resources;
- express an opinion as to whether the accounts have been properly prepared in accordance with the CIPFA/LASSAAC Code of Practice on Local Authority Accounting; and
- consider whether the other information published with the financial statements is consistent with with the financial statements.

Other reporting objectives

Our reporting objectives are to:

- present significant reporting findings to those charged with governance. This will highlight key judgements, important accounting policies and estimates and the application of new reporting requirements, as well as significant control observations; and
- provide timely and constructive recommendations to management. This will include key business process improvements and significant controls weaknesses identified during our audit.

Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.

**Materiality
(continued)**

"Materiality" is defined in the International Accounting Standards Board's "Conceptual Framework for Financial Reporting" in the following terms:

"Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual entity's financial report."

We determine materiality based on professional judgment in the context of our knowledge of the audited entity, including consideration of factors such as public expectations, sector developments, financial stability and reporting requirements for the financial statements.

We determine materiality to:

- determine the nature, timing and extent of audit procedures; and
- evaluate the effect of misstatements.

The extent of our procedures is not based on materiality alone but also, the quality of systems and controls in preventing material misstatement in the financial statements, and the level at which known and likely misstatements are tolerated by you in the preparation of the financial statements.

**Uncorrected
misstatements**

In accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK and Ireland)) we will communicate to you all uncorrected misstatements (including disclosure deficiencies) identified during our audit, other than those which we believe are clearly trivial.

ISAs (UK and Ireland) do not place numeric limits on the meaning of 'clearly trivial'. The Audit Engagement Partner, management and those charged with governance will agree an appropriate limit for 'clearly trivial' – as set out in our Audit Plan. In our report we will report all individual identified uncorrected misstatements in excess of this limit.

We will consider identified misstatements in qualitative as well as quantitative terms.

Audit methodology

Our audit methodology takes into account the changing requirements of auditing standards and adopts a risk based approach. We utilise technology in an efficient way to provide maximum value to the public and create value for management and the Council whilst minimising a "box ticking" approach.

Our audit methodology is designed to give councillors and the public the confidence that they deserve.

For controls considered to be 'relevant to the audit' we evaluate the design of the controls and determine whether they have been implemented. The controls that are determined to be relevant to the audit will include those:

- where we plan to obtain assurance through the testing of operating effectiveness;
- relating to identified risks (including the risk of fraud in revenue recognition, unless rebutted and the risk of management override of controls);
- where we consider we are unable to obtain sufficient audit assurance through substantive procedures alone; and
- to enable us to identify and assess the risks of material misstatement of the financial statements and design and perform further audit procedures.

Other requirements of International Standards on Auditing (UK and Ireland)

ISAs (UK and Ireland) require we communicate the following additional matters:

ISA (UK and Ireland)	Matter
ISQC 1	Quality control for firms that perform audits and review of financial statements, and other assurance and related services engagements
240	The auditor's responsibilities relating to fraud in an audit of financial statements
250	Consideration of laws and regulations in an audit of financial statements
265	Communicating deficiencies in internal control to those charged with governance and management
450	Evaluation of misstatements identified during the audit
505	External confirmations
510	Initial audit engagements – opening balances
550	Related parties
560	Subsequent events
570	Going concern
600	Special considerations – audits of group financial statements (including the work of component auditors)
705	Modifications to the opinion in the independent auditor's report
706	Emphasis of matter paragraphs and other matter paragraphs in the independent auditor's report
710	Comparative information – corresponding figures and comparative financial statements
720	Section A: The auditor's responsibilities relating to other information in documents containing audited financial statements

Independence policies and procedures

Important safeguards and procedures have been developed by Deloitte to counter threats or perceived threats to our objectivity, which include the items set out below.

Safeguards and procedures

- Every opinion (not just statutory audit opinions) issued by Deloitte is subject to an engagement quality control review by an independent member of our Professional Standards Review team.
- Where appropriate, review and challenge takes place of key decisions by the Engagement Quality Control Review Partner and ensures the objectivity of our judgement is maintained.
- We report annually to those charged with governance our assessment of objectivity and independence. This report includes a summary of non-audit services provided together with fees receivable.
- There is formal consideration and review of the appropriateness of continuing the audit engagement before accepting reappointment.
- Periodic rotation takes place of the audit engagement partner, the Engagement Quality Control Review Partner and other key partners involved in the audit in accordance with our policies and professional and regulatory requirements.
- In accordance with the Ethical Standards issued by the Auditing Practices Board (APB), there is an assessment of the level of threat to objectivity and potential safeguards to combat these threats prior to acceptance of any non-audit engagement. This includes particular focus on threats arising from self-interest, self-review, management, advocacy, over-familiarity and intimidation.
- In the UK, statutory oversight and regulation of auditors is carried out by the FRC. The Firm's policies and procedures are subject to external monitoring by both the Audit Quality Review Team (AQRT), which is part of the FRC's Conduct Division, and the ICAEW's Quality Assurance Department (QAD). The AQRT is charged with monitoring the quality of audits of economically significant entities and the QAD with monitoring statutory compliance of audits for all other entities. Both report to the ICAEW's Audit Registration Committee.

Independence policies

Our detailed ethical standards and independence policies are issued to all partners and employees who are required to confirm their compliance annually. We are also required to comply with the policies of other relevant professional and regulatory bodies.

Amongst other things, these policies:

- state that no Deloitte partner (or any immediate family member) is allowed to hold a financial interest in any of our UK audited entities;
- require that professional staff may not work on assignments if they (or any immediate family member) have a financial interest in the audited entity or a party to the transaction or if they have a beneficial interest in a trust holding a financial position in the audited entity;
- state that no person in a position to influence the conduct and outcome of the audit (or any immediate family member) should enter into business relationships with UK audited entities or their affiliates;
- prohibit any professional employee from obtaining gifts from audited entities unless the value is clearly insignificant; and
- provide safeguards against potential conflicts of interest.

Remuneration and evaluation policies

Partners are evaluated on roles and responsibilities they take within the firm including their technical ability and their ability to manage risk.

APB Ethical Standards The APB issued five ethical standards for auditors that apply a 'threats' and 'safeguards' approach.

The five standards cover:

- maintaining integrity, objectivity and independence;
- financial, business, employment and personal relationships between auditors and their audited entities;
- long association of audit partners and other audit team members with audit engagements;
- audit fees, remuneration and evaluation of the audit team, litigation between auditors and their audited entities, and gifts and hospitality received from audited entities; and
- non-audit services provided to audited entities.

Our policies and procedures comply with these standards.

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Planning report to the Audit Committee for the year ending 31 March 2019

Issued on 25 January 2019 for Audit Committee meeting on 6 February 2019

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Partner introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.

A strong understanding of your internal control environment.

A well planned and delivered audit that raises findings early with those charged with governance.

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I have pleasure in presenting our planning report to the Audit Committee for our first year audit of the 2018/19 financial statements. I would like to draw your attention to the key messages of this paper:

Audit Plan

- We have completed our handover with KPMG, including a detailed review of their prior year file.
- We are developing our understanding of the Council through discussion with management and review of relevant documentation from across the Council.
- Based on our progress to date, we have developed this plan in collaboration with the Council to ensure that we provide an effective audit service that meets your expectations and focuses on the most significant areas of importance and risk to the Council.
- Based on our understanding of the Council we have developed our proposed materiality figure for the Council's audit.
- We note that a separate Audit Plan will be produced in relation to the Pension Scheme.

Key risks

- We have taken an initial view as to the significant audit risks the Council faces. These are:
 - Property Valuations
 - Completeness of Expenditure
 - Pensions
 - Management Override of Controls

Regulatory change

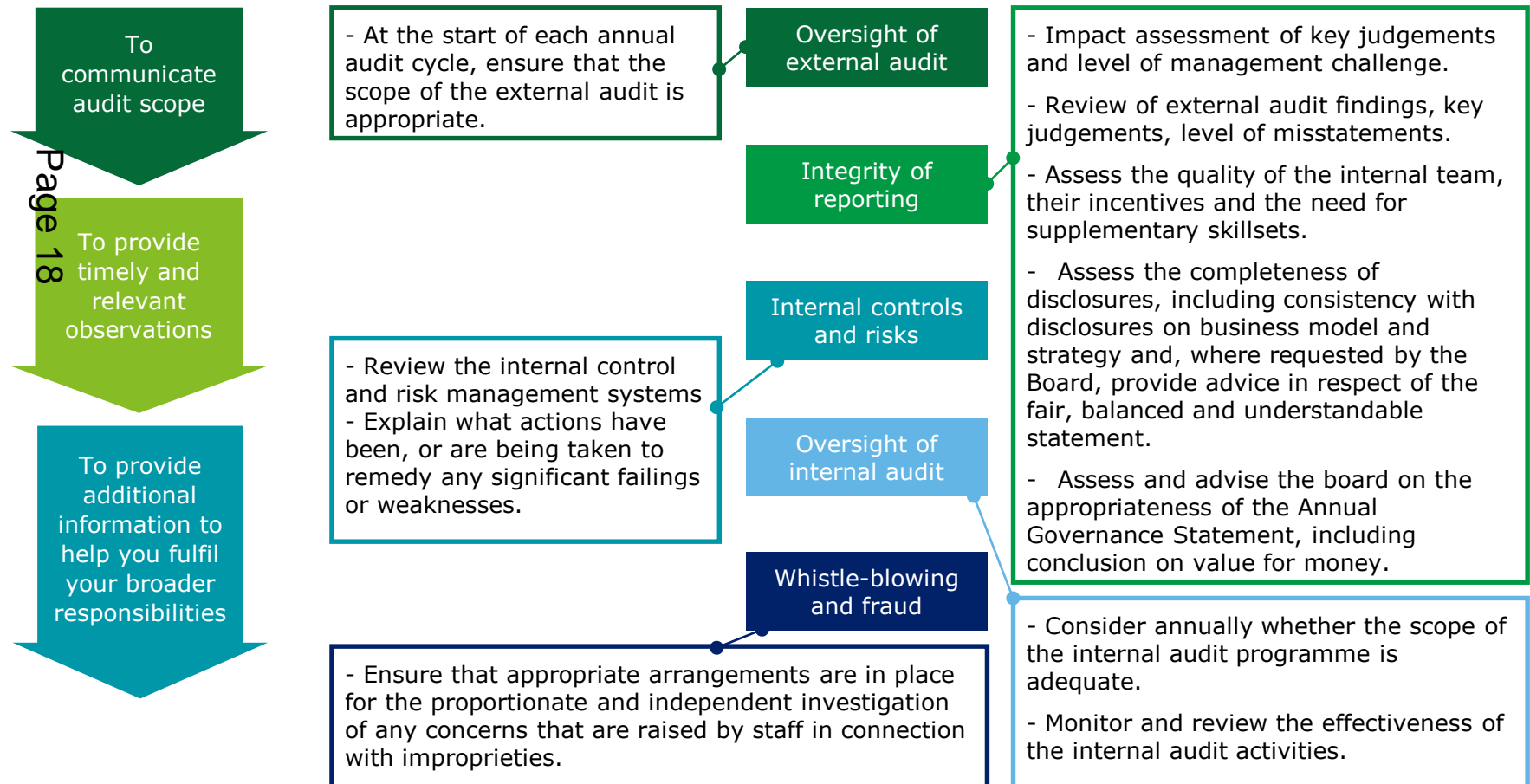
- Our audit is carried out under the Code of Audit Practice issued by the National Audit Office.

Responsibilities of the Audit Committee

Helping you fulfil your responsibilities

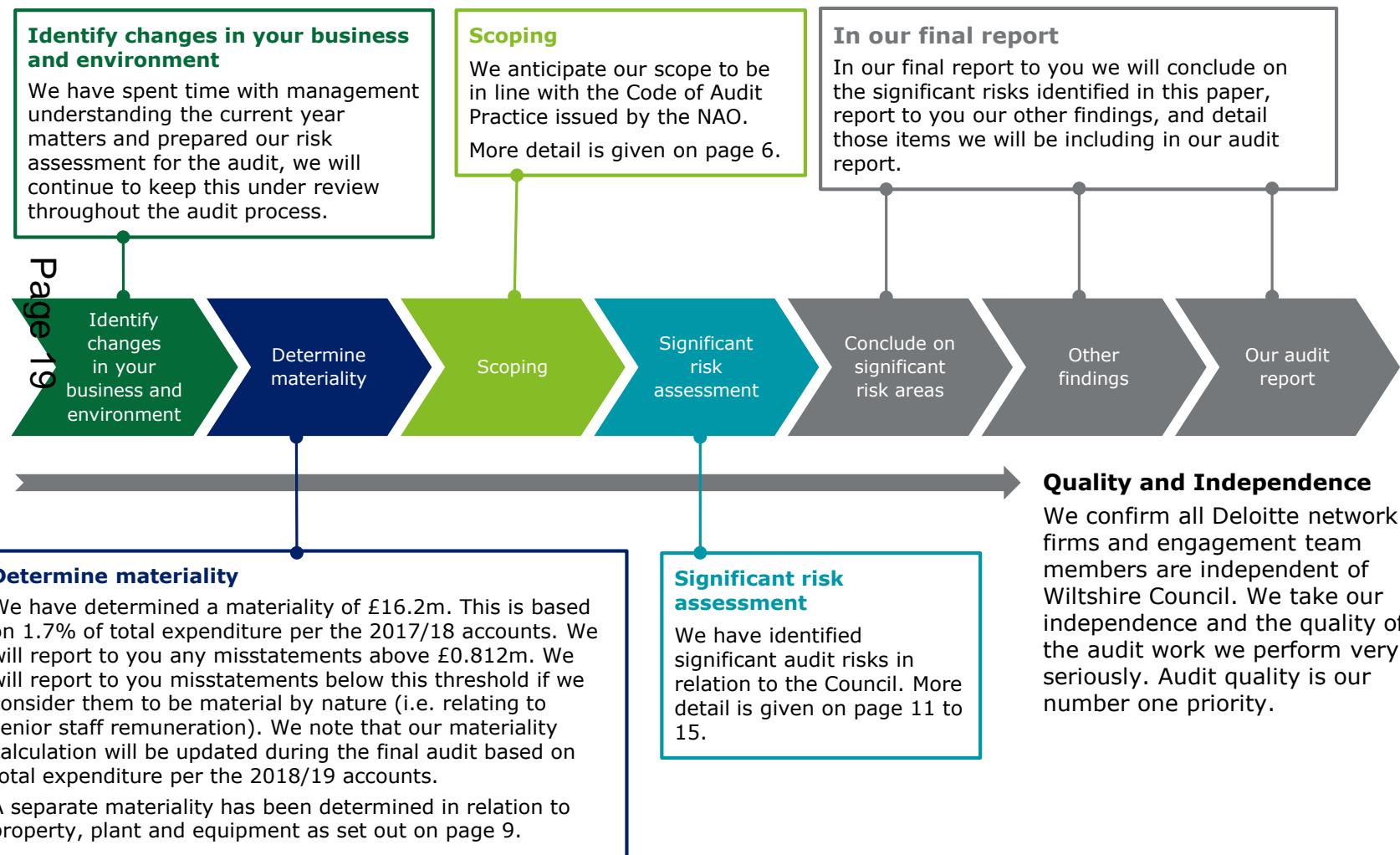
Why do we interact with the Audit Committee?

As a result of regulatory change in recent years, the role of the Audit Committee has significantly expanded. We set out here a summary of the core areas of Audit Committee responsibility to provide a reference in respect of these broader responsibilities.



Our audit explained

We tailor our audit to your business and your strategy



Scope of work and approach

Scope: we have four key areas of responsibility under the Audit Code

Financial statements

We will conduct our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISA (UK and Ireland)") as adopted by the UK Auditing Practices Board ("APB") and Code of Audit Practice issued by the National Audit Office ("NAO"). The Council will prepare its accounts under the Code of Practice on Local Authority Accounting ("the Code") issued by CIPFA and LASAAC.

We are also required to issue a separate assurance report to the NAO on the Council's separate return required for the purposes of its audit of the Whole of Government Accounts and departmental accounts.

Annual Governance Statement

We are required to consider the completeness of the disclosures in the Annual Governance Statement in meeting the relevant requirements and identify any inconsistencies between the disclosures and the information that we are aware of from our work on the financial statements and other work.

As part of our work we will review the annual report and compare with other available information to ensure there are no material inconsistencies. We will also review any reports from other relevant regulatory bodies and any related action plans developed by the Council.

Value for Money conclusion

We are required to satisfy ourselves that the Council has made proper arrangements for securing financial resilience and economy, efficiency and effectiveness in its use of resources.

To perform this work, we are required to:

- plan our work based on consideration of the significant risks of giving a wrong conclusion; and
- carry out as much work as is appropriate to enable us to give a safe conclusion on the arrangements to secure VFM.

Our work therefore includes a detailed risk assessment based on the risk factors identified in the course of our audits. This is followed by specific work focussed on the risks identified.

We then provide a conclusion on these arrangements as part of our final reporting to you.

Scope of work and approach

Our approach

Liaison with internal audit

The Auditing Standards Board's version of ISA (UK and Ireland) 610 "Using the work of internal auditors" prohibits use of internal audit to provide "direct assistance" to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements.

We will review their reports and meet with them to discuss their work where necessary. We will review the work plan for internal audit, and where they have identified specific material deficiencies in the control environment we consider adjusting our testing so that the audit risk is covered by our work.

Using these discussions to inform our risk assessment, we can work together with internal audit, where necessary, to develop an approach that avoids inefficiencies and overlaps, therefore avoiding any unnecessary duplication of audit requirements on the Council's staff.

Approach to controls testing

Our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D & I").

The results of our work in obtaining an understanding of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

Promoting high quality reporting to stakeholders

We view the audit role as going beyond reactively checking compliance with requirements: we seek to provide advice on evolving good practice to promote high quality reporting.

We recommend the Council complete the Code checklist during drafting of their financial statements.

We would welcome early discussion on the planned format of the financial statements, and whether there is scope for simplifying or streamlining disclosures, as well as the opportunity to review a skeleton set of financial statements and an early draft of the annual report ahead of the typical reporting timetable to feedback any comments to management.

Value for Money and other reporting

The Code of Audit Practice requires us to report by exception in our audit report any matters that we identify that indicate the Council has not made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Obtain and refresh our understanding of the Trust and its environment including the identification of relevant controls

Identify risks and any controls that address those risks

Carry out 'design and implementation' work on relevant controls

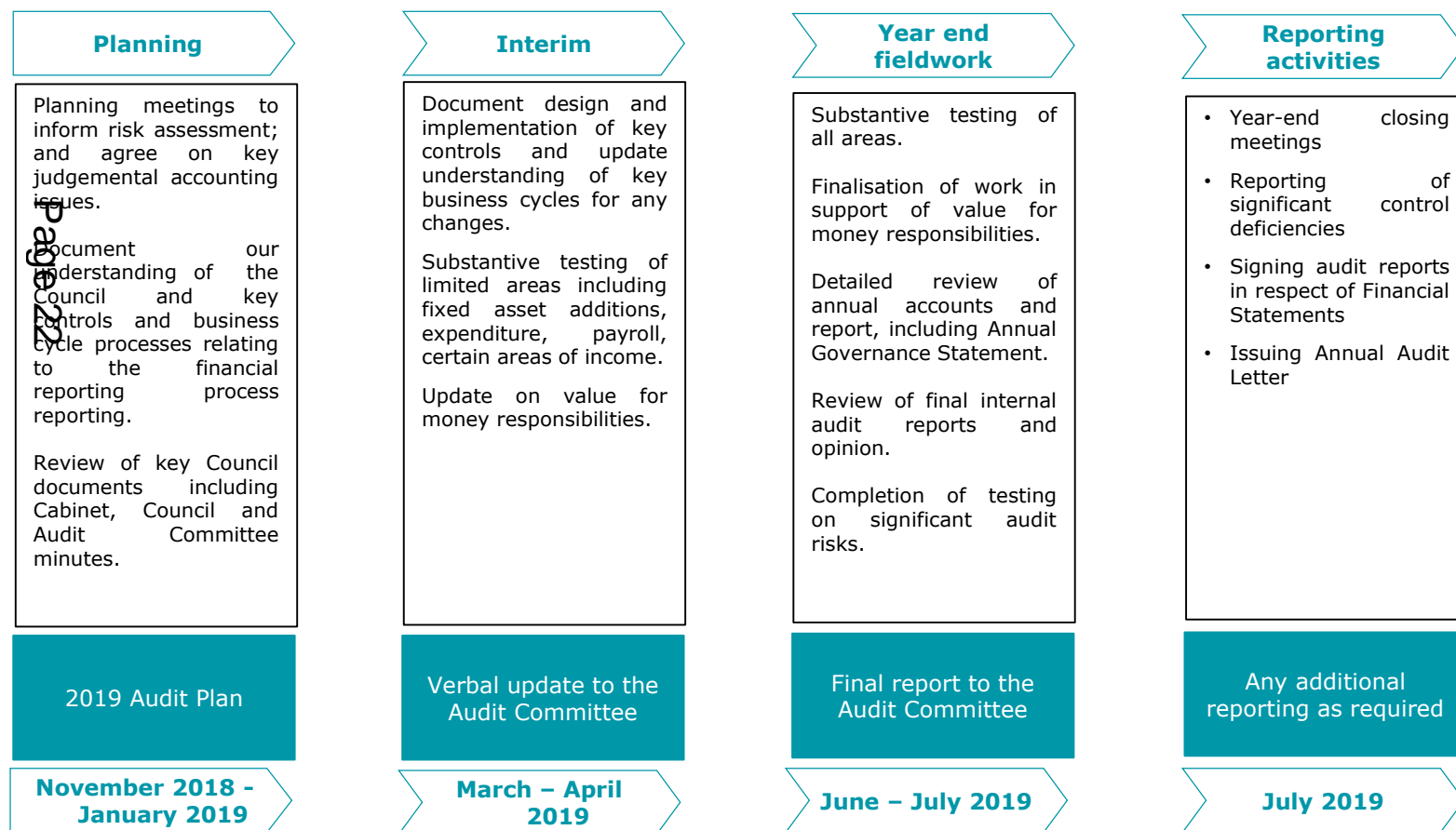
If considered necessary, test the operating effectiveness of selected controls

Design and perform a combination of substantive analytical procedures and tests of details that are most responsive to the assessed risks

Continuous communication and reporting

Planned timing of the audit

As the audit plan is executed throughout the year, the results will be analysed continuously and conclusions (preliminary and otherwise) will be drawn. The following sets out the expected timing of our reporting to and communication with you.



Ongoing communication and feedback

Materiality

Our approach to materiality

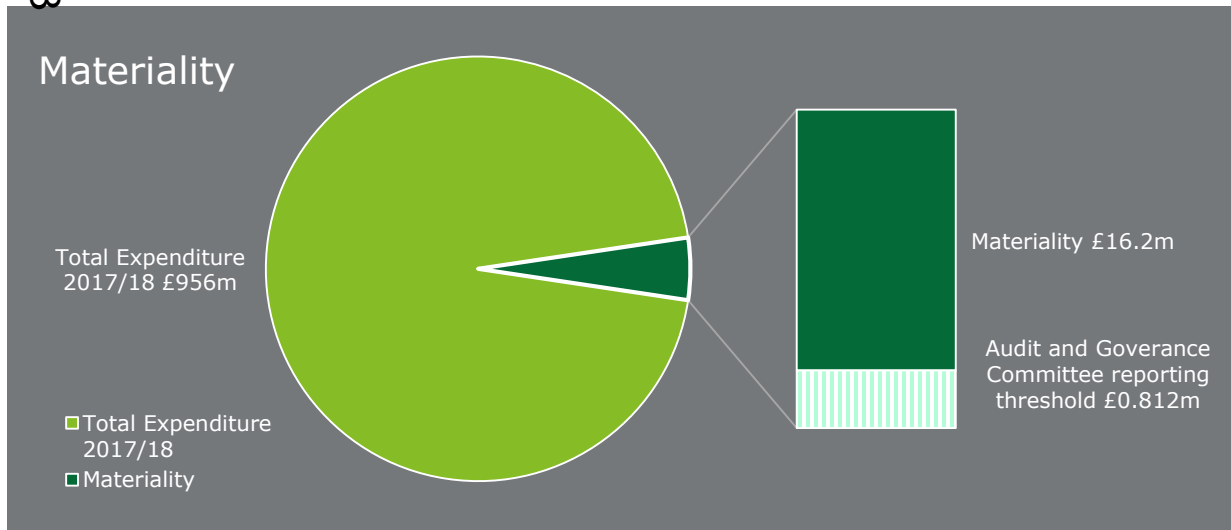
Basis of our materiality benchmark

- The audit partner has determined materiality as £16.2m, based on professional judgement, the requirement of auditing standards and the financial measures most relevant to users of the financial statements.
- We have used 1.7% of total expenditure based on the 2017/18 audited accounts as the benchmark for determining materiality.
- We will re-visit the determined materiality based on completion of interim audit procedures.
- A lower materiality of £6.49m has been determined for the HRA supplementary statement. This has been calculated as 40% of the determined materiality for the main financial statements.

Reporting to those charged with governance

- We will report to you all misstatements found in excess of £0.812m (0.324m in respect of HRA).
- We will report to you misstatements below this threshold if we consider them to be material by nature.

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Although materiality is the judgement of the audit partner, the Audit Committee must satisfy themselves that the level of materiality chosen is appropriate for the scope of the audit.

Significant risks

Our risk assessment process

We consider a number of factors when deciding on the significant audit risks. These factors include:

- the significant risks and uncertainties previously reported in the annual report and financial statements;
- the IAS 1 critical accounting estimates previously reported in the annual report and financial statements;
- our assessment of materiality; and
- the changes that have occurred in the business and the environment it operates in since the last annual report and financial statements.

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Deloitte view

Management must carefully consider the principal risks, uncertainties and accounting estimates of the Council.

Principal risk and uncertainties

- Cyber security
- Future levels of funding
- BREXIT

IAS 1 Critical accounting estimates

















- Useful lives of assets
- Fair value (of financial assets and liabilities, e.g. investment properties)
- Provisions
- Pensions liability
- Arrears (bad debt provision)

Changes in your business and environment

No significant changes

The next page summarises the significant risks that we will focus on during our audit. All the risks mentioned in the prior year Audit Committee report are included as significant risks in this year's audit plan. We have also included completeness of expenditure as a new significant risk as a result of our assessment of the Council.

Significant risks Dashboard

Risk	Material	Fraud risk	Planned approach to controls	Level of management judgement	Expected to be included in the Audit Committee report	Slide no.
Property Valuations			D+I			12
Completeness and Cut-off of Expenditure			D+I			13
Pensions			D+I			14
Management Override of Controls			D+I			15

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At the planning state we have not identified any significant Value for Money risks. If this changes, we will report this fact to the Committee in the next paper.

D+I: Assessing the design and implementation of key controls

Low Level of Judgement



Medium Level of Judgement



High Level of Judgement



Significant risks

Risk 1 – Property Valuation

Risk identified The council held £1,084m of property assets at 31 March 2017 which increased to £1,137m as at 31 March 2018. The increase was in part due to additions of £90m, net revaluation increases of £39m, derecognised assets of £20m, depreciation and impairment losses/revaluation losses of £53m during 2017/18.

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a three year cycle.

Furthermore the Council completes the valuation as at 28 February each year, 1 month before the year end. Any changes to factors used in the valuation process could materially affect the value of the Council's assets as at year end.

There is therefore a risk that that the value of property assets materially differ from the year end fair value, particularly given that valuations are inherently judgemental and include a number of assumptions.

Response We will test the design and implementation of key controls in place around the property valuation and how the Council assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation;

We will review any revaluations performed in the year, assessing whether they have been performed in a reasonable manner, on a timely basis and by suitably qualified individuals;

We will use our valuation specialists, Deloitte Real Estate, to support our review and challenge the appropriateness of the year end indices used by the Council;

We will use our valuation specialists, Deloitte Real Estate, to support our review and challenge the appropriateness of the Council's assumptions on its asset values;

We will test a sample of revalued assets and determine whether the movement has been recorded through the correct line of the accounts.

Significant risks

Risk 2 – Completeness and Cut-off of Expenditure

Risk identified	<p>Under UK auditing standards, there is a presumed risk in respect of revenue recognition due to fraud. We have rebutted this risk, and instead believe that the fraud risk lies with the completeness of expenditure, particularly in relation to year end accruals and provisions balances.</p> <p>Per the Revenue and Capital Budget Monitoring Report for period 7 the Council was forecasting a £2.064m overspend. There is an inherent fraud risk associated with the under-recording of expenditure in order for the Council to report a more favourable year-end position.</p> <p>There is a risk that the Council may materially understate expenditure through the year end accruals and provisions balances, in an attempt to report a more favourable year end position.</p>
Our response	<p>Our work in this area will include the following:</p> <p>We will obtain an understanding of the design and implementation of the key controls in place to ensure the completeness of accruals and provisions;</p> <p>We will perform focused testing in relation to the completeness of accruals through testing of post-year end invoices raised and payments made; and</p> <p>We will review provisions to assess completeness including consideration of understatement of individual provisions.</p>

Significant risks

Risk 3 – Pensions

Risk identified

The net pension liability is a material element of the Council's balance sheet. The Council is an admitted body of the Wiltshire Pension Fund. The valuation of the Scheme relies on a number of assumptions, including actuarial assumptions, and actuarial methodology which results in the Council's overall valuation. Furthermore there are financial and demographic assumptions used in the calculation of the Council's valuation – e.g the discount rate, inflation rates, mortality rates. These assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data.

There is a risk that the assumptions and methodology used in the valuation of the Council's pension obligation are not reasonable. This could have a material impact to the net pension liability accounted for in the financial statements.

Our response

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We will obtain an understanding of the design and implementation of the key controls in place in relation to review of the assumptions by the Council;

We will evaluate the competency, objectivity and independence of Hymans Robertson the actuarial specialist;

We will review the methodology and appropriateness of the assumptions used in the valuation, utilising a Deloitte Actuary to provide specialist assessment of the variables used;

We will review the pension related disclosures in respect of actuarial assumptions in the financial accounts for consistency with the Actuary's Report.

Significant risks

Risk 4 – Management Override of Controls

Risk identified

In accordance with ISA 240 (UK and Ireland) management override of controls is a significant risk for all entities. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Council's controls for specific transactions.

The key judgements in the financial statements include those which we have selected to be the significant audit risks, (completeness of expenditure, pension valuations and the Council's property valuations) and any one off and unusual transactions where management could show bias. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements.

Our response

In considering the risk of management override, we plan to perform the following audit procedures that directly address this risk:

We will test the design and implementation of key controls in place around journal entries and key management estimates;

We will risk assess journals and select items for detailed testing. The journal entries will be selected using computer-assisted profiling based on areas which we consider to be of increased interest;

We will review accounting estimates for biases that could result in material misstatements due to fraud; and,

We will obtain an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the Council, or that otherwise appear to be unusual, given our understanding of the entity and its environment.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to establish our respective responsibilities in relation to the financial statements audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit.

Our report includes:

- Our audit plan, including key audit judgements and the planned scope.

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Use of this report

This report has been prepared for the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

We welcome the opportunity to discuss our report with you and receive your feedback.

What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Other relevant communications

We will update you if there are any significant changes to the audit plan.

Deloitte LLP

Cardiff | January 2019

Appendices

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Fraud responsibilities and representations

Responsibilities explained



Your Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.



Our responsibilities:

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant risks section of this document, we have identified the risk of fraud in relation to the completeness of expenditure and management override of controls as key audit risks for your organisation.

Fraud Characteristics:

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.



We will request the following to be stated in the representation letter signed on behalf of the Board:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity or group and involves:
 - (i) management;
 - (ii) employees who have significant roles in internal control; or
 - (iii) others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Fraud responsibilities and representations

Inquiries

We will make the following inquiries regarding fraud:



Management:

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to the risks of fraud in the entity.
- Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.
- We plan to involve management from outside the finance function in our inquiries.

Internal audit

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.

Those charged with governance

- How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of those charged with governance on the most significant fraud risk factors affecting the entity.



Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation

We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of Wiltshire County Council and will reconfirm our independence and objectivity to the Audit Committee for the year ending 31 March 2019 in our final report to the Audit Committee .

Fees

There are no non-audit fees.

Non-audit services

In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Council's approach for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Relationships

We have not other relationships with the Council, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.

Independence and Fees

The professional fees expected to be charged by Deloitte in the period from 1 April 2018 to 31 March 2019 are as follows:

	Current year £'000
Financial statement audit including Whole of Government and procedures in respect of Value for Money assessment	129
Audit of subsidiaries/other committees	0
Total audit	129
Audit related assurance services	0
Other assurance services	0
Total assurance services	0
Total non-audit services	0
Total fees	129

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Our approach to quality

AQR team report and findings

We maintain a relentless focus on quality and our quality control procedures and continue to invest in and enhance our overall firm Audit Quality Monitoring and Measuring programme.

In June 2018 the Financial Reporting Council ("FRC") issued individual reports on each of the eight largest firms, including Deloitte, on Audit Quality Inspections which provides a summary of the findings of its Audit Quality Review ("AQR") team for the 2017/18 cycle of reviews.

We take the findings of the AQR seriously and we listen carefully to the views of the AQR and other external audit inspectors. We remediate every finding regardless of its significance and seek to take immediate and effective actions, not just on the individual audits selected but across our entire audit portfolio. We are committed to continuously improving all aspects of audit quality in order to provide consistently high quality audits that underpin the stability of our capital markets.

We have improved the speed by which we communicate potential audit findings, arising from the AQR inspections and our own internal reviews to a wider population, however, we need to do more to ensure these actions are embedded. In order to achieve this we have launched a more detailed risk identification process and our InFlight review programme. This programme is aimed at having a greater impact on the quality of the audit before the audit report is signed. Consistent achievement of quality improvements is our aim as we move towards the AQR's 90% benchmark.

All the AQR public reports are available on its website. <https://www.frc.org.uk/auditors/audit-quality-review/audit-firm-specific-reports>

The AQR's 2017/18 Audit Quality Inspection Report on Deloitte LLP

"The overall results of our reviews of the firm's audits show that 76% were assessed as requiring no more than limited improvements, compared with 78% in 2016/17. Of the FTSE 350 audits we reviewed this year, we assessed 79% as achieving this standard compared with 82% in 2016/17. We are concerned at the lack of improvement in inspection results. The FRC's target is that at least 90% of these audits should meet this standard by 2018/19."

"Where we identified concerns in our inspections, they related principally to aspects of group audit work, audit work on estimates and financial models, and audit work on provisions and contingencies. During the year, the firm has continued to develop the use of "centres of excellence", increasing the involvement of the firm's specialists in key areas of the audit. We have no significant issues to report this year in most of the areas we reported on last year."

"The firm has revised its policies and procedures in response to the revised Ethical and Auditing Standards. We have identified some examples of good practice, as well as certain areas for improvement."

The firm has enhanced its policies and procedures in the following areas:

- Increased use of centres of excellence ("CoE") involving the firm's specialists, including new CoEs focusing on goodwill impairment (established in response to previous inspection findings) and corporate reporting, to address increasing complexity of financial reporting.
- Further methodology updates and additional guidance issued to the audit practice including the audit approach to pension balances, internal controls, data analytics, group audits and taxation.
- A new staff performance and development system was implemented with additional focus on regular timely feedback on performance, including audit quality.
- Further improvements to the depth and timeliness of root cause analysis on internal and external inspection findings.

Our key findings in the current year requiring action by the firm:

- Improve the group audit team's oversight and challenge of component auditors.
- Improve the extent of challenge of management's forecasts and the testing of the integrity of financial models supporting key valuations and estimates.
- Strengthen the firm's audit of provisions and contingencies.

Review of firm-wide procedures. The firm should:

- Enhance certain aspects of its independence systems and procedures.

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Approach to Internal Audit

Planning for 2019/2020

The contact at SWAP Internal Audit Services in connection with this report is:

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Introduction

The role of Internal Audit is to provide independent, objective assurance on the Council's governance, risk management and control. Assurance provided to the Council includes to the Audit Committee and to the Director of Finance & Procurement as Section 151 Officer on the robustness of financial frameworks and control environment. It further adds value through helping management to manage risks, improvement to services and make sure that 'business as usual' continues to operate effectively.

Prior to the start of each financial year, SWAP in conjunction with senior management, compile a proposed plan of audit work to provide assurance over a range of areas encompassing risk management, governance and control.

The Assistant Director of SWAP, acting as the Council's Head of Internal Audit is required to provide an annual opinion on the Council's governance, risk management and control environment that including supporting the Annual Governance Statement. A key objective therefore of our planning process and subsequent programme of work is to be in a position to be able to provide a well-informed and comprehensive annual audit opinion, based on the sufficient and appropriate coverage of key business objectives, associated risks, and risk management processes.

The outcomes of each risk-based audit in our planned programme of work, will provide Directors and Members with assurance that the current risks faced by the Authority in these areas are adequately controlled and managed.

The Audit Committee is recommended by the Director of Finance & Procurement to note the contents of this report.

Approach

SWAP uses a comprehensive audit management software application, MK Insight. This includes audit planning and 360 audit entities to arrive at a risk-based coverage of audit reviews for the year.

For 2019/20 we are updating the risk assessment for each individual audit entity that will produce the first cut of the Internal Audit Plan for 2019/20. We are assessing the vulnerability by scoring each audit entity in terms of impact and likelihood against the following risk factors:

- Complexity of operations (including fraud risks);
- Health & Safety;
- Strategic Priorities;
- Financial;
- Reputational (including service delivery/criticality);
- Change Factor; and
- Extent of ICT.

The higher the risk score, the more critical the risk identified and commensurate to the level of audit planned coverage and assurance achieved.

MK Insight also includes scoring from previous historic audits carried out on the control environment to produce an overall indication of the residual risk as Very High, High, Medium or Low and suggested audit intervals to ensure timely audits are carried out.

In scoring we will use our cumulative knowledge and experience of the Council's:

- The key objectives, corporate and service plans;
- The fundamental business processes and key services;
- Previous and planned other assurance and audit work;
- The Council's Healthy Organisation Model;
- Identified key risks including from risk registers, both current and future; and
- Changes to both the Council and its services either driven by for example legislation, transformation or structural.

Externally we consider the implications of national issues, pressures and change including:

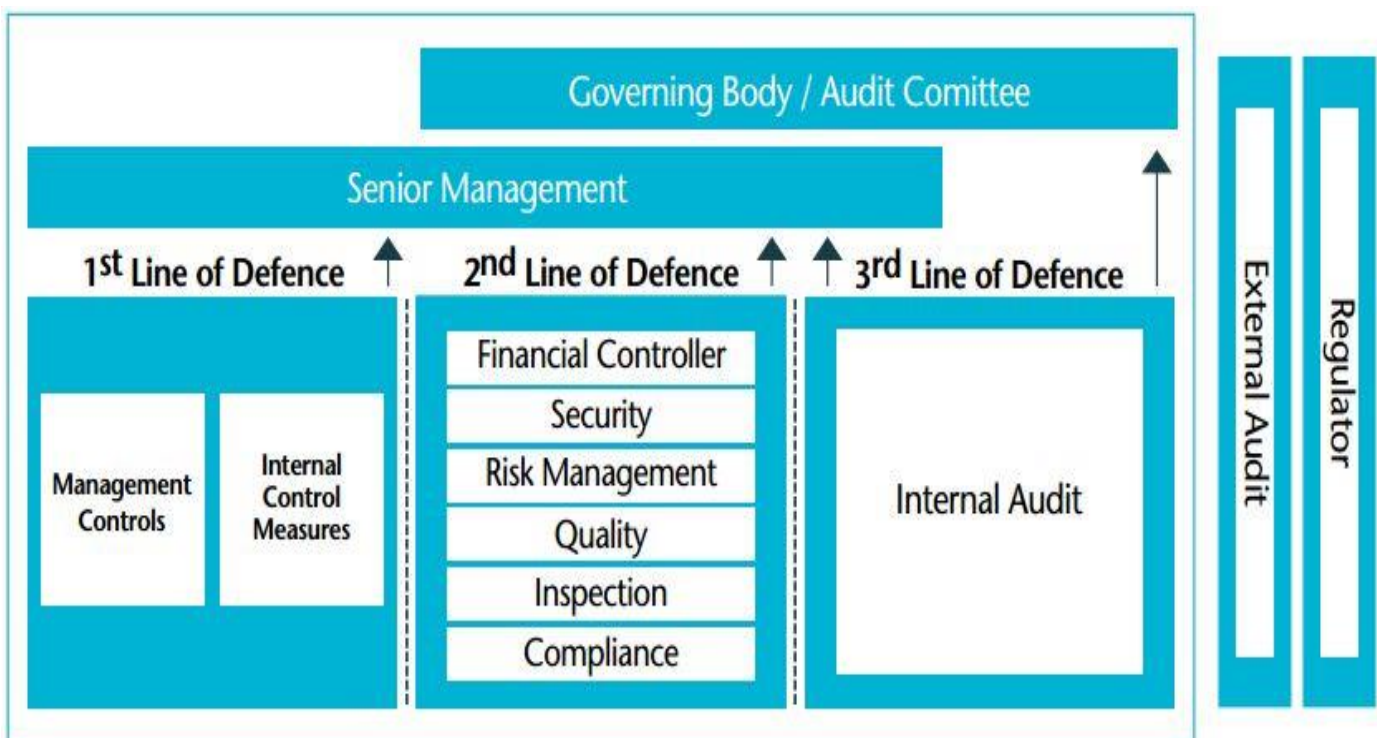
- Financial resilience;
- Demand pressures/funding gaps (e.g. social care);
- Alternative delivery models (e.g. arm's length operations, partnership);
- Procurement and supplier resilience;
- Anti-Fraud & Corruption including fraud risks and trends from fraud activity;
- Technological change/cyber security;
- Information governance;
- Workforce; and
- Brexit.

We will liaise with external audit to ensure effective audit planning for the Council as a whole.

Each risk assessment score will be updated following the completion of individual audits to ensure the overall risk profile is dynamically updated.

Our approach includes assurance mapping, taking into consideration the three lines of defence model to determine the extent of audit coverage and work in order to direct resources appropriately, secure greater management buy-in to the control environment and to ensure Internal Audit is recognised as adding value.

Three Line of Defence Model



Using this model, we intend to identify all streams of assurance whether internal or external that contribute to the Council's overall risk, governance and control framework. Internal Audit resources can then be directed at the areas of highest risk; not only known risks but risks that were previously unknown and subsequently identified.

The model operates in most organisations and shows three lines of defence that should be operating:

- 1st Line of Defence – Functions that own and manage risks
- 2nd Line of Defence – Functions that oversee risk
- 3rd Line of Defence – Functions that provide independent assurance

For 2019/20 we will also continue to align our Internal Audit Plan with the Council's four key priorities (2017-2027):

- Growing the Economy;
- Stronger Communities;
- Protecting those who are most vulnerable; and
- An innovative and effective Council.

The initial audit risk assessment, residual risk scores in particular high will be discussed at consultation meetings with Directors and key Heads of Service in terms of being a reasonable evaluation and to be aware of other measures being taken for example from other providers of assurance (see three lines of defence model) internal reviews etc. This will determine the audits to be included provide maximum added value to the Council and ensure an effective Internal Audit Opinion.

We will look to include and specific requests for review and assurance on particular areas of concern or advisory work from management. This will however be subject to further risk assessment and to ensure of value to the Council as a whole.

The Internal Audit Plan for 2019/20 will be designed to ensure flexible and responsive to change and emerging risks. It will therefore be constantly reviewed and audit risk assessment updated as required. The plan will contain sufficient contingency to ensure the flexibility.

The published Internal Audit Plan will show appropriate cross referencing to the Council's priorities and Strategic Risks including individual audit review level.

Internal Audit Coverage 2019/20

Our detailed coverage will be provided in the Draft Internal Audit Plan 2019/20, to provide sufficient coverage of key risks facing the Council in order to provide assurance. The Draft Internal Audit Plan 2019/20 will be considered and agreed at by the Audit Committee at its April meeting.

Our coverage is not considered to be absolute and we will be considered areas adequately controlled and those lacking previous internal audit coverage balanced our agreed audit resources.

The planned audit coverage produced for consideration and agreement is only indicative at the time of planning (i.e. February – March) for the year ahead. A key part of work is ensuring effective client engagement.

Planned audits and risks will therefore be subject to continual review including discussion with Directors and service management to ensure planning process is flexible.

From 2017/18, SWAP have taken over responsibility for delivering a counter fraud programme for the Council's which will be included in the plan and underpin the Council's Counter Fraud Strategy in terms of delivery. This is principally a proactive and preventative approach to counter fraud, whilst undertaking any reactive fraud work as required. For example:

- Ensuring the Council has an effective counter fraud framework (e.g. Counter Fraud Strategy, Response Plan);
- Embedding counter fraud processes and activity across the Council;
- Proactive exercises using for example data analytics; and
- Investigations using our accredited investigators.

In addition to specific audit reviews, the Internal Audit Plan provides sufficient contingency for ongoing advice and support to management, follow-up to previous agreed actions, client engagement and supporting the Audit Committee, Corporate/Extended Leadership Team and service level Management Teams.

Conclusion

Developing an effective Internal Audit Plan we aim to continue to provide a high profile risk and business focussed Internal Audit service to the Council. Providing effective assurance on governance, risk management and control, adding value in our work to improving operations/services or maintain business as usual across the Council/

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Report of Internal Audit Activity

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Internal Audit Plan Progress 2018/19 – January 2019

Agenda Item 8

The contacts at SWAP Internal Audit Services in connection with this report are:

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Summary

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Summary

The Assistant Director of SWAP is required to provide an opinion to support the Annual Governance Statement.

As part of our plan progress reports we will provide an ongoing opinion and an annual opinion at year end.

We will provide details of any significant risk that we have identified in our work, together with actions to mitigate these and previous significant risks.

“Risks are generally well managed, and the systems of internal control are working effectively.”

The Audit Committee is recommended to note the progress made against the Internal Audit Plan 2018/19 and agree the amendments



Recommended Action

Overall, based on the work completed to date this financial year, we can report that risks are generally well managed, and the systems of internal control are working effectively. Management generally respond positively to Internal Audit recommendations for improvements and corrective action taken, wherever this is possible or practical.



Recommended Action by Audit Committee

The Audit Committee is recommended by the Director of Finance & Procurement to note the Internal Audit Activity for 2018/19 including progress made against the Internal Audit Plan 2018/19, outcomes of audit and counter fraud work completed to date and agreement of amendments at page 12

Summary

SWAP Internal Audit Services now has 26 partners, including 18 local authorities and are proud to be a growing partnership.



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 limited by guarantee. SWAP has adopted and works to the Standards of the Institute of Internal Auditors with 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.

Our internal audit activity is broadly split between:

- **Healthy Organisation**
 - Corporate Governance
 - Commissioning & Procurement
 - Financial Management
 - Programme & Project Management
 - Performance Management
 - People and Asset Management
 - Information Management
- **Key Financial Systems**
- **Schools**
- **Follow-up**
- **Grants**
- **Client Support**

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 Internal Audit Plan. This is approved by the Audit Committee and Director of Finance & Procurement Finance (Section 151 Officer), following extensive consultation with the Corporate Leadership Team, Directors, Key Heads of Service and External Audit. Audit assignments are undertaken in accordance with this Plan although we ensure dynamic in addressing change and emerging risks. 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.

The SWAP Assistant Director is also recognised as the Head of Internal Audit for Wiltshire Council. The Chartered Institute of Public Finance & Accountancy (CIPFA) has recently updated its guidance on the role of the Head of Internal Audit in Local Authorities. This has been used as a basis for SWAP guidance which has recently been updated.

Summary

Outturn to Date:

We rank our recommendations on a scale of 1 to 5: with priority 1 being areas of major concern that require immediate remedial action by senior management through to 5 very minor administrative concerns.

64 planned audits have been initiated for 2018/19, 27 at final or draft report stage. A total of 6 priority 1 (high), 44 priority 2 and 88 priority 3 recommendations for improvement have been made so far for 2018/19 audits.

1 audit report has so far been issued giving non assurance, 4 partial, 8 reasonable and 1 substantial assurance for 2018/19.



Internal Audit Work Programme

For the 2018/19 Internal Audit Plan we have so far initiated 64 audits and reviews (89% of planned), of which 23 are completed to final report and 5 at draft report stages.

The table at Appendix A, shows all audits as per the agreed Internal Audit Plan 2018/19. 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 Internal Annual Audit Plan. Explanations for any delays or action taken to agree and finalise audit reports is given in the comment's column.

Each completed audit to final or draft report, includes its respective "assurance opinion" rating together with the number and relative ranking of recommendations that have been raised and agreed with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management. The assurance opinion ratings have been determined in accordance with the Internal Audit Definitions, detailed from page 15 of this report.

In circumstances where findings have been identified which are considered to represent significant corporate risks to the Council, these would be included in this activity report. We are pleased to report that there are no significant risks for this quarter.

To date there has been one audit for 2018/19 that have resulted in a "None" and four audits so far given a "Partial Assurance Opinion" at final or draft report stage. Where final report stage actions have been agreed and where draft report stage actions are being discussed with client management.

Outturn to date:

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.”



Efficiencies and Added Value

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.

Healthy Organisation:

We are continuing to integrate the Healthy Organisation into our audit approach, in particular our planning and identifying areas of risk to audit and maximise value.

Use of Data Analytics including IDEA Software Tool:

We are continuing to increase the use of IDEA and other data analytics tools, as part of our normal audits. Recent examples in use include accounts payable and staff expenses in examining 100% of the system data and identified cars not effectively issued for business use, putting the Council at risk of any claim.

Counter Fraud:

We continue our proactive and preventative risk based approach to counter fraud engaging with senior management.

Improved SWAP Report Format:

For 2018/19 we have improved our audit report format for individual audit reviews across all SWAP partners. These has been to reduce the length, making more concise and focussed on providing key messages to assist client management. This has been made in consultation with partners and has been well received.

Information Sharing:

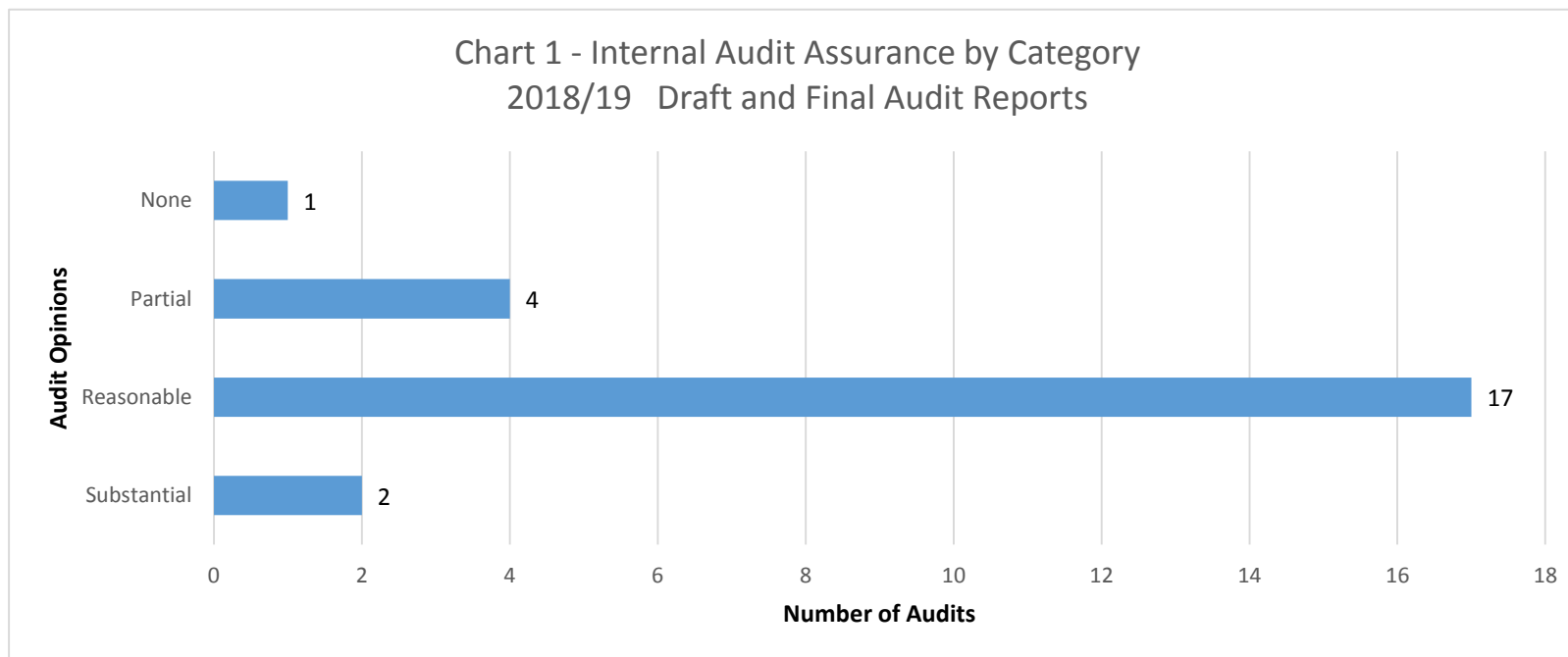
Across all partners SWAP has added value through the circulation of best practice bulletins and outcomes of benchmarking exercises.

Summary



Assurance by Category

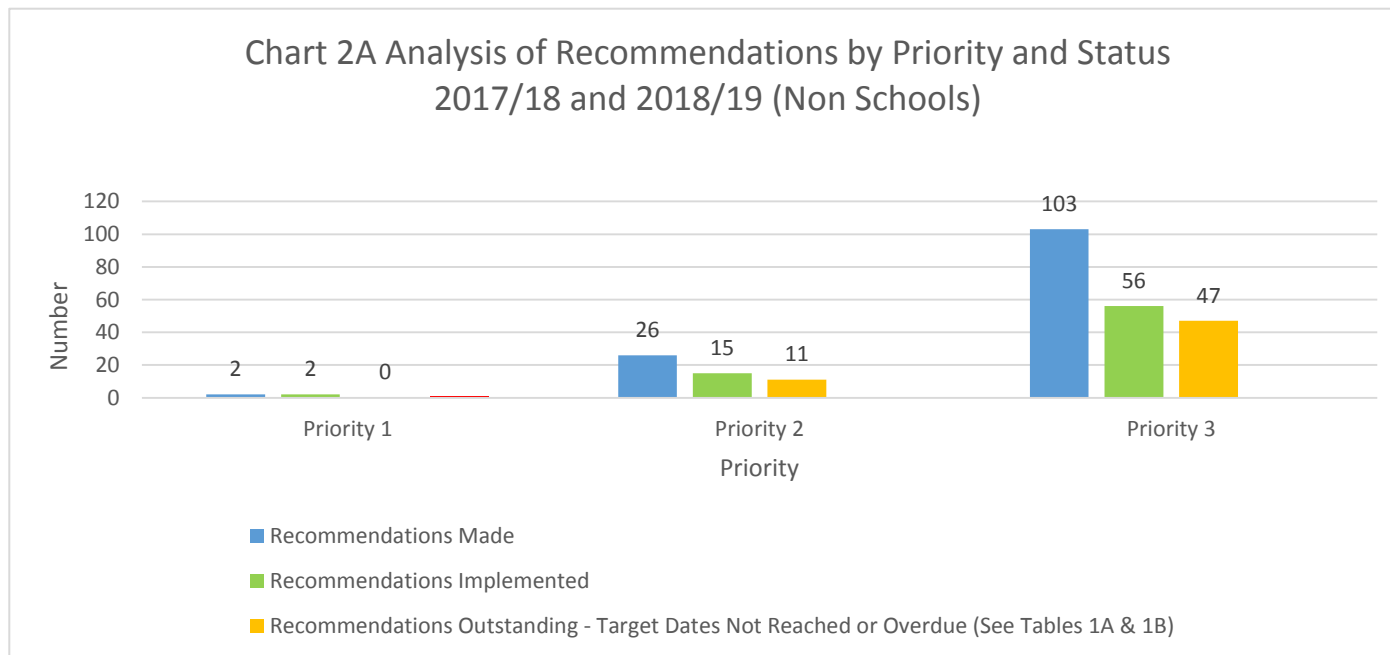
Chart 1 below provides an analysis of the audit assurance levels given in the 4 audits at final and draft report stage.

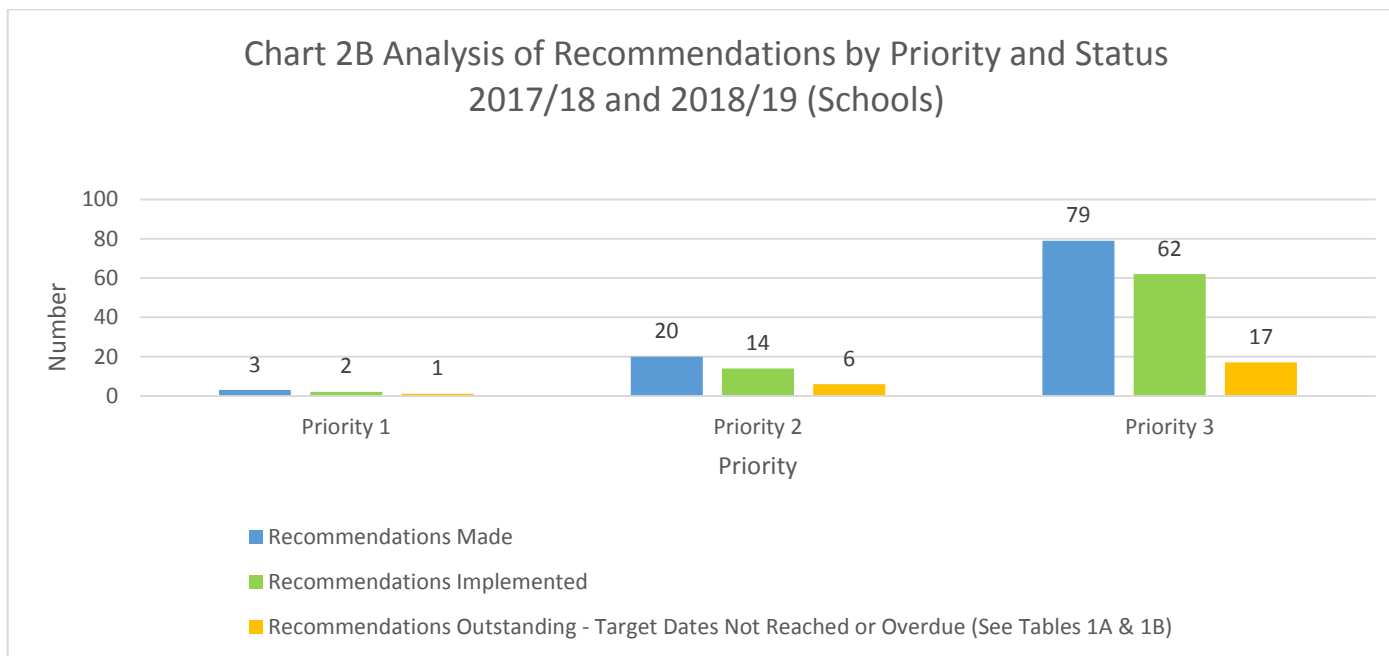


Audit Recommendations Made 2017/18 and 2018/19 (to date)

Charts 2A and 2B provide an analysis of total agreed audit recommendations with management actions, made during 2017/18 and 2018/19. These include audit recommendations where the agreed target implementation dates have not been reached and therefore the total outstanding will be different from overdue. We are following up those outstanding audit recommendations exceeding target implementation dates (overdue).

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It is important that the Council understands the position of agreed internal audit recommendations to ensure that they are implemented in a timely manner. The current position shows recommendations outstanding as 54 for both non-schools and schools.

Tables 1A and 1B below shows an aged analysis of outstanding recommendations for schools and non-schools audits i.e. not implemented but exceeding agreed target dates, carried out in 2017/18 and 2018/19

The number of overdue recommendations not implemented has improved during 2018/19 due to greater engagement, improved follow-up process and actions taken by client management. However there has been some minor slippage since last reported in November, due to work priority being given to starting a large number of audits to ensure completion by the year end. Further follow-up work is planned for February and will continue until the year end for 2018/19.

Table 1A – Aged Analysis of Overdue Audit Recommendations - Exceeding Target Implementation Dates (Non-Schools) 2017/18 and 2018/19

Priority	<30 days	< 60 days	< 90 days	< 120 days	120+ days	Totals
1	0	0	0	0	0	0
2	1	1	1	0	0	3
3	5	5	6	1	7	24
Totals	6	6	7	1	7	27

Table 1B - Aged Analysis of Overdue Audit Recommendations - Exceeding Target Implementation Dates (Schools) 2017/18 and 2018/19

Priority	<30 days	< 60 days	< 90 days	< 120 days	120+ days	Totals
1	0	0	0	0	0	0
2	1	0	0	2	4	7
3	7	6	1	1	10	25
Totals	8	6	1	3	14	32

A verbal update will be provided at the Audit Committee meeting on any further significant progress and position regarding the implementation of outstanding audit recommendations.

Summary

The Assistant Director and Director for SWAP reports performance on a regular basis to the SWAP Management Team and Partnership Board.

SWAP Team Performance

SWAP performance is subject to regular monitoring review by both the Board and the Members Meeting. The respective performance results for Wiltshire Council for the 2018/19 year so far are as follows:

Performance Target	
<u>Audit Plan 2018/19 – Percentage Progress (Audits)</u>	
Report stage (Final or Draft)	28 (39%)
In Progress (Fieldwork or Planning/Initiation)	36 (50%)
Not Yet Commenced	8 (11%)
<u>Draft Reports 2018/19</u>	
Issued within 5 working days of closeout	100% (Target 95%)
Issued within 10 working days of closeout	100% (Target 100%)
<u>Final Reports 2018/19</u>	
Issued within 10 working days of client agreement of draft report.	100% (Target 95%)
<u>Quality of Audit Work</u>	
Overall client satisfaction in terms of our work meeting or exceeding expectations in areas such as communication, professionalisation and adding value	100% (Target 80%)

The Internal Audit Plan for 2018/19 is considered to be broadly on target. The number of audits at draft/final is 39% and this is as expected for this time of the year, in line with previous years. Audits in progress (50%) is high but includes several nearing draft report stage and a large number recently commenced to ensure completion by the year end.

The team experienced higher than expected staff sickness and vacancies levels in the first half year, the shortfall being addressed through recruitment, with new staff commencing and using SWAP staff from other partnership teams.

SWAP reports performance on a regular basis to the SWAP Management and Boards.



SWAP Quality Assessment

At the end of each audit review, a client feedback questionnaire is sent out to the service manager or nominated officer. The aim of the questionnaire is to gauge satisfaction against timeliness; quality; professionalism and added value. As part of the Balanced Scorecard presented to the SWAP Management Board, a target of 80% is set where 75% would represent a 'good' score. We are currently receiving a feedback score of 100%

Clients are requested to provide comments in addition to scores and the following are some received so far in respect of 2018/19:

"Information provided was clear with opportunity to discuss"

"Very helpful insight and findings, which has added value to service improvement"

"Felt it was a collaborative exercise and care was taken to ensure that the final report would be useful and enable actions to be taken"

Summary

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

Amendments are agreed with client management and the Audit Committee.



Amendments to Annual Audit Plan 2018/19

Our approach is aimed to be flexible to ensure internal audit resources are focussed on key risks faced by the Council and our audit work adds greatest value. Our 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 required are agreed with the Director of Finance & Procurement (Section 151) and the Audit Committee.

The table below provides proposed amendments to the Annual Internal Audit Plan 2018/19 since the last Audit Committee Meeting in November 2018. The Audit Committee is requested to agree.

Table 2 – Amendments to Internal Audit Plan 2018/19

Audit	Amendment	Reason
Court of Protection	Add	Requested by Client
Partnership Governance	Add	Requested by Audit Committee.
Waste Management Contract Management	Defer to 2019/20, Qtr 1.	Audit planned to commence in quarter 4 but due to current contract issue, requested by Client to defer to 2019/20, Quarter 1 when should be business as usual.

Summary

Audit	Amendment	Reason
Budget Management	Cancel	Review work being carried out by Finance of budget management across the Council for improvement. Audit likely to duplicate this work therefore not considered of value.
Main Accounting	Cancel	With change of approach with new external auditors (Deloitte), scope of audit would duplicate end of year opinion audit work.
Cloud Computing	Cancel	No major migration of applications to the Cloud. Further review work being carried out by the Council as part of Digital Transformation Programme.
Fraud Intelligence Hub	Cancel	Fraud Intelligence Hub being developed by CIPFA Counter Fraud Centre with BEA Systems in London and delayed. No further plans now to extend outside London.

Summary

At the conclusion of audit review we provide an assurance opinion on the effectiveness of internal controls operating for the area.



Internal Audit Definitions

The following assurance levels are used for audit reviews:

- None
- Partial
- Reasonable
- Substantial

Assurance Definitions

None	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.
Partial	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.
Reasonable	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.
Substantial	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.

Summary

Each audit covers key risks and a risk assessment is undertaken for each whereby at the start risks an initial assessment is carried out jointly with client management at the corporate inherent level (the risk of exposure with no controls in place). When the audit is completed a further assessment is carried out by the lead auditor following the evaluation and testing of controls. All assessments are made against the risk appetite agreed by the SWAP Management Board (Partners).

Recommendation are prioritised from 1 to 3 based on importance to the service area. These are not necessarily how important they are to the organisation at a corporate level.

Definition of Corporate Risks

Risk	Reporting Implications
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.

Categorisation of Recommendations

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

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.

Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions			Comments	
								Priority Major ↔ Medium				
								No. of Recs	1	2		3
Completed Audits												
Healthy Organisation – People & asset Management	Disabled Facilities Grants	1	30/04/2018	Final	Substantial	27/07/2018	07/09/2018	1	0	0	1	Audit completed. Small delay in response to draft audit report due to summer vacation period and client manager's absent.
Healthy Organisation – People & asset Management	Staff Survey Action Plans	1	11/06/2018	Final	Reasonable	05/09/2018	25/09/2018	1	0	0	1	Audi completed.
Healthy Organisation – People & asset Management	Homelessness Reduction Act	2	02/07/2018	Final	Reasonable	30/11/2018	10/12/2018	1	0	1	0	Small delay due to availability of client managers during summer.
Healthy Organisation – People & asset Management	Early Years Funding	2	28/08/2018	Final	Substantial	07/12/2018	13/12/2019	0	0	0	0	Audit Completed. Small delay in information being provided for audit.
Healthy Organisation – Financial Management	Apprenticeship Levy	3	04/09/2018	Final	Reasonable	05/11/2018	04/12/2019	1	0	0	1	Audit completed
Healthy Organisation – Commissioning & Procurement	Supply Chain Management	1	08/06/2018	Final	Partial	03/10/2018	17/01/2019	5	0	0	5	Delays in response to draft report from Client.
Healthy Organisation – Corporate Governance	Performance & Risk Management	1	01/07/2018	Final	Reasonable	30/10/2018	14/11/2018	7	1	6	0	Audit Completed

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Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions			Comments	
								No. of Recs	Priority			
									Major	Medium		
Counter Fraud	Off Street Parking	1	25/04/2018	Final	Partial	21/08/2018	24/09/2018	1	0	1	0	Audit completed.
Counter Fraud	Management of Blue Badges	2	21/08/2018	Final	Reasonable	26/09/2018	05/10/2018	4	0	1	3	Audit completed
Schools	Thematic – Health & Safety of School Premises	2	06/08/2018	Final	Reasonable	08/01/2019	22/01/2019	5	0	2	3	Audit completed
Schools	Schools Financial Value Standard	1	23/04/2018	Final	Reasonable	14/09/2018	02/10/2018	5	0	0	5	Audit delayed due to being suspended as new guidance expected from DfE on SFVS in July 2018.
Schools	Clarendon Infants	1	19/04/2018	Final	Reasonable	23/05/2018	06/06/2018	10	0	2	8	Audit completed
Schools	Clarendon Juniors	1	19/04/2018	Final	Partial	18/05/2018	01/06/2018	13	0	8	5	Audit completed
Schools	St Sampson's CofE Primary	2	25/09/2018	Final	Reasonable	21/11/2018	05/12/2018	3	0	0	3	Audit completed
Schools	North Bradley Infants	1	19/04/2018	Final	Reasonable	15/06/2018	29/06/2018	7	0	2	5	Audit completed
Schools	St Marys Catholic Primary	1	19/04/2018	Final	None	10/09/2018	13/11/2018	27	3	12	12	Issue of draft and final reports delayed due to other issues at school and need for comprehensive discussion on action going forward.

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Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions			Comments	
								No. of Recs	Priority			
									Major	Medium		
Schools	Westbury Leigh Primary	1	25/04/2018	Final	Reasonable	18/07/2018	16/11/2018	4	0	0	4	Audit delayed due to sickness of School Business Manager and delayed response to draft report.
Schools	Studley Green Primary	3	25/09/2018	Final	Reasonable	06/12/2018	19/12/2018	8	0	0	8	Audit Completed
Schools	Wylve Valley Primary	3	25/09/2018	Final	Reasonable	05/12/2018	12/12/2018	8	0	3	5	Audit Completed
Grants	Public Health Grant	1	16/05/2018	Final	Non-Opinion	-	21/09/2018	0	0	0	0	Audit completed, and grant claim certified
Grants	Troubled Families	2	02/07/2018	Final	Non-Opinion	-	30/08/2018	0	0	0	0	Audit completed, and grant claim certified
Grants	Local Authority Bus Subsidy	2	10/07/2018	Final	Non-Opinion	-	26/09/2018	0	0	0	0	Audit completed and grant claim certified.
Follow-up	Land Charges	4	01/08/2018	Final	Non-Opinion	-	11/09/2018	0	0	0	0	Audit completed.
Audits at Draft Report Stage												
Healthy Organisation – Financial Management	Deferred Payments	1	09/05/2018	Draft	Reasonable	23/01/2019		7	0	2	5	Audit delayed as awaiting further information from client.

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Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions			Comments	
								No. of Recs	Priority			
									Major	Medium		
Healthy Organisation – People & asset Management	Data Breeches	2	25/10/2018	Draft	Reasonable	20/01/2019		2	0	0	2	Start of audit delayed due to availability of client.
Healthy Organisation – Information Management	General Data Protection Regulations (GDPR) Compliance	1	24/10/2018	Draft	Reasonable	20/01/2019		2	0	0	2	Audit deferred to quarter 3 at request of the client manage due to other work being carried out in area.
Healthy Organisation – Financial Management	Traded Services with Schools	1	23/07/2018	Draft	Partial	25/01/2019		5	0	3	2	Awaiting further information from client.
Schools	St Thomas a Beckett CE Primary	3	25/09/2018	Draft	Reasonable	05/12/2018		8	0	0	8	Date for response extended to 21/01/2019
								24	0	5	19	
Audits and other Work in Progress												
Healthy Organisation – Corporate Governance	Swindon and Wiltshire Local Enterprise Partnership (LEP)	4	22/01/2019	Fieldwork								Deferred from 2017/18 due to governance changes to LEP.
Healthy Organisation – Commissioning & Procurement	Highways Contract – Use of Subcontractors	1	21/05/2018	Fieldwork								Audit delayed as awaiting meeting with prime contractor.
Healthy Organisation – Financial Management	Community Infrastructure Levy	2	01/06/2018	Fieldwork								Audit in progress. Scope extended at request of the Client to also include S106 agreements.
Healthy Organisation – Financial Management	Financial Regulations and Contract Standing Orders	3	1/10/2018	Fieldwork								Audit in progress.

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Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions			Comments
								No. of Recs	Priority		
									Major	Medium	
Healthy Organisation – People & asset Management	Workforce Planning	2	14/08/2018	Planning and Initiation							Start of audit delayed awaiting entry meeting with Client. Client now requested audit to be put on hold due to other work priorities.
Healthy Organisation – People & asset Management	Property Management – Third Party Income	1	31/07/2018	Fieldwork							Small delay with start of audit due to agreeing scope with client.
Healthy Organisation – Commissioning & Procurement	Housing Repairs Contract	2	03/10/2018	Fieldwork							Audit delayed due to service organisation and changes to repairs service.
Healthy Organisation – Programme & Project Management	Families and Children (FACT) Transformation Stream	2	26/10/2018	Fieldwork							Audit fieldwork start to be delayed as responsible director not available until November.
Healthy Organisation – People & asset Management	People with Learning Difficulties	2	-	Planning and Initiation							Audit on hold due to awaiting outcome of consultancy work and avoiding duplication. Currently discussing the outcome of this consultancy work.
Healthy Organisation – People & asset Management	Liquidlogic Case Management Application	2	-	Planning and Initiation							Implementation of application delayed impacted the timing of the audit.
Healthy Organisation – People & asset Management	Employment and Skills (Children’s Services)	2	30/10/2018	Fieldwork							Start of audit delayed due to awaiting client meeting at end of November to inform scope.
Healthy Organisation – People & asset Management	Premises Health & Safety	3	14/08/2018	Fieldwork							Audit started same time as Schools Premises H&S but fieldwork carried out second.

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Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions			Comments
								No. of Recs	Priority		
									Major	←	
Schools	Thematic – Schools Financial Management	2	-	Fieldwork							Audit in progress
Schools	Amesbury Primary	4	-	Planning and Initiation							Audit visit arranged.
Schools	Monkton Park Primary	4	-	Planning and Initiation							Audit visit arranged.
Schools	Shalbourne Primary	3	-	Planning and Initiation							Audit visit arranged.
Healthy Organisation – Commissioning & Procurement	Adult Social Care Contracts	4	-	Planning and Initiation							Audit commenced
Healthy Organisation – Financial Management	Pension Fund Transfer	3	21/01/2019	Fieldwork							Audit start delayed due to awaiting new Senior Auditor to start in late December to lead.
Healthy Organisation – Programme & Project Management	Digital Transformation Stream	3	10/01/2019	Fieldwork							Audit in progress
Healthy Organisation – People & asset Management	Mobile Computing/Device Management	2	19/11/2018	Fieldwork							Audit start delayed due to staff resourcing issues.
Healthy Organisation – People & asset Management	Direct Payments	3	-	Planning and Initiation							Audit start delayed due to staff resourcing issues

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Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions			Comments
								No. of Recs	Priority		
									Major	Medium	
Healthy Organisation – People & asset Management	Financial Assessments	3	-	Planning and Initiation							Audit Planned for later in Quarter 3.
Health Organisation – Key Financial Systems	Accounts Payable	3	17/12/2018	Fieldwork							Audit in progress
Health Organisation – Key Financial Systems	Accounts Receivable	3	08/01/2019	Fieldwork							Audit in progress, small delay due to scope being agreed
Health Organisation – Key Financial Systems	Council Tax	3	17/12/2018	Fieldwork							Audit in progress
Health Organisation – Key Financial Systems	Business Rates	3-4	17/12/2019	Fieldwork							Audit in progress
Health Organisation – Key Financial Systems	Housing Rents	4	08/01/2019	Fieldwork							Audit in progress
Health Organisation – Key Financial Systems	Treasury Management	4	-	Planning & Initiation							Audit in progress
Health Organisation – Key Financial Systems	HR/Payroll	3	13/12/2018	Fieldwork							Audit in progress, small delay due to scope being agreed
Health Organisation – Key Financial Systems	Pensions	4	22/01/2019	Fieldwork							Audit in progress

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Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions			Comments
								No. of Recs	Priority		
									Major	Medium	
Health Organisation – Key Financial Systems	Housing and Council Tax Benefits	3	17/12/2018	Fieldwork							Audit in progress
Healthy Organisation – People & asset Management	Cyber Security	4	-	Planning and Initiation							Audit Planned for Quarter 4. Work programme currently being updated for current risks.
Healthy Organisation – People & asset Management	Court of Protection	4	23/01/2019	Fieldwork							Unplanned audit requested by Client Management.
Follow-up	ICT Asset Management	3	-	Planning and Initiation							Audit awaiting to be re-allocated following lead auditor leaving SWAP team.
Counter Fraud	Counter Fraud Strategy and Framework	3	19/10/2018	Fieldwork							To update strategy and launch including awareness across the Council. Delayed due to waiting for implications of new Government Counter Fraud Standards.
Counter Fraud	National Fraud Initiative (NFI) Data Matching Exercise	1-4	01/04/2018	Ongoing through Year							Ongoing review of progress made on data sets.
Audits and other work to Commence											
Healthy Organisation – Corporate Governance	Partnership Governance	4		No Commenced							Audit requested by Audit Committee
Healthy Organisation – Commissioning & Procurement	Highways Consultancy Contract	3		Not Commenced							Start delayed due to other work priorities.

Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions			Comments
								No. of Recs	Priority		
									Major	Medium	
Healthy Organisation – Commissioning & Procurement	Street Lighting Contract	4		Not Commenced							Audit Planned for Quarter 4.
Healthy Organisation – Commissioning & Procurement	Grounds Maintenance Contract	4		Not Commenced							Audit Planned for Quarter 4.
Healthy Organisation – Programme & Project Management	Commercialisation Transformation Stream	3		Not Commenced							Start delayed due to other work priorities.
Healthy Organisation – Programme & Project Management	Community Engagement Transformation Stream	4		Not Commenced							Audit Planned for Quarter 4.
Healthy Organisation – People & asset Management	Adoption	4		Not Commenced							Audit Planned for Quarter 4.
Healthy Organisation – People & asset Management	ICT Business Continuity	4		Not Commenced							Audit Planned for Quarter 4.
Healthy Organisation – People & asset Management	Replacement Customer Services Application	4		Not Commenced							Audit Planned for Quarter 4.
Grants	Growth Hub	4		Not Commenced							Audit Planned for Quarter 4.
Counter Fraud	Data Analytics Exercises	4		Not Commenced							Currently reviewing software tools available then key system areas.

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Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions			Comments
								No. of Recs	Priority		
									Major	Medium	
Counter Fraud	Organisational Fraud Awareness	1-4		Not Commenced							To carry out in quarter 4.
Counter Fraud	Investigations	1-4		Not Commenced							Reactive to referrals received but none so far for year.
Client Support											
Contingency	Audit Contingency	1-4	Included for unplanned audits resulting from emerging risks, management concerns including outcomes from Council's Transformation Streams.								None
Client Support	Corporate Advice	1-4	Ongoing through year								None
Client Support	Annual Governance Statement	1-4	Ongoing through year								None
Client Support	Audit Committee/Members Liaison	1-4	Ongoing through year								None
Client Support	External Audit Liaison	1-4	Ongoing through year								None
Client Support	Planning/Client Liaison	1-4	Ongoing through year								None
Client Support	CLT Attendance and Reporting	1-4	Ongoing through year								None

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Audit Plan Area	Audit Title	Quarter Planned Start	Actual Start (Fieldwork)	Audit Status	Opinion	Draft Report Issued	Final Report Issued	Recommendations/Actions			Comments
								No. of Recs	Priority		
									Major	←	
Client Support	Follow Up Contingency	1-4						1	2	3	None
			Follow-up to ensure implementation of agreed actions to audit recommendations made Ongoing through year								

Wiltshire Council

Audit Committee

6 February 2019

Subject: **Performance and Risk**

Cabinet Member: **Cllr Philip Whitehead – Finance**

Key Decision: **No**

Executive Summary

Audit Committee has requested sight of a recent SWAP Audit on Performance and Risk (Appendix A).

The Audit opinion concludes that most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed and there were no significant concerns, however, recommendations have been made in relation to the need to continue to revise the Risk Management Strategy, policies and processes for both performance and risk management and high importance placed on these in order to ensure the framework continues to move forward. The revised Performance and Risk Policy will be considered by Cabinet in March.

SWAP has also recognised that the Council has made significant progress towards revising its robust performance and risk management framework. Much work has been undertaken to improve the processes involved with risk identification, scoring, management and mitigating actions.

This report provides the Committee with some further context in respect to the Council's approach to Risk and Performance.

Proposal

Audit Committee is asked to note the report.

Reason for Proposal

To inform effective decision making and ensure sound Corporate oversight of Performance and Risk.

Robin Townsend – Corporate Services and Digital

Risk Management

1. **Purpose** - Monitoring, managing and responding to risks are pre-requisites if the Council is to have confidence in delivering its Business Plan outcomes and priorities or to continue to improve services.
2. **Ownership** - Risks are identified through service planning, programme management and day-to-day service management. Service level risks are recorded on service risks registers which are owned by individual services but managed by the Corporate Performance and Risk Team. Risks are identified in relation to a service's planned activity and their contribution towards achieving the priorities in the council's business plan.
3. Strategic composite risks (a combined risk for where similar risks exist in a number of different services which would not have a significant impact on the organisation on their own but put together represent a significant impact) are owned by the most appropriate service in the council. For example, the *Staff Capacity: Recruitment and Retention* strategic composite risk is owned by the Human Resource and Organisational Development Directorate.
4. **Process** - Risks are defined using their cause, event and effect. Each risk is defined under one of six primary categories. A secondary category can also be applied if appropriate. The six categories are:
 - Legal
 - Service delivery
 - Staffing/People
 - Financial
 - Health and Safety
 - Reputation
5. Each risk has an owner and a key officer and a response type defined. There are four main response types and the response picked informed the mitigation planned for that risk. The possible responses are:

Treat	Taking action to minimise the likelihood of an event occurring and / or to minimise its impact should it occur. This will require defined actions to be allocated to individuals, implementation dates agreed and progress to be monitored.
Transfer	Transfer the risk to another party either by insurance or through a contractual arrangement. Responsibility for statutory functions cannot be fully transferred. The reputational implications of risks need to be managed since these cannot be transferred.
Tolerate	Decide that the risk is acceptable and make proper financial arrangements should it occur. Current 'ongoing' controls / mitigating actions will need to be monitored.
Terminate	Where feasible, stop doing whatever it is that causes the risk, use alternative products / change processes.

6. Each risk is scored twice during every review. Once as *Inherent* (as the risk currently stands), and once as *Residual* (as if all the mitigating actions were fully applied). On each occasion, an Impact and a Likelihood score is given based on the criteria contained in the guidance. Scores are between one and four. The impact and likelihood scores are multiplied to give a score of between one and 16
7. Mitigating actions are planned and recorded in line with the risk response, the Inherent score and the council's risk appetite. Where the inherent score is above the council's appetite or where the risk appears on the Strategic risk register or contributes to a strategic composite risk, a full action plan is required. The mitigating actions are given a RAG rating to indicate how well they are progressing. Thus, a true representation of each risk is gained from a reading of the inherent score, the mitigation actions RAG and the residual score.
8. Each risk is reviewed every quarter. Scores are required to be entered even if the scoring has not changed since the previous quarter in order to ensure a full review.
9. Risks can be scored and re-scored at any point in the quarter. A snapshot is taken on the last day of the quarter for reporting purposes.
10. **Reporting** - Reporting of performance measures from the Corporate Performance Framework and risk scores from the Strategic Risk Register will happen at three distinct levels.
 - Directorate – quarterly submissions of performance information and risks scores will be reviewed by directorate management teams and signed off by directors. Score cards and risks registers for this purpose are provided by the corporate team.
 - Corporate Director – a scorecard for each Corporate Director will be compiled on a quarterly basis to include key measures and risks. Corporate Directors have the option to use these in meetings including key members of staff and key councillors, specifically cabinet leads.
 - Whole Council – the Cabinet will continue to receive a quarterly report which will summarise the Corporate Performance Framework with selected measures based on progress towards the Business Plan outcomes and will also include the Strategic risk register.

Performance Management

11. Purpose - A continuous cycle of performance management is what drives the decisions on priorities and resource allocation at Wiltshire Council. Performance information informs planning at service, directorate and corporate level. Monitoring of performance at each of those levels leads to revision of what is undertaken in order to deliver the council's strategic objectives.
12. Ownership - The collation and production of information sits within the services. Individual services employ people who, either as their sole role or as part of their role, understand and manage the production and reporting of performance information. Statutory services have performance reporting to central government that sometime, but not always, includes measures that form part of Wiltshire Council's Corporate

Performance Framework. The Corporate Performance and Risk Team collate performance information from across the council's services and report that information.

13. Process - Measures are identified in the service planning process. Service plans ask what activities services will undertake to deliver the council's business plan and how we measure the success of those actions. Each action is linked to a specific action in the business plan. Each business plan action sits under a goal and an overall priority.
14. Those measures of success are then translated, through a process of discussion and negotiation, into Wiltshire Council's Corporate Performance Framework (CPF); a matrix of performance measures that identify progress towards business plan actions. Measures are also grouped by what they tell the organisation. The three groups are:

Volume/Prevalence	The amount of work done or required. A 'number of' or a proportion or ratio for comparison.
Process	How well the system works – are we doing what we said we'd do? Often a measure of output. A measure of efficiency.
Outcome	Achieving intention. The impact that what we do is having, directly related to our expressed ambition. A measure of effectiveness. Can be framed as benefit realisation.

15. It's often the case that outcome measures are not available or it is impossible to draw a cause/event relationship between work done and the outcome and therefore it's essential to be able to use other types of measure.
16. Measures are reported via a set of interrelated workbooks stored on the council's SharePoint system. Measures require detailed definition to help with the understanding and reporting process. Definition includes an explanation of calculation, information about how and when the data is reported, how the data should be read and who the owners of the measure are.
17. There is a calculated assessment of progress resulting in a red, amber or green status after each submission for each measure. The parameters of this calculation are variable in order to take account of different types of measure. The available types of calculation are:
 - Improved performance
 - Specific desired level
 - Performance against comparators
 - Within or above specific quartile
 - Within expected range (no clear polarity)
18. Inputting sheets are completed once a quarter at a minimum by lead officers in service areas. It's understood that not all measure can be updated every quarter and some will be more frequently available than that.

19. All measures are grouped in a single spreadsheet, including each measures' link to the business plan to enable reporting at all levels.

Proposals

20. Audit Committee is asked to note the report

Reasons for Proposals

21. To inform effective decision making and ensure sound corporate oversight of Performance and Risk.

Background Papers and Consultation

None

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Appendices:

Appendix A: SWAP Audit Report

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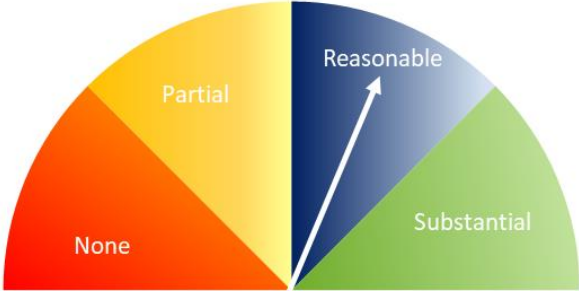
Risk and Performance Management 2018/19

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Final Audit Report

Issue Date: 14th November 2018

Executive Summary

Audit Opinion		Recommendation Summary	
	REASONABLE	Priority	Number
	<p>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.</p>	Priority 1	1
		Priority 2	6
		Priority 3	0
		Total	7

Audit Conclusion

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The Performance and Risk Management team have made significant progress towards revising a robust performance and risk management framework. Much work has been undertaken to improve the processes involved with risk identification, scoring, management and mitigating actions. Although the Council has a consistent approach to performance and risk management, strategic and operational risk registers it does not have up to date and finalised documentation to govern the areas reviewed. However, it is recognised that work in this area had already commenced by the Performance and Risk Management team before the start of the audit and had been delayed due to resources being used to deal with the Salisbury incident. It is planned that this work will be completed in January 2019.

Whilst there were no significant concerns several recommendations have been made in relation to the need to continue to revise the Risk Management Strategy, policies and processes for both performance and risk management and high importance placed on these in order to ensure the framework continues to move forward. It has been agreed that the Performance and Risk Management team will continue to liaise and work with Internal Audit going forward to ensure the recommendations are addressed.

One Priority 1 recommendation was made in relation to the requirement to complete the planned review of and finalise the Risk Management Strategy. High importance was placed on this recommendation and agreed to ensure appropriate resources are committed to meet the required timescale of January 2019. The remaining six Priority 2 recommendations relate to more specific areas of the above documentation and provide guidance on information which should be included alongside the revisions already planned.

Background

Risk Management is a key aspect of assurance and governance. It is one of the '2nd Lines of Defence' alongside; Financial Control; Security; Inspection; Compliance etc. Organisations that demonstrate and operate under a structured and active risk management approach are more likely to be able to focus upon their key priorities and outcomes and, in doing so, take informed decisions. As such, the Council's 'maturity' in terms of its risk management arrangements, is fundamental in determining the degree of reliance that can be placed upon its risk management's arrangements.

Within the International Framework of Good Governance, risk and performance management is identified as a key component within Principle F as follows:

Managing risks and performance through robust internal control and strong public financial management.

The governing bodies of public sector entities need to ensure that the entities they oversee have implemented—and can sustain—an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. They consist of an ongoing process designed to identify and address significant risks involved in achieving an entity's outcomes.

Performance and Risk Management are Corporate functions and ownership for performance and risk sits at a Corporate level. Risk registers are maintained at Corporate and Service level. The Corporate risk register contains significant corporate risks, composite risks and national risks. Composite risks are risks which have been identified as affecting 2 or more individual services. Operational risk registers are maintained for services to identify risks in relation to the individual service. Risks are identified through services own procedures (including the required monitoring), through programme management and through the service planning process.

Performance measures are identified within the service planning process. These measures are compiled to form a Corporate Performance Framework that identifies how the specific aims of the council's business plan are to be measured. Measures are updated by service specialists and reports detailing progress against the business plan are produced by the Corporate Performance and Risk Team for sign off for approval at Corporate Director level and approval by Cabinet

Performance and risk management within the Council has been through a period of significant change, following restructuring, previous audits and a recent Corporate Peer Challenge in order to enhance the processes in place. Now, after embedding the processes across the Council the overarching governance documentation is being revised to ensure it reflects the performance and risk management in practice across the organisation.

Corporate Risk Assessment

Objective

Effective Risk Management forms a key aspect of assurance and governance for Wiltshire Council. Organisations which can demonstrate and operate under a structured and active risk management approach are far more likely to be able to focus upon their key priorities and outcomes and, in doing so, take informed and robust decisions. As such, the organisations 'maturity' in terms of its risk management arrangements, and internal audits own subsequent independent assessment of this level of maturity, is fundamental in determining the degree of reliance that can be placed upon its effectiveness.

Performance management is an essential element of the governance framework which provides a transparent platform upon which the Council is accountable to its citizens and service users for the effectiveness of its service provision and delivery of its published objectives. To be effective, the performance management framework needs to provide accurate and timely information to facilitate informed and transparent decision making and prompt corrective actions where service delivery strategies appear not to be achieving their intended outcomes.

Risk	Inherent Risk Assessment	Manager's Initial Assessment	Auditor's Assessment
1. Risk and Performance Management arrangements are not effective leading to uninformed decision making and unforeseen exposure resulting in failure to achieve key priorities and objectives.	High	Medium	Medium

Scope

The audit of Risk and Performance Management was originally included in the annual internal audit plan for quarter 2. However, at the request of the area due to this was deferred and planned for quarter 4 as they are in the process of revising the Performance and Risk Management documentation which has been delayed due to resources being required for the Salisbury incident and this is reflected in this audit. CLT requested in September that the audit go ahead. The Terms of Reference for the audit were agreed on the 17th October and the audit fieldwork commenced immediately.

It was agreed that the audit would provide context and background information for the Audit Committee to provide them with further information on performance and risk management arrangements within the Council.

Findings and Outcomes

Summary of Control Framework

Risk Management Strategy and Governing Documentation

The Performance and Risk Management team have made significant progress towards revising a robust performance and risk management framework. Much work has been undertaken to improve the processes involved with risk identification, scoring, management and mitigating actions. Although the Council has a consistent approach to performance and risk management, strategic and operational risk registers it does not have up to date and finalised documentation to govern the areas reviewed.

However, at the time of audit, we were only able to review a draft Performance and Risk Management policy alongside revisions to the Risk Management Strategy from 2014. Recommendations regarding completing the overall governance documents have been made but we recognise that it has been delayed due to resources being focused on the Salisbury incident.

Risk Appetite

In line with the creation of the Performance and Risk Management policy we were advised that the Risk Appetite is being reconsidered and instead of having just one single appetite level (currently documented as risks scoring below 12) consideration will be made for having appetite levels set for different types of risk. As with the Strategy this has been delayed due to other priorities but is planned to be completed by January 2019.

Risk Registers

The Council has a Strategic risk register and interlaced Operational risk registers are in use across the Services. The strategic risk register contains, significant corporate risks, composite risks and national risks. The Cabinet member with responsibility for Performance and Risk Management works closely with the area to provide support and oversight of the processes. The strategic risk register is reported to Cabinet on a quarterly basis and a Performance Management and Risk Outturn Report is compiled to provide context, National risks are reported to Cabinet once per year as they remain fairly static in score.

There has been support provided by the Performance and Risk Management team, and involvement from the responsible Cabinet Member, to ensure that operational risks are appropriately identified, defined and measured and mitigating actions are not existing controls (this was identified in a previous audit and a recommendation made that this was reviewed).

Corporate Performance Framework

There is a "Golden Thread" between the Council's Business Plan, the Corporate Performance Framework, Service plans and individual development plans. Following the Healthy Organisation review the Council has created a single repository using SharePoint to hold all risk and performance information. This allows the Performance and Risk Management team to collate and review all data for reporting. It was reported that there is much greater consistency across the organisation for recording and reporting risk and performance data.

Director Scorecard Meetings

Performance and risk measures are discussed and challenged at Director scorecard meetings with the responsible Cabinet leads, Portfolio Holders, the Corporate Director and Directors.

Reporting and Transparency

The Financial Planning Task Group reviews Performance and Risk information on a quarterly basis prior to being presented to Cabinet.

The Council's strategic risk register is a publicly available document. However as there is no guidance published to support this, as the current strategy is being revised and redrafted as a Performance and Risk Policy, the Council are not providing sufficient information to inform the public of the Council's approach to managing risk.

Performance measures are reported using a standardised template (note that these have been changed for some services to allow alignment with statutory reporting requirements) and owners and/or responsible officers are identified for each measure. Performance reporting is completed on a quarterly basis at which point all information is available for challenge. Key areas are contained in the Performance Management and Risk Outturn report to Cabinet.

Integrity of Performance Data

Performance Management data accuracy is the responsibility of the individual services. For both risk and performance information the Performance and Risk Management team complete a sense check of the data to ensure any anomalies are investigated prior to reporting to Cabinet.

1. Risk Management arrangements are not effective leading to uninformed decision making and unforeseen exposure resulting in failure to achieve key priorities and objectives.

Medium

1.1 Finding and Action

Issue	Risk
There is no clearly defined and up to date Risk and Performance Management governance documentation.	Risk Management Framework is not defined leading to a lack of information on effective risk management resulting in failure to achieve key priorities and objectives.

Findings

Following a period of change in the processes involved in risk and performance management it has been recognised that the existing Risk Management Strategy (2014) requires updating.

It is planned that a Performance and Risk Policy will replace the previous strategy document and be finalised and considered in January 2019. The Performance and Risk Management team have made significant progress towards revising a robust performance and risk management framework. Much work has been undertaken to improve the processes involved with risk identification, scoring, management and mitigating actions.

Although the Council has a consistent approach to performance and risk management, strategic and operational risk registers it does not have up to date and finalised documentation to govern the areas reviewed. However, it is recognised that work in this area had already commenced by the Performance and Risk Management team before the start of the audit.

On review of the draft documentation provided and given the limited time in which the Council has to finalise new documentation the Performance and Risk Management team should continue updating the 2014 Risk Management Strategy to include the following areas some of which we were advised are already planned but had not yet been documented in the draft revisions:

- Version control;
- Contents Page;
- Role of Audit Committee (in line with revised Audit Committee Terms of Reference);
- Role of Cabinet (expand);
- Include annual review of policy under role of Strategic Risk Management Group;
- The Council's risk appetite (it is recognised that this is under review);
- The Council's approach to embedding risk management;
- The Council's culture e.g. learn from events, avoid blame, transparency, honesty; and
- Links to performance management, service planning and the Council's business plan.

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This strategy will then form a solid basis on which to pin a Performance and Risk Policy and/or subsequent guidance of which most is already in existence and will require minor amendments to reflect the current processes.

Recommendation

The Council should continue to update the 2014 Risk Management Strategy to reflect the current risk management framework and enable effective risk management and seek guidance over a final draft from SWAP Internal Audit.

Priority Score

1

Agreed Action

Timescale

By: January 2019

Review the most appropriate document set for Performance and Risk Management.
 Produce draft policy or strategy.
 Allow review of that draft by Audit Committee and Scrutiny.
 Have the document approved by the council's leadership.
 Implement those changes not yet in place.

Responsible Officer

John Rogers
 Toby Eliot

1.2 Finding and Action		
Issue	Risk	
The risk appetite has not been given appropriate consideration and has not been appropriately documented.	Risk appetite is not defined leading to a lack of information on effective risk management resulting in failure to achieve key priorities and objectives.	
Findings		
The Council does not have up to date documentation to support a risk appetite. The risk appetite in the 2014 Risk Management Strategy remained unchanged since 2011. There is no evidence that the risk appetite has been scrutinised for appropriateness.		
Whilst there is a documented risk appetite (below 12) there is no evidence that this has been appropriately considered and scrutinised. Discussions with the Corporate Support Manager identified that there is a plan to have the Risk Management Strategy Group review the risk appetite and consider the need to set a range of risk appetites in relation to specific risk categories.		
Once the risk appetite has been reconsidered, the Council should consider drafting a risk appetite statement for consideration and approval by Audit Committee and Cabinet. Furthermore, the Council should consider the need to also document the risk tolerance level to ensure that those which sit outside of this tolerance are given significant attention to determine whether immediate action needs to be taken such as terminating the activity related to such risks.		
Recommendation		
As planned the Council should revisit and review the risk appetite and determine the need for different appetites for risk categories to ensure that Officers can effectively manage and monitor the risks within their areas and risks are escalated accordingly. Revisions to the risk appetite should be documented in a timely manner.	Priority Score	2
Agreed Action	Timescale	By: January 2019
Ensure process for setting and reviewing corporate appetite is defined in governance documents. Initiate the Risk Management Strategy Group and recommend a set of risk appetites to be approved by the Council's leadership.	Responsible Officer	John Rogers Toby Eliot

1.3 Finding and Action		
Issue	Risk	
The Council's risk management processes are not transparent.	Risk management within the Council is not transparent leading to uninformed decision making and failure to achieve key objectives.	
Findings		
<p>The Council publishes its strategic risk register on a quarterly basis and is available to the public through Cabinet papers. The Performance Management and Risk Outturn report provides information on key areas aligned to the Council's Business Plan and therefore does not discuss each risk in detail. As the current strategy and risk appetite requires updating there are no documents which inform the reader of the strategic risk register (either internal employees or external members of the public) of the Council's approach to risk management and governance arrangements.</p>		
Recommendation		
After completing the revision of the Risk Management Strategy and Risk Appetites the Council should ensure that these documents are published internally on the intranet and are made available where appropriate to the public to inform of the Council's approach to risk management.	Priority Score	2
Agreed Action	Timescale	By: January 2019
Create a standard guide and introduction to reading the council published risk register and publish with the risk register.	Responsible Officer	Toby Eliot

2.	A lack of accurate and timely information will not facilitate clear monitoring of informed and transparent decision-making processes or of any prompt or corrective actions taken where service delivery strategies appear not to be achieving their intended outcomes.	Medium
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2.1 Finding and Action		
Issue	Risk	
The Performance and Risk policy does not state the need for using performance information to inform future policies, strategies and key initiatives.	Performance information is not used to inform future policies, strategies and key initiatives resulting in poor decision making.	
Findings		
The Performance and Risk Management policy is still in draft format and under construction therefore it was not possible at the time of audit to determine the Council's expectations in relation to whether performance information is used to inform future policies, strategies and key initiatives. We were advised that project plans and business cases have a section for performance measures. The Council should ensure that it clearly defines this expectation and provides guidance for this in practice.		
Recommendation		
The Council should ensure that performance information is utilised to assist in the process of informing policies, strategies and key initiatives.	Priority Score	2
Agreed Action	Timescale	By: March 2019
Define how, where and by who performance information should be used within the Performance and Risk Strategic documentation.	Responsible Officer	John Rogers Toby Eliot

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2.2 Finding and Action		
Issue	Risk	
Targets for performance measures are not clearly defined.	Performance measures do not have clear targets defined resulting in poor performance reporting, ineffective oversight and poor decision making.	
Findings		
<p>From the information provided it is apparent that there are solid foundations within the performance reporting process to facilitate effective and regular challenge although it is acknowledged that there are time constraints prior to the Performance and Risk Outturn report being submitted to Cabinet. The Council should consider listing clear targets against performance measures to ensure that performance can be effectively scrutinised and under performance substantiated. The recommendation below was also made as part of the Healthy Organisation review and it is recognised that the Council has been undertaking substantial work to ensure that targets are clearly identified.</p>		
Recommendation		
The Council should ensure that clear targets are listed against performance measures to allow performance to be substantiated and to assist the Council in making informed decisions.	Priority Score	2
Agreed Action	Timescale	By: April 2019
<p>For much of the performance information collected a target is not appropriate.</p> <p>The corporate Performance and Risk Team have created a methodology for generating a calculated assessment of each measure collected. The calculation can be made based on a variety of criteria and with different tolerances. The assessment calculation is set at the time the measure is defined.</p> <p>The updated Performance and Risk Strategic documentation will require every measure to have a set assessment calculation specified by its owner. These assessments will then be available when performance information is reported.</p>	Responsible Officer	Toby Eliot

2.3 Finding and Action		
Issue	Risk	
Responsibility for data integrity is not documented.	Responsibility for the integrity of data reported is not appropriately defined resulting in a lack of accurate information to assist the Council to make informed decisions.	
Findings		
Information comes from a wide variety of sources and this makes it difficult for the Performance and Risk Management team to check accuracy. The team provide a sense check of data to look for any anomalies. Services are responsible for ensuring the information they have reported is accurate and the Director is required to sign off this data on a quarterly basis therefore being accountable for the data reported. The Performance and Risk policy should document the relevant role(s) responsibility and accountability for data integrity within.		
Recommendation		
The Council should ensure that the responsibility for data accuracy in relation to reporting on performance measures is clearly defined in the Performance and Risk Management policy and/or individual job profiles to ensure there is accountability for the information presented to allow the Council to make informed decisions.	Priority Score	2
Agreed Action	Timescale	By: March 2019
The updated Performance and Risk Management strategic documentation will identify the specific roles in the council who have responsibility for data integrity in relation to performance and risk information. We will have a discussion with the council's HR department about the possibility of identifying that responsibility within role descriptions.	Responsible Officer	John Rogers Toby Eliot

2.4 Finding and Action		
Issue	Risk	
No overarching documentation defining the Council's Performance Management arrangements.	Governance arrangements for performance management are not appropriately documented resulting in a lack of transparency over how performance will be managed within the Council.	
Findings		
The Council does not have a finalised document which defines the governance of performance management. There is a draft Performance and Risk policy which is due to be finalised and presented for approval in December. We have recommended above in 1.1 that the Council revisit the existing strategy, due to time limitations, and include a section on performance management arrangements.		
Recommendation		
As planned the Council should ensure that there is appropriately documented governance arrangements to enhance the Corporate Performance Framework to increase transparency and allow effective management of performance within the Council. This should be completed in a timely manner.	Priority Score	2
Agreed Action	Timescale	By: January 2019
Governance and responsibilities will be defined in the new Performance and Risk Management strategic documentation.	Responsible Officer	John Rogers Toby Eliot

Audit Framework and Definitions

Assurance Definitions

None	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.
Partial	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.
Reasonable	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.
Substantial	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.

Definition of Corporate Risks

Risk	Reporting Implications
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.

Categorisation of Recommendations

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

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.

Authors and Distribution

Please note that this report has been prepared and distributed in accordance with the agreed Audit Charter and procedures. The report has been prepared for the sole use of the Partnership. No responsibility is assumed by us to any other person or organisation.



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Finance Risk Register

Becky Hellard



Overview Finance Risk Register

- 5 Corporate risks
- 4 Operational risks
- Quarterly review cycle
- Incorporated into overall sequence framework

Corporate Risks

Risk Short Name	Cause	Event	Effect	Inherent Impact	Inherent Likelihood	Inherent Risk Rate	Residual Impact	Residual Likelihood	Residual Risk Rate
Budget management	New unfunded project, unforeseen demand or failure to make planned savings	Inability to deliver key statutory services within the service-level budget envelope	Increased financial pressure on other service areas in order to deliver a balanced budget across the authority as a whole which results in cuts to those other services spend.	3	3	9	3	2	6
Income Collection	Failure to collect income as expected and budgeted for	Decrease in levels of income due to lower payment rates, take up of services or increase default rates	Increased financial pressure on other service areas in order to deliver a balanced budget across the Council as a whole which results in cuts to those other services spend.	3	3	9	3	2	6
Interest Rates Changes	Increase in interest rates leads to increased borrowing costs on future capital investments	Changes in interest rates	Increased costs on future borrowing would bring extra pressure on overall Council budgets	3	2	6	2	2	4
Global Financial issues	Financial uncertainty arising from the outcome of the European Union Referendum, together with other global financial issues	Overall uncertainty over global financial position	It is too early to estimate the full extent of any financial impact arising from these changes. These will be closely monitored.	3	3	9	3	3	9
Future Local Government finance funding	2019.20 is final year of finance settlement and Central Government introducing a new local government Fair Funding model and Business Rates baseline	Uncertainty over new central government funding mechanisms and introduction of Fair Funding and Business Rates baseline model	Uncertainty over levels of funding within the new fair funding model making future income streams unclear	2	4	8	2	4	8

Operational Risks

Risk Short Name	Cause	Event	Effect	Inherent Impact	Inherent Likelihood	Inherent Risk Rate	Residual Impact	Residual Likelihood	Residual Risk Rate
Overspend in finance service	Additional demand (e.g. larger than anticipated draw on the set benefits pot)	Overspend in the overall finance budget	Service not delivered	3	2	6	3	1	3
New government initiatives / legislation / Partnerships	Lack of preparation for a change in legislation or new partnership demands	New work demands and legislative directives are forced on the service	Significant realignment of the corporate budget is required	4	2	8	4	2	8
Payment systems failure	Flooding, Fire, Electrical failure or technical infrastructure issues.	SAP and/or Northgate go off-line	Payments and transactions (including benefits) are not made	2	1	2	2	1	2
Shift or Self Service	Lack of buy in (from within the service and outside) to the more flexible approach to service accounting	Confusion within service areas and amongst accountants about roles and responsibilities	Unresponsive, ineffective accountancy service	2	2	4	1	2	2

PROPOSED WORK PROGRAMME FOR THE AUDIT COMMITTEE 2019

17 April 2019 10 am	Q4 IA update and year end summary	SWAP		4 April 2019	9 April 2019
	Draft Internal Audit Plan	SWAP			
	Report on 2018/19 close down and external audit plan update	Becky			
	Risk and Performance Report				
	Accounting Policies	Finance			
	Draft Annual Governance Statement	Ian Gibbons			
	Partnership Governance arrangements	Ian Gibbons			
24 July 2019 10am	Report to those charged with Governance (ISA 260) 2018/2019	Deloitte		11 July 2019	16 July 2019
	Pension Assurance on accounts	Pension Fund			
	Statement of Accounts	Becky Hellard			
	Annual Governance Statement	Ian Gibbons			
	IA annual report 2018/2019	SWAP			
	Q1 IA Report	SWAP			
	Appointment of a member to the Constitution Focus Group	Chairman			

PROPOSED WORK PROGRAMME FOR THE AUDIT COMMITTEE - 2019

	Grant Certification Report 2018/19	Deloitte			
	30 min add on – not part of formal meeting – Confidential meeting with external auditors (annually)				
7 November 2019 10am	Q2 IA report	SWAP		24 Oct	30 Oct
	External audit update	Deloitte			