

# AGENDA

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**Meeting:** Audit Committee  
**Place:** County Hall, Bythesea Road, Trowbridge  
**Date:** Wednesday 11 April 2018  
**Time:** 10.00 am

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Please direct any enquiries on this Agenda to Jessica Croman, of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 718262 or email [jessica.croman@wiltshire.gov.uk](mailto:jessica.croman@wiltshire.gov.uk)

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## Membership:

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

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## Substitutes:

Cllr Ian Blair-Pilling	Cllr Ross Henning
Cllr Anna Cuthbert	Cllr Ruth Hopkinson
Cllr Peter Evans	Cllr Jon Hubbard
Cllr Gavin Grant	Cllr Ricky Rogers

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## **Public Participation**

Please see the agenda list on following pages for details of deadlines for submission of questions and statements for this meeting.

For extended details on meeting procedure, submission and scope of questions and other matters, please consult [Part 4 of the council's constitution](#).

The full constitution can be found at [this link](#).

For assistance on these and other matters please contact the officer named above for details

# AGENDA

## 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

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 **Internal Audit & Counter Fraud Plan 2018/19** (*Pages 9 - 40*)

To consider the Internal Audit & Counter Fraud Plan 2018/19

7 **Audit Task Group Update** (*Pages 41 - 66*)

To receive an update from the Audit Task Group and consider the recommendations.

8 **Forward Work Programme** (*Pages 67 - 70*)

To note the Forward Work Programme

9 **Date of Next Meeting**

To note that the next regular meeting of the Committee will be held on 24 July 2018.

10 **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

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### **DRAFT MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 14 FEBRUARY 2018 AT THE KENNET ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.**

#### **Present:**

Cllr Ian Blair-Pilling (Substitute), Cllr Richard Britton (Chairman), Cllr Tony Deane, Cllr Peter Evans (Substitute), Cllr Tony Jackson, Cllr Edward Kirk, Cllr Andy Phillips, Cllr Leo Randall and Cllr John Walsh

#### **Also Present:**

Michael Hudson, Ian Gibbons, Dr Carlton Brand, Cllr Philip Whitehead, Darren Gilbert and Ian Withers

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#### **1 Apologies**

Apologies for absence were received from:

Councillor Stewart Dobson who was substituted by councillor Ian Blair-Pilling  
Councillor Mike Hewitt who was substituted by councillor Peter Evans  
Councillor Tony Trotman

#### **2 Minutes of the Previous Meeting**

**Resolved:**

**To confirm the minutes of the meeting held on 12 December 2017.**

#### **3 Declarations of Interests**

There were no declarations of interest.

#### **4 Chairman's Announcements**

The Chairman made the following announcements:

- That Michael Hudson, Director Finance and Procurement, would be leaving Wiltshire Council in May 2018. The Chairman thanked Michael for his hard work.

- That Deloitte would be taking over as external auditors from KPMG in the new financial year. It was noted that a national procurement exercise had taken place in which Deloitte was the successful applicant. A meeting with key officers and members would take place on the 6 March with Deloitte to start planning the external auditing schedule and to manage the transition process. The Committee was advised that the transition process would need to be tightly managed by the Committee. An item would be on the next agenda for further discussion.

## 5 **Public Participation**

There were no members of the public present.

## 6 **SWAP Internal Audit Activity Update**

The report to the Committee updated on the progress of the Internal Audit in respect of delivering the 2017/18 Internal Audit and Counter Fraud Plans. This had been achieved by identifying audits completed or in-progress compared to the original plan; the progress of management responding to audit recommendations and the Council's overall control environment.

Ian Withers, SWAP highlighted key improvements which had been made since the last report to committee noting that as of the 13 February 23 audit recommendations had yet to be implemented, down from 74. Those areas with outstanding audit recommendations were making positive progress to completing the implementations.

Committee members asked questions which focused on; whether Wiltshire Council had an internal system to monitor and sign off implemented recommendations; how 51 recommendations were implemented so quickly between the 2 February to 13 February; the level of assurance awarded versus the number and priority of projects and the number of audits carried out within the organisation being deferred and the impacts they had on staff.

It was noted that the Council no longer had an internal system to monitor the status of recommendations, although the SWAP could be used to send email reminders to managers. 51 recommendations had been implemented quickly due to chasing managers and the influence from the Committee and the Corporate Leadership Team, although the organisation needed to adopt a culture of continuous improvement and for managers to own audit recommendations as part of their roles. The Committee was informed that the awarding of assurance was subjective and down to the judgement of the auditor. Finally the Committee was advised that the number of audits had significantly reduced over the last 8 years and it was key to find the right balance. The Chairman suggested making future plans more realistic and deliverable taking into account resources and other issues.

**Resolved:**

- 1. To note the Internal Audit Activity for 2017/18 and the outcomes of the audit and counter fraud work completed to date.**
- 2. To agree the amendments to the Internal Audit and Counter Fraud Plans for 2017/18 in respect of planned audits.**

**7 KPMG - Wiltshire Council - Annual Grants Report 2017/18**

Darren Gilbert, KPMG, gave an overview of the annual grants report 2017/18 noting that work had been carried out within Housing Benefit, Teachers Pensions Contributions and Pooling of Housing Capital Receipts. It was noted that no significant errors had been identified although there were a number of items identified which were reported to the Department for Work and Pensions through a qualification letter.

Questions were asked about the increased risks/ errors from universal credit. It was noted that the issues within the report related to data entry errors by employees and that there was still a lot of work to be done on moving people onto universal credit. The issues were being dealt with through additional training and quality assurance.

**8 KPMG - Wiltshire Council - Audit Plan 2017/18**

KPMG introduced the Audit Plan 2017/18 which highlighted a number of areas which had significant risks and where the external auditors would focus noting that frequent updates would be provided.

Accelerated accounts would come into force this new financial year which meant that the auditing of the accounts would need to be completed earlier, although Wiltshire council had been carrying out accelerated accounts for a while.

**Resolved:**

**To note the External Audit Plan 2017/18.**

**9 Audit Task and Finish Group**

The Chairman referred to the Audit Task & Finish Group which had been introduced at the last meeting noting that the proposed terms of reference were attached which included an indicative work programme and schedule.

**Resolved:**

**To approve the Audit Tsk & Finish Group inline with the Terms of Reference.**

10 **Forward Work Programme**

The Chairman referred to the forward work plan noting that more information would become available on Deloitte once they had met on 6 March.

11 **Date of Next Meeting**

The next meeting would be held on the 11 April 2018.

12 **Urgent Items**

There were no urgent items.

(Duration of meeting: 10.00 - 11.25 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](mailto:jessica.croman@wiltshire.gov.uk)

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



# Draft Internal Audit and Counter Fraud Plan 2018/19

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Agenda Item 6

# Internal Audit & Counter Fraud Plan 2018/19

The key contacts at SWAP in connection with this report are:

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Wiltshire & IT

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➡	Internal Audit & Counter Fraud Plan 2018/19	Page 2
➡	<ul style="list-style-type: none"><li>- Approach to Audit Planning 2018/19</li><li>- Supporting the Council's Priorities</li><li>- Counter Fraud</li><li>- Summary of Areas and Related Costs</li><li>- SWAP Internal Audit Team</li><li>- SWAP Performance Measures</li></ul>	
➡	Detailed Internal Audit Plan 2018/19	Page 13
➡	Detailed Counter Fraud Plan 2018/19	Page 28
➡	Appendix 1 – The Internal Audit Charter	Page 31

**The Internal Audit Plan represents a summary of the planned audit reviews that the Internal Audit Team will deliver throughout the 2018/19 financial year.**

**The Audit is based on a risk assessment largely aligned to the Council's four priorities and eight key themes that contribute to the 'Healthy Organisation' model introduced in 2016/17. Other factors that have driven the plan include direction by senior leadership to other risks linked to the new Business Plan, Transformation Streams and an annual assessment of the financial controls and grant requirements.**

**The audit fee proposed is £513,540. This has increased from 2017/18 but is the first for Wiltshire Council in 7 years.**

The audit plan has been drawn up based on an assessment of risk using areas including those highlighted as key corporate risks arising from the Healthy Organisation assessment; reviews specifically requested by Senior Leaders, or areas that SWAP has identified as potential emerging risks for the Council, including cross cutting reviews being carried out across all SWAP partners to share learning.

Following a reorganisation of the Council's fraud arrangements SWAP has taken on additional responsibilities relating to Fraud and Corruption in 2018/19. A separate Plan for this work has been produced to sit alongside the general audit plan. This work will be absorbed within the 2018/19 fee set out in this report.

The SWAP Internal Audit cost will be £513,540 for 2018/19, an increase of 8% from 2017/18 to cover the significant increased employer's pension costs together with the April 2018 pay award. This is the first increase in fees for SWAP since 2007 and was agreed by the SWAP Board, membership of which includes the Director of Finance & Procurement.

The key areas of focus are appended to this plan and are based around the following themes:

- Healthy Organisational Reviews
- Management requested reviews
- Financial Controls
- Grants
- Fraud and Corruption (see separate plan)

Internal Audit activity reports updating findings and performance against the plan, will be presented to the Corporate Leadership Team and Audit Committee once a quarter, with an Annual Report presented to Audit Committee in July.

The Audit Plan is based on a thorough assessment of the risks facing the Council; its mitigation plans and awareness of prior year findings and those at other authorities.

The level of audit work is then based on our assessment of the three lines of defence to assess where the most value can be added, and where management should be addressing actions.

## Approach to Audit Planning 2018/19

The Audit Plan for 2018/19 is based on a risk assessment that been derived from a range of sources:

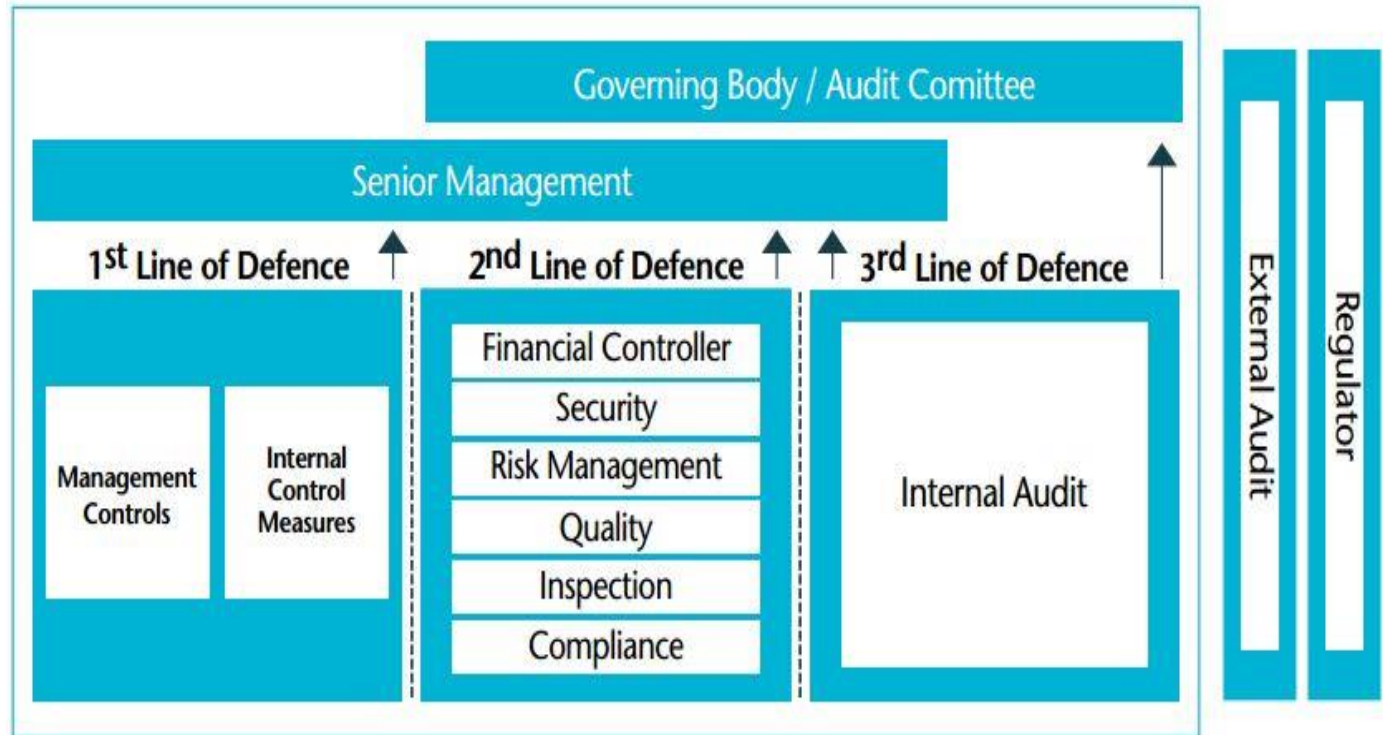
- Extensive consultations with a range of stakeholders including the Council's Corporate Leadership Team and key Heads of Service to ensure views on risks and issues are identified and considered;
- Reference to the Council's risk register;
- Audit work at other SWAP partner sites;
- Prior year audit findings, including External Audit recommendations and peer reviews;
- Council's Business Plan priorities; and
- The 2016/17 Healthy Organisation audit review.

The audit planning then takes 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. This concept is introduced in more detail in the diagram on the following page. Working with 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:

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

Three Lines of Defence Model



Internal audit work supports the delivery of the Council's priorities.

The Internal Audit Plan is flexible to respond to emerging and changing risks during the year

## Supporting the Council's Priorities

The Council's Business Plan 2017 – 2027 includes four priorities for the Council:

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

Our audit work for 2018/19 seeks to support the delivery of these priorities by ensuring an effective control environment and risk management operates. Each audit contained in the Detailed Internal Audit Plan at Appendix 1 is cross referenced to the priority it principally supports.

## Counter Fraud

From April 2017/18 SWAP have taken over responsibility for delivering a counter fraud programme for the Council's which is included in this plan. This is principally a proactive and preventative approach to counter fraud, whilst undertaking any reactive fraud work, e.g. investigations.

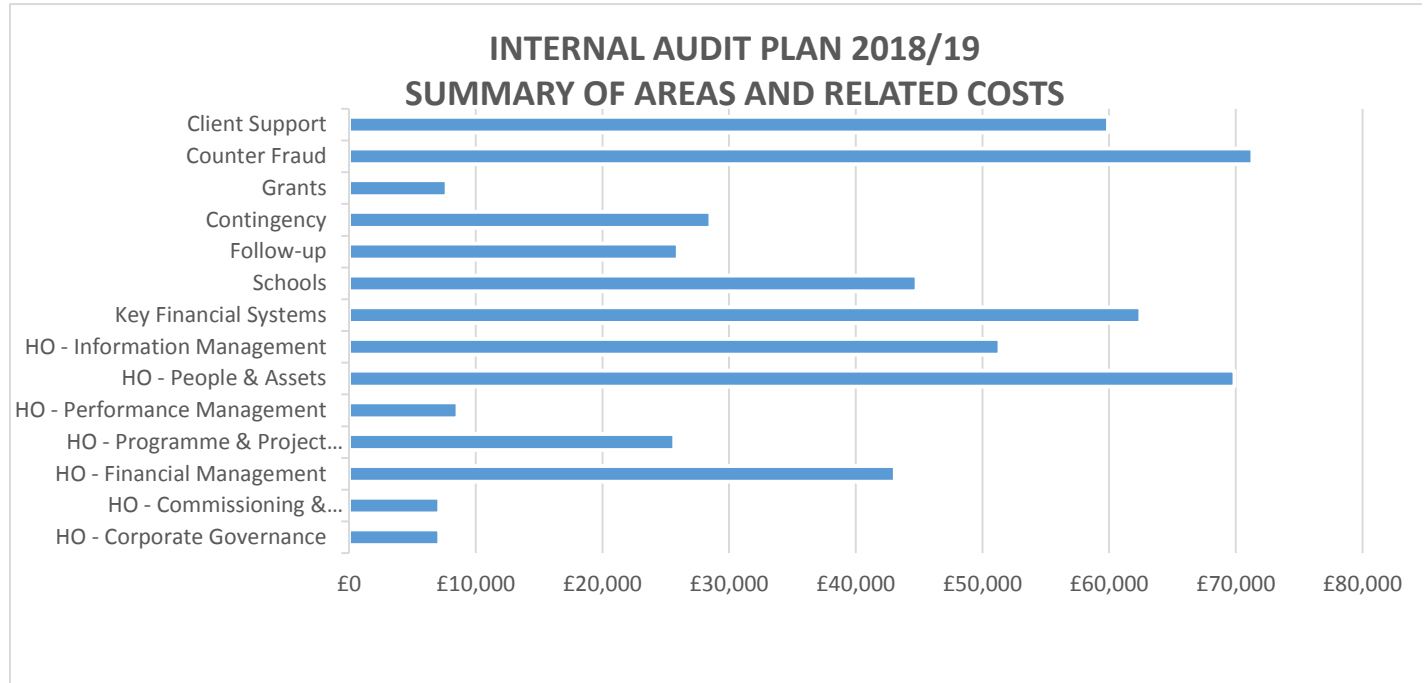
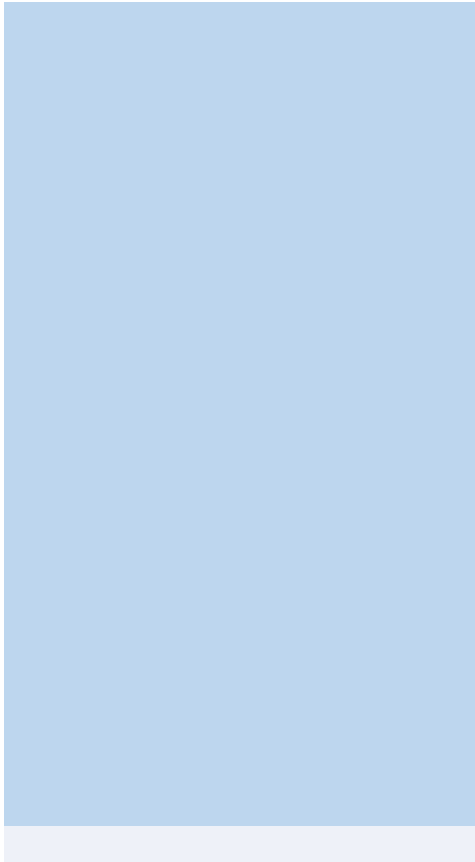
This will continue to be delivered without any additional resource implications for the counter fraud programme, being absorbed into the agreed direct audit days and cost. It will be delivered by the local team together with specialised fraud resources from across SWAP.

The Detailed Counter Fraud Plan 2018/19 for the Council is shown from page 28.

### Summary of Areas and Related Costs

It is recognised that the plan should achieve a balance between clearly setting out the planned work and retaining flexibility to respond to changing risks and priorities throughout the year. The plan therefore contains several themes and detailed work programmes that will be developed when audits commence. Any significant changes to the plan during the year will be agreed with the Statutory Officers, along with CLT and reported to the Audit Committee.

The total cost of Internal Audit for 2018/19 is £513,340, and a summary of the areas included in the Plan and related costs is shown in the following chart:





## Executive Summary

The professional Internal Audit Team that will deliver the Internal Audit Plan at Wiltshire Council comprises experienced, qualified, or developing with significant experience of audit and the Council.

Updates will be provided to Management and on the Audit Committee on resourcing the Plan.



### SWAP Internal Audit Team

<b>Assistant Director:</b> Ian Withers CPFA, CMIIA, QIAL	Ian leads the team and has responsibility for the delivery of the plan. Ian has over 30 years' experience of finance, internal audit and has held senior positions with several large local authorities.
<b>Principal Auditor</b> Paul Crandley	Paul joined the team at Wiltshire in January 2018 and has extensive experience with the SWAP Teams at Somerset County Council and Dorset County Council. With other experience including in programme management.
<b>Senior Auditors:</b> 2 X Vacancies	These two vacancies have recently arisen, and we are in the process of recruiting with suitably experience and skilled auditors.
<b>Senior IT Auditor:</b> Stuart Trubee MAAT	Stuart is a senior auditor and the ICT audit specialist in the team.
<b>Auditors:</b> Andrew Adlam MAAT Pat Jenkins Louise Fearon	Andrew and Pat have extensive local government finance experience with Wiltshire Council. Pat is relatively new to SWAP and currently studying for the CMIIA qualification.  Louise has recently joined the team, a qualified teacher and also has owned/managed small businesses. Louise is studying for the CMIIA qualification.
<b>Counter Fraud Specialist:</b> Nick Hammacott GCFS	Nick is a senior auditor based in Taunton and also a counter fraud specialist for across SWAP partner organisations, recently leading the South West Fraud Partnership.
Other SWAP staff will be used from other partner sites as required to help backfill staff vacancies or where specialist or experienced staff are required for specific audit reviews.	
The staff vacancies are being recruited to and regular updates will be provided to Management and the Audit Committee on resourcing the Audit & Counter Fraud Plan.	

The Assistant Director for SWAP reports audit performance on regular basis to the Audit Committee and the SWAP Management Board.



## SWAP Performance

The actual performance of SWAP is subject to regular monitoring review by both the Audit Committee and the SWAP Management Board. The performance standards are reviewed regularly across SWAP and for 2018/19 these are in the following table and will be reported to meetings of the Audit Committee.

### SWAP Performance Standards 2018/19

Performance Indicators	Performance Target	Expected Performance
Percentage of Internal Audit Plan completed	Audits completed to at least draft report stage.	95%
Timescales (Excluding Schools)	- Draft audit reports issued within 5 working days of completion of fieldwork	95%
	- Draft audit reports issued within 10 working days of completion of fieldwork	100%
	- Final audit reports issued within 10 working days of exit meeting/receipt of management responses	95%
Quality of Audit Work	Feedback from Client Satisfaction Questionnaire within the good to excellent	80%

## Detailed Internal Audit Plan 2018/19

Audit Area	Business Plan Priority	Audit Title	Rationale	Indicative Quarter
<b>Healthy Organisation</b>				
<p><b>Corporate Governance</b></p> <p>The audits surrounding Governance will focus on key areas of the Council's governance arrangements and supporting the delivery of the Business Plan.</p>	An innovative and Effective Council	Risk Management	Risk management is a key part of the Council's governance arrangements and in the achievement of its priorities. It is important that it is enterprise wide and embedded. This audit will review and assess the control and effectiveness of the process for the identification and management of risks including programme management.	2
<p><b>Commissioning &amp; Procurement</b></p> <p>The audits will focus on the overall framework and have a detailed review into a number of major contract areas.</p>	An innovative and effective Council	Waste Management Contract	During 2018/19 this will a move to one integrated contract with a single provider, the value of which will be in excess of £30M per annum.	3
	An innovative and effective Council	Supply Chain Management	Following the financial collapse of a number of key public-sector suppliers the risk to the continued provision of services has been highlighted as a major risk. This audit will review the processes in place to mitigate against supply chain failure including awareness and monitoring of the market the Council is operating in and the high-risk contracts.	1
	An innovative and effective Council	Housing Repairs Contract	Housing Repairs represents a major area of Housing service expenditure, approximately £5.4M per annum (revenue). Changes are likely in 2018/19 to categorisation and priority. This audit will review the effectiveness of management of contractors.	2

An innovative and effective Council	Highways Contract – Use of Subcontractors	An audit of the Highways Contract was carried out in 2017/18 but the scope did not include the use of subcontractors. This has been highlighted as an area of risk and further review by a recent investigation.	1
An innovative and effective Council	Highways Consultancy Contract	The contract has been extended to 2019 for professional services with annual expenditure of between £4M and £5M. This audit will review the effectiveness of contract management arrangements.	3
An innovative and effective Council	Street Lighting Contract	The street lighting contract is provided by a single supplier and a major area of expenditure. This audit will review the effectiveness of contract management arrangements.	4
An innovative and effective Council	Grounds Maintenance Contract	Grounds maintenance is a major area of expenditure and undergoing a number of changes. This audit will review the effectiveness of contract management arrangements.	4
Protecting those who are most vulnerable	Adult Social Care Contracts	Adults Social Care Contracts are being reviewed under the Council's Transformation Programme and a key strand of the Council's savings plans. Therefore, this audit will support this work and review the effectiveness of commissioning, procurement and monitoring of social care contracts.	4

<p><b>Financial Management</b></p> <p>These audits will review the overall effectiveness of financial governance operating.</p>	An innovative and effective Council	Budget Management	Effective budget management is key to effective financial management and financial planning supporting the sustained delivery of services. In addition to ensuring there are effective controls operating for budget management, the audit will also provide assurance to the Audit Committee and DES Management Committee as part of their responsibilities.	2
	An innovative and effective Council	Financial Regulations and Contract Standing Orders	Financial Regulations and Contract Standing Orders are a key part of financial governance and recently been updated. This audit will examine the effectiveness and the level of compliance by officers and Members.	3
	An innovative and effective Council	Pension Fund Transfer	The pension fund investment management will be transferring to the Brunel Investments Partnership during 2018/19. This audit will assess the readiness and management of the transfer for approximately £2billion of assets.	3
	Protecting those who are most vulnerable	Deferred Payments	The Council has a duty to offer deferred payment agreements, so clients are not forced to sell their houses in their lifetime to pay for care. This audit will assess the effectiveness of procedures in place to ensure debts accrued are effectively accounted for.	2
	An innovative and effective Council	Community Infrastructure Levy	A review to ensure that the Community Infrastructure Levy application and bidding process is operating effectively to maximise the Council's ability to secure funding, including assurance that funds received are used appropriately and that there are appropriate linkages with the Capital Programme.	2

	An innovative and effective Council	Apprenticeship Levy	The Apprenticeship Levy, introduced in April 2017, changes the way the government funds apprenticeships in England. Funding to the Council is approximately £900k per annum and it is required to have an effective strategy and actions in place. This audit will seek to provide assurance over the arrangements for calculating and accounting for the Apprenticeship Levy and for ensuring the funds for apprenticeship training are spent in a timely manner and in accordance with the Department for Education's Apprenticeship Funding Policy.	3
	An innovative and effective Council	Traded Services with Schools	The Council is developing a traded services model with schools as an alternative to external commercial options. This includes various functions across Children's Services. This requires an effective business process to ensure the trading relation work. This audit will review the controls operating including to set, collect and manage fees and trading account	2

<p><b>Programme &amp; Project Management</b></p> <p>This audit will review the Council's framework and test the application of those procedures by reviewing how a sample of key projects are being managed; and how the Council is building in benefits realisation into its model.</p>	An innovative and effective Council	Digital Transformation Stream	The Transformation Streams are key in supporting the delivery of the Council's Business Plan priorities. This audit will review the programme management of the Transformation Stream to assess the effectiveness of controls, arrangements and mitigation plans.	3
	An innovative and effective Council	Families and Children (FACT) Transformation Stream	The Transformation Streams are key in supporting the delivery of the Council's Business Plan priorities. This audit will review the programme management of the Transformation Stream to assess the effectiveness of controls, arrangements and mitigation plans.	2
	An innovative and effective Council	Commercialisation Transformation Stream	The Transformation Streams are key in supporting the delivery of the Council's Business Plan priorities. This audit will review the programme management of the Transformation Stream to assess the effectiveness of controls, arrangements and mitigation plans.	3
	An innovative and effective Council	Community Engagement Transformation Stream	The Transformation Streams are key in supporting the delivery of the Council's Business Plan priorities. This audit will review the programme management of the Transformation Stream to assess the effectiveness of controls, arrangements and mitigation plans.	4

<p><b>Performance Management</b></p> <p>The Healthy Organisation framework identified this as an area of strong performance and as such this audit will review the framework only for any changes in risks.</p>	<p>An innovative and effective Council</p>	<p>Performance Management Framework</p>	<p>Following the restructure of the Council and introduction of a new framework, this audit will review the operational effectiveness of the Council's performance management in supporting the achievement of its priorities. This audit will include a review of data quality from a number of key performance indicators to ensure performance reporting is based on accurate information allowed robust accountability and decision making.</p>	<p>2</p>
<p><b>People &amp; Asset Management</b></p> <p>This area was rated as strong at the last Healthy Organisational review. In 2018/19 the audit focus will thus be on areas identified by senior leaders for review and testing.</p>	<p>An innovative and effective Council</p>	<p>Workforce Panning</p>	<p>A new People Strategy was launched in 2017/18 with the aim of being aligned to the Council's Business Plan. This audit will review the implementation of the action plan, supporting the delivery of the Business Plan and transformation. It will also review the effectiveness of the ownership by service managers and the role of HR.</p>	<p>2</p>
	<p>An innovative and effective Council</p>	<p>Premises Health &amp; Safety</p>	<p>Part of the outcome form the Grenfell Inquiry is for Councils to ensure effective compliance with health and safety requirements for its property estate. This audit will assess the adequacy of arrangements in place to ensure building assets are safe and comply with Building / Health and Safety regulations, where inadequate arrangements could result in fires, accidents, illness and possibly death.</p>	<p>3</p>



	An innovative and effective Council	Property Management - Third Party Income	A large number of the Council's buildings are now shared with its partners, principally NHS and Wiltshire Police. This audit will review the system for recharging the use, charging policy, agreements and recovery of costs.	1
	An innovative and effective Council	Disabled Facilities Grants	The Council receives approximately £3M per annum in respect of Disabled Facilities Grants through the Better Care Fund. This audit will examine the financial governance arrangements for this money.	4
	An innovative and effective Council	Homelessness Reduction Act	The Homelessness Reduction Act places a new responsibility on the Council. This audit will review the implementation of actions required to meet the Act and level of compliance.	2
	An innovative and effective Council	Staff Survey Action Plans	Staff surveys are carried out annually by the Council, but management concern has been expressed over the effectiveness of actions arising for improvement. This audit will review the effectiveness of actions taken to ensure the delivery of a well-managed and motivated workforce.	1
	An innovative and effective Council	Employment and Skills (Children's Services)	Employment and Skills moved to Children's & Families Service in 2017/18. The area is discretionary and much of it external grant funded. Management request to know that the area is operating effectively with robust systems and processes.	2

	Protecting those who are most vulnerable	People with Learning Difficulties	Level of People with Learning Difficulties in residential care in Wiltshire is considered to be high in comparison to other local authorities and with it high cost. There is also a low number of lower cost options such as sheltered housing. This audit will review the processes and controls operating for People with Learning Difficulties,	2
	Protecting those who are most vulnerable	Adoption	A regional adoption agency is due to go live in July 2018 and this audit will examine the Council's relationship and expenditure controls.	4
	Protecting those who are most vulnerable	Direct Payments	The requirement for the Council to provide direct payments represents significant level of expenditure (£11m) together with the risk of client fraud and abuse. This audit will review the controls operating and compliance with statutory requirements of the Health & Social Care Act 2002 and to ensure direct payments not misused by service users. The audit will include the use of data analytics where appropriate to identify any themes or recurrent control weakness.	3
	Protecting those who are most vulnerable	Financial Assessments	To review the controls operating over financial assessments and personal budgets for adult social care to ensure effectively supported by evidence of capital and savings to determine level of contributions.	3

	Protecting those who are most vulnerable	Early Years Funding	There is a statutory duty imposed on local authorities by the Childcare Act 2016. The Council has a duty to ensure that public money is properly utilised for the purpose it is given. This audit will review the effectiveness of systems and controls to ensure that funding is claimed accounting the funding terms and conditions.	2
<b>Information Management</b>  This was an area identified in the Healthy Organisation review 2016/17 and other independent external reviews as needing strengthening.	An innovative and effective Council	General Data Protection Regulations (GDPR) Compliance	The GDPR regulations are effective from May 2018 and there is a risk of nonconformance and regulatory sanction including financial penalties. This review will assess the Council's ongoing compliance including follow-up to the 2018/19 audit.	2
	An innovative and effective Council	Data Breaches	Data breaches are a significant risk to the Council and it must manage them effectively including deciding of criticality and reporting to the ICO. This audit will make comparison of processes across SWAP partners.	2
	An innovative and effective Council	Cloud Computing	In common with many organisations, the Council's strategy is to move key applications to being cloud based. Although significant benefits to the Council, it also has additional risks over the security provided by the provider and the effectiveness of controls. This audit will review the effectiveness of these cloud specific related issues and level of governance.	4

An innovative and effective Council	Cyber Security	Cyber security represents a major risk to organisations from unauthorised access to for example networks and data. Recent examples of ransomware have highlighted the very real risk to Council. This audit will review the effectiveness of arrangements and cyber controls operating to secure the Council and ensure operation of its services. In particular is readiness and response plans.	4
An innovative and effective Council	ICT Business Continuity	Effective ICT business continuity planning is critical to the continuation of the Council's operations in the event of a disaster.	4
An innovative and effective Council	Network Management	The security and operation of the Council's IT network is critical to its operation and this audit will review the effectiveness of controls and practices operating including compliance with policies and regulations.	3
An innovative and effective Council	Replacement Customer Services Application	During 2018/19 the Council will be moving to a single digital platform for its customer services application. Several key customer services applications will be moving to this platform.	4
An innovative and effective Council	Liquidlogic Case Management Application	This is a major implementation of a replacement case management application in Children's Services and high risk in terms of effectiveness. This audit will review the effectiveness of the application controls operating to mitigate for example risk of data loss.	2

	An innovative and effective Council	Mobile Computing/Device Management	There has been an increasing use of mobile computing over recent years that brings additional risks over the access and security of data. The scope will focus on the roll out of replacement laptops due for completion in July 2018 and review the effectiveness of controls operating to secure the Council's data.	2
<b>Key Financial Systems</b>				
Page 29	An innovative and effective Council	Accounts Payable	All key financial system are subject to a cyclical audits to review key controls as a minimum and to provide assurance on effectiveness of controls and to help inform the work of the Council's External Auditors.	3
	An innovative and effective Council	Accounts Receivable		3-4
	An innovative and effective Council	Council Tax	New External Auditors have been appointed for the Council from 2018/19 (Deloitte) and we will work with them to develop a working protocol for the audit of key financial systems.	3-4
	An innovative and effective Council	Business Rates		3-4
	An innovative and effective Council	Housing Rents		3
	An innovative and effective Council	Main Accounting	We undertake an assessment of the scope of audit work required based on previous audit coverage and any changes to the control environment.	4
	An innovative and effective Council	Treasury Management		3-4

## Detailed Internal Audit Plan 2018/19

	An innovative and effective Council	HR/Payroll		3-4
	An innovative and effective Council	Pensions		4
	An innovative and effective Council	Housing and Council Tax Benefits		3-4
<b>Schools</b>				
	An innovative and effective Council	Thematic – Health & Safety of School Premises	Schools have responsibility for ensuring effective health and safety of its premises. Concerns have been expressed nationally over the level of compliance and the risks. A sample of schools will be visited to review effectiveness of Common issues and recommendations to be communicated to all schools and the school's forum.	2
	An innovative and effective Council	Thematic - Schools Financial Management	The number of schools getting into budget deficits is increasing, particularly for the first time. This audit will review the financial management of schools including the roles and relationships between School Business Managers, Head Teachers, Governing Body and the Council. It will include the effectiveness of guidance and training on financial management.	2
	An innovative and effective Council	Schools Financial Value Standard	Local Authority Maintained Schools are required to carry out and submit an annual self-assessment against the Schools Financial Value Standard. This audit will review the process and ensure effective in providing assurance over schools financial governance.	1

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## Detailed Internal Audit Plan 2018/19

	An innovative and effective Council	Specific Schools (To be decided quarterly)	Twelve schools to be visited as individual reviews of the effectiveness of the governance and financial management operating for the maintained schools. The reviews will provide assurance to both Governing Bodies and the Council including compliance with the Schools' Financial Value Statement.	1-4
<b>Follow-Up</b>				
	An innovative and effective Council	Land Charges	Internal Audit required to follow-up audits carried out in 2017/18 where "partial" assurance has been given to ensure management actions implemented and improvements made.	4
	An innovative and effective Council	ICT Asset Management		3
	An innovative and effective Council	Accounts Receivable		3
	An innovative and effective Council	Follow-Up Contingency	Contingency for follow-up of finalised audits to ensure agreed actions to audit recommendations made are implemented.  Also includes contingency for those audits still to be completed for 2017/18, where reports give partial assurance.	
<b>Grants</b>				
	Protecting those who are most vulnerable	Growth Hub	BIS requirement under conditions of the grant for audit of claim submitted by appropriately qualified and independent auditor to provide assurance over the statement of grant expenditure and/or grant claim, in all material respects and in accordance with the grant offer and conditions.	4

## Detailed Internal Audit Plan 2018/19

	An innovative and effective Council	Troubled Families	DCLG requirement for audit of claims submitted reviewed a representative sample of families and achievement of outcomes.	4
	Protecting those who are most vulnerable	Local Authority Bus Subsidy	DoT requirement for audit and for the Council's Chief Internal Auditor to sign a declaration on the correct disbursement of the grant.	2
	Protecting those who are most vulnerable	Public Health Grant	To support the S151 Officer's Statement of Assurance to Department of Health over expenditure complying with the conditions.	1
<b>Audit Contingency</b>				
	All	Audit Contingency	A contingency has been included in the Internal Audit Plan 2018/19 for unplanned audits resulting from emerging risks, management concerns including outcomes of the Council's Transformation Streams	1-4
<b>Client Support</b>				
	An innovative and effective Council	Corporate Advice	Providing professional advice as "subject experts" to services on areas such as good governance, internal control, managing risks, financial management, external best practice and use of resources. This will include proactive advice given as part of project and working groups.	1-4
	An innovative and effective Council	Annual Governance Statement	To provide support to the production of the Council's Annual Governance Statement.	4

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	An innovative and effective Council	Audit Committee/Members Liaison	Including the preparation, attendance and follow-up actions for the Audit Committee, attendance at other committees, members liaison, support and training.	1-4
	An innovative and effective Council	External Audit Liaison	Ongoing liaising with External Audit	1-4
	An innovative and effective Council	Planning/Client Liaison	Internal Audit Planning, meetings and liaison with S151 Officer, other statutory officers and key clients.	1-4
	An innovative and effective Council	CLT Attendance	Preparation and attendance at CLT as required.	1-4
	An innovative and effective Council	Follow Up Contingency	Follow-up of finalised audits to ensure agreed actions to audit recommendations made are implemented.	1-4

## Detailed Counter Fraud Plan 2018/19

Title	Rationale	Indicative Quarter
<b>Proactive and Preventative – overall governance arrangements to recognise, deter and prevent:</b>		
Counter Fraud Strategy and Framework	<p>From the latest CIPFA Fraud Tracker report, it is estimated that £325m was detected by local authorities, the largest proportion being in Council Tax and Housing. It is important that that Council has a robust response to the risk of fraud from for example financial and reputational loss. The</p> <p>A review of the Council's Counter Fraud Strategy was carried out in 2017/18 and review will follow-up on the completion and embedding.</p>	2
Fraud Intelligence Hub	<p>In 2016 the CIPFA Counter Fraud Centre, together with BAE developed a Counter Fraud Hub for London using advanced analytical software. This has yielded significant results in the matching of data across London Councils and identifying fraud. They are now looking at expanding outside London and developing pilots. The Council's S151 Officer has already registered interest in the Council being a pilot and for this piece of work and SWAP will take this forward.</p>	1-4

Title	Rationale	Indicative Quarter
<b>Proactive and Preventative – overall governance arrangements to recognise, deter and prevent:</b>		
Data Analytics Exercises	<p>The use of data analytics to examine 100% of data transactions is an effective tool in identifying fraud and error. This work will use IDEA audit data analytical software internally to data match applications, identifying fraud and revenue opportunities.</p> <p>Specific areas will include income, housing tenancies, suppliers and conflicts of interests.</p>	1-4

Organisational Fraud Awareness	Fraud awareness is key across the Council in responding to fraud and corruption and developing a strong anti-fraud culture and deterrent. This will be by seeking to raise awareness of the risk of fraud and corruption amongst officers, residents and Members to maximise protection of the Council's assets and reputation. SWAP will raise awareness through for example use of the Intranet, e-learning, workshops and alerts to in particular to key groups of officers.	1-4
National Fraud Initiative (NFI) Data Matching Exercise	To co-ordinate data collection / submission, and review the outcomes from NFI including alerts and matches to assess potential areas of fraud risk and where appropriate make recommendations to remove weaknesses that could be exploited to commit fraud. To further ensure the Cabinet Office requirements are achieved.	1-4
<b>Internal Audit Reviews - that will include specific fraud tests</b>		
Off Street Parking	An audit was carried out in 2018/19 which raised issues. In late 2017/18 the contract for the collection and deposit of income was awarded to a new contractor. This audit will review the effectiveness of the new arrangements	1
Management of Blue Badges	The fraudulent abuse of blue badges has recently reported as showing a significant increase nationally and local authorities have been urged to review their processes to ensure robust. This audit will review the management of blue badges.	2

## Detailed Internal Audit Plan 2018/19

<b>Reactive:</b>		
Investigations	To undertake ad hoc unplanned investigations as agreed.	1-4

## The Internal Audit Charter

### **Purpose**

The purpose of this Charter is to set out the nature, role, responsibility, status and authority of internal auditing within Wiltshire Council, and to outline the scope of internal audit work.

### **Approval**

This Charter was last approved by the Audit Committee on 26<sup>th</sup> July 2017 and is reviewed each year to confirm it remains accurate and up to date.

### **Provision of Internal Audit Services**

The internal audit service is provided by the South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled company. This charter should be read in conjunction with the Service Agreement, which forms part of the legal agreement between the SWAP partners.

The budget for the provision of the internal audit service is determined by the Council, in conjunction with the Members Meeting. The general financial provisions are laid down in the legal agreement, including the level of financial contribution by the Council, and may only be amended by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment that was carried out when determining the Council's level of contribution to SWAP. This is reviewed each year by the Head of Internal Audit, Chief Financial Officer (as s151 Officer) in consultation with the Chief Executive of SWAP.

### **Role of Internal Audit**

The Accounts and Audit (England) Regulations 2015, state that: *"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the public sector internal auditing standards or guidance."*

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

### **Responsibilities of Management and of Internal Audit**

## **Management**

Management is responsible for determining the scope, except where specified by statute, of internal audit work and for deciding the action to be taken on the outcome of, or findings from, their work. Management is responsible for ensuring SWAP has:

- the support of management and the Council; and
- direct access and freedom to report to senior management, including the Council's Chief Executive and the Audit Committee.

Management is responsible for maintaining internal controls, including proper accounting records and other management information suitable for running the Authority. Management is also responsible for the appropriate and effective management of risk.

## **Internal Audit**

Internal audit is responsible for operating under the policies established by management in line with best practice.

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS); SWAP has been independently assessed and found to be in Conformance with the Standards.

Internal audit is not responsible for any of the activities which it audits. SWAP staff will not assume responsibility for the design, installation, operation or control of any procedures. Members of SWAP who have transferred in to the department from other areas in Wiltshire Council will not be asked to review any aspects of their previous department's work until one year has passed since they left that area.

## **Relationship with the External Auditors/Other Regulatory Bodies**

Internal Audit will co-ordinate its work with others wherever this is beneficial to the organisation.

## **Status of Internal Audit in the Organisation**

The Chief Executive of SWAP is responsible to the SWAP Board of Directors and the Members Meeting. The Chief Executive of SWAP and the Assistant Director also report to the Director of Finance & Procurement (as s151 Officer), and the Council's Audit Committee as set out below.

Appointment or removal of the Chief Executive of SWAP is the sole responsibility of the Members Meeting.

## Scope and authority of Internal Audit work

There are no restrictions placed upon the scope of internal audit's work. SWAP staff engaged on internal audit work are entitled to receive and have access to whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. In this regard, internal audit may have access to any records, personnel or physical property of Wiltshire Council.

Internal audit work will normally include, but is not restricted to:

- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management of risks;
- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assist management and Members to identify risks and controls with regard to the objectives of the Council and its services;
  
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether Wiltshire Council is in compliance;
  
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
  
- appraising the economy, efficiency and effectiveness with which resources are employed;
  
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.
  
- reviewing the operations of the council in support of the Council's anti-fraud and corruption policy.
  
- at the specific request of management, internal audit may provide consultancy services provided:
  - the internal auditor's independence is not compromised
  - the internal audit service has the necessary skills to carry out the assignment, or can obtain such skills without undue cost or delay
  - the scope of the consultancy assignment is clearly defined and management have made proper provision for resources within the annual audit plan
  - management understand that the work being undertaken is not internal audit work.

## **Planning and Reporting**

SWAP will submit to the Audit Committee, for approval, an annual internal audit plan, setting out the recommended scope of their work in the period.

The annual plan will be developed with reference to the risks the organisation will be facing in the forthcoming year, whilst providing a balance of current and on-going risks, reviewed on a cyclical basis. The plan will be reviewed on a quarterly basis to ensure it remains adequately resourced, current and addresses new and emerging risks.

SWAP will carry out the work as agreed, report the outcome and findings, and will make recommendations on the action to be taken as a result to the appropriate manager and Corporate Director. SWAP will report at least four times a year to the Audit Committee. SWAP will also report a summary of their findings, including any persistent and outstanding issues, to the Audit Committee on a regular basis.

Internal audit reports will normally be by means of a brief presentation to the relevant manager accompanied by a detailed report in writing. The detailed report will be copied to the relevant line management, who will already have been made fully aware of the detail and whose co-operation in preparing the summary report will have been sought.

The Chief Executive of SWAP will submit an annual report to the Audit Committee providing an overall opinion of the status of risk and internal control within the council, based on the internal audit work conducted during the previous year.

In addition to the reporting lines outlined above, the Chief Executive of SWAP and the Assistant Director have the unreserved right to report directly to the Leader of the Council, the Chairman of the Audit Committee, the Council's Corporate Directors or the appointed External Auditor.

***February 2018***



## AUDIT COMMITTEE TASK AND FINISH GROUP

### EXAMINING THE CONSTITUTIONAL ROLE OF THE AUDIT COMMITTEE

#### REPORT TO THE AUDIT COMMITTEE 11 APRIL 2018

#### 1. Background

The Task Group was formed because of concerns about the role and effectiveness of the Audit Committee in the council's governance arrangements. Specifically:

- The Constitution did not give separate and distinct roles to the Audit Committee, Financial Planning Task Group, Overview and Scrutiny Management and the Select Committees.
- The Constitution specified various responsibilities of the Audit Committee which, in practice, were not being performed (some having been taken over by the Financial Planning Task Group).
- There was a suggestion that introducing Independent Co-opted members would boost the committee's effectiveness.
- Concerns had been expressed as to the size of the committee.

The aims of the Task Group were identified as:

- a) To ensure that the council's Constitution sets out the role of the Audit Committee vis-a-vis other committees and scrutiny bodies ensuring clarity of their separate and distinct roles in corporate governance.
- b) To review and agree the role of the Audit Committee in light of changing external, and new internal business planning environments to ensure that the Committee contributes efficiently and effectively towards promoting and maintaining sound corporate governance and decision-making within the council.

#### 2. Findings/ Actions

The Task Group's Terms of Reference were agreed by the Audit Committee at its meeting on 14<sup>th</sup> February (Appendix 1).

A considerable amount of desk research was carried out which involved:

- Making a comparison between what a 'model' Audit Committee might look like in terms of functionality (drawn from the publications of a number of professional bodies), what the council's Audit Committee looked like according to the Constitution, and what the Audit Committee looked like in practice (Appendix 2);
- A comparison was made between the Audit Committee of various local authorities and other public bodies and that of Wiltshire Council in terms of size and composition (Appendix 3);
- Preliminary work was carried out to refine the functional references in the Constitution to more practical definitions as to what those references might entail in practical terms.

A Task Group meeting was held on the 28 February (Appendix 4), which identified that: effective communication was required between OS and Audit and that any changes to the constitution would

have knock on effects on OS and subsequently a meeting was arranged between the Chairmen of the committees.

A report was taken to the Constitutional Focus Group on the 6 March, where the idea of updating the relevant sections of the constitution was accepted and it was noted that a final copy of the constitutional changes would be required for the 29 March meeting for them to be agreed before going to the Standards Committee on the 18 April.

A meeting between OS Chair, Audit Chair, representatives of the Audit Task Group, S151 Officer Michael Hudson (Director of Finance and Procurement), Frank Cain (Head of Legal Services), Henry Powell (Senior Scrutiny Officer), took place on the 20 March (Appendix 5) which identified:

- Overlaps in the work being carried out
- Gaps within the audit committee work plan
- Changes to the constitution were agreed between OS and Audit
- An idea on how best to communicate going forward – mutual referral

A meeting with Michael Hudson, to identify gaps within Audit's work plan, would be arranged and reported back to the Audit Committee.

At the Constitutional Focus Group meeting on the 29 March the changes to the Constitution were agreed and attached in Appendix 6.

### **3. Outcomes**

The aims of the Task Group (outlined in section 1 of the report) are making good progress and on track to be achieved:

- a) Changes to the Constitution have been developed jointly between OS and Audit which have provided clarity over their separate and distinct roles;
- b) Changes to the Constitution have been agreed by the Constitutional Focus Group;
- c) The role of the Audit Committee has been reviewed and further actions are being developed to ensure the Committee is fulfilling its role to contribute efficiently and effectively towards promoting and maintaining sound corporate governance and decision-making within the council.

### **4. Next Steps**

The next steps include:

- Changes to the Constitution will be presented to the Standards Committee on the 18 April 2018;
- Following agreement of the changes, they will then be presented at Full Council on 22 May 2018;
- Pending agreement at Full Council, the changes will be implemented;
- The forward work plan will be enhanced to include further actions required

## **5. Recommendations**

1. To note the report and the next steps required;
2. To support the proposed changes to the Constitution agreed by the Constitutional Focus Group for submission to the Standards Committee on 18 April 2018;
3. To agree the communication plan with OS, set out in the constitutional changes in paragraph 6.5 Part 2 Article 6, which recognises and accepts the separate and distinct roles of OS and Audit;
4. That further consideration be given to the inclusion of Independent Co-opted members in 12 months;
5. No further action be taken for the time being on the size of the Audit Committee.

Jessica Croman

04 April 2018

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**Audit Committee**  
**Review of constitutional role of the Committee**  
**TASK and FINISH GROUP**  
**DRAFT Terms of Reference v2.4**

**Preamble**

- There is a need to ensure that the roles of the Audit Committee and other bodies with related remits (such as the Overview and Scrutiny Financial Planning Task Group and the Corporate Assurance Group) are clearly delineated within the Constitution.
- Specifically there is a need to clarify responsibilities regarding risk and performance management, which have not been the subject of regular consideration by the Audit Committee
- Protocol 11 of the Constitution describes the Audit Committee as being an “Interested Committee” with regard to “process and soundness of information” regarding the Medium Term Financial Strategy, Budget Setting, Budget Monitoring. Historically these have not been reflected in the Audit Committee’s work programme.
- Protocol 11 also shows the Audit Committee as being the Lead Body on Partnership Governance. Again, historically the Committee has not addressed this area of work.

**The purpose of the Task and Finish Group**

To ensure that the council's Constitution sets out the role of the Audit Committee vis-a-vis other committees and scrutiny bodies ensuring clarity of their separate and distinct roles in corporate governance.

To review and agree the role of the Audit Committee in light of changing external, and new internal business planning, environments to ensure that the Committee contributes efficiently and effectively towards promoting and maintaining sound corporate governance and decision-making within the council.

**Composition and Process**

**1 Membership**

The Group will be made up of:

- 3 representatives from Audit Committee
- 1 Representative from Cabinet
- 1 Representative from Standards Committee
- 1 Representative from Management Overview & Scrutiny

Note that one individual could act in two of the above representative capacities.

## **2 Process**

At least three meetings will be required as follows:

**Meeting one** To agree what is to be achieved, how it is to be achieved and what data and management information is required. This could include:

- Appraisal of the current provisions of the Council's Constitution with regard to the role and responsibilities of the Audit and other committees.
- Setting out data to be gathered on Audit Committees across local government and other public and quasi-public sector bodies, as well as the private sector. This might include: scope of responsibilities, membership, competence and decision-making frameworks, types of reports, frequency, development programmes, etc.
- Establishing what best practice advice exists, such as NAO, CIFPA, PSAA or FCA, and what new requirements are likely to emerge in the next 12 to 24 months.
- Clarity on statutory and external audit/inspection requirements.
- Drawing up option appraisal criteria having regard to 'healthy organisation' considerations.

**Meeting two** To set out and appraise options against the criteria established at the first meeting and discuss how they would suit the culture and processes at Wiltshire Council.

**Meeting three** – Draw up proposals and recommendations to the Council's Standards Committee via its Sub Group – the Constitutional Focus Group - for consideration for passing to Cabinet and Full Council: To agree presentation of the options and recommendations, as well as diarising next steps and roles in presenting.

### **Outputs**

#### Meeting One

- Agreement of Terms of Reference
- Information requirements
- Options appraisal criteria
- Agree options for further work
- Timetable for delivery

- Briefing paper for Audit Committee

February 14<sup>th</sup> Audit Committee – Seek approval of Terms of Reference and proposals for next steps.

#### Meeting Two

- Consideration of options and actions to develop guidance for drafting paper for meeting three.

#### Meeting Three

- Draft paper / amendments for presenting to the Constitutional Focus Group and hence Cabinet

Additional Audit Committee late March - seek approval of paper to be submitted to Standards Committee on 18<sup>th</sup> April. (This will also allow for IA and EA Plans to be agreed before / just as new financial year starts.)

- Post Audit Committee
  - Report to Standards Committee (18<sup>th</sup> April 2018) and thence Council (22<sup>nd</sup> May 2018)

### **Resources**

The Task and Finish Group will be supported by:

- Directors of Finance, Legal and Corporate Office
- Internal Audit
- Democratic Services

### **Timescales**

- Meeting One – Mid January
- Audit Committee – 14<sup>th</sup> February
- Meeting Two Late February
- Meeting Three – Mid March
- Additional Audit Committee late March / early April
- Constitutional Focus Group to be arranged before 11<sup>th</sup> April in order to get papers to Standards in time for:
- Standards Committee – 18<sup>th</sup> April 2018
- Full Council – 22<sup>nd</sup> May 2018

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<b>Fuctional Area</b>	<b>A Model Audit Committee</b>	<b>WC Audit Committee according to the Constitution</b>	<b>WC Audit Committee in practice</b>
Internal Audit	X	X	X
External Audit	X	X	X
Governance	X	X - Under Regulatory Framework	Annual Governance Statement only
Performance and Risk Management	X	X - Under Regulatory Framework	Risk covered in the Health Organisation report
Control Environment	X		Only Internal Audit reports
Budgeting MTFS		X - Protocol 11 Process and soundness of information	
Financial Management & Reporting	X	X - Ditto	
Regulatory and Compliance	X	X	Only in context of audits
Oversee of Accounting Policies	X		In context of audits
Assurance Frameworks and Assurance Planning	X		Only Healthy Organisation
Value for Money and Best Value	X	X	Only in context of audits
Countering Fraud and Corruption	X	X - Under Regulatory Framework	Only in Internal Audit
Partnership Governance	X	X	

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## Comparison of Audit Committees

Type	Local Authority	Name of Committee	Councillors	Independent/Co-opted	Total Number
<b>Local Authorities - SWAP Partners</b>					
Unitary Councils	Herefordshire	Audit & Governance Committee	7	0	7
	Powys	Audit Committee	14	1 (Deputy Chair)	15
County Councils	Dorset	Audit & Governance Committee	10	0	10
	Somerset	Audit Committee	9	0	9
District Councils	Cheltenham	Audit Committee	7	0	7
	Cotswold	Audit Committee	5	0	5
	Forest of Dean	Audit Committee	7	0	7
	Mendip	Audit Committee	8	0	8
	North Dorset	Accounts & Audit Committee	7	0	7
	Sedgemoor	Audit & Governance Committee	11	0	11
	Taunton Deane	Corporate Governance Committee	14	0	14
	West Dorset	Audit & Governance Committee	11	0	11
	West Oxfordshire	Audit & General Purposes Committee	14	0	17
	West Somerset	Audit Committee	7	0	7
	Weymouth & Portland	Audit Committee	9	0	9

Type	Local Authority	Name of Committee	Councillors	Independent/Co-opted	Total Number
<b>Local Authorities - Non SWAP Partners</b>					
Unitary Councils	Bath & North East Somerset	Corporate Audit Committee	5	1	6
	Bournemouth	Audit & Governance Committee	5	1 (Chair)	7
	Bristol	Audit Committee	7	0	7
	Cornwall	Audit Committee	10	2	12
	North Somerset	Audit Committee	5	2	7
	Poole	Audit Committee	4	0	4
	Portsmouth City	Governance & Audit Committee	6	0	6
	Reading	Audit & Governance Committee	9	0	9
	South Gloucestershire	Corporate Audit Committee	6	1	7
	Swindon	Audit Committee	7	0	7
	West Berkshire	Governance & Ethics Committee	8	2	10
County Councils	Devon	Audit Committee	7	0	7
	Gloucestershire	Audit & Governance Committee	9	0	9
	Hampshire	Audit Committee	11	0	11
	Surrey	Audit & Governance Committee	6	0	6

## **Audit Task Group Meeting 28 Feb 2018**

### **Notes**

Present: Cllrs Britton, Jackson, Hewitt, Wright

Also Present: Ian Gibbons, Robin Townsend, Jessica Croman

#### **1. Apologies**

Cllr Dobson

Cllr Whitehead

Cllr Oatway

Michael Hudson

Ian Withers

#### **2. Functionality Comparison**

The Chairman explained what research had been carried out and referred to the functionality comparison chart.

The following was noted:

- Governance was looked at by the Assurance Group and included in the Annual Governance Statement;
- Risk was covered in the Healthy Organisation report produced by SWAP and the Financial Planning Task Group was currently looking at risk management. It was noted that it was the Audit Committees role to ensure proper and effective risk management strategies in place;
- In their last report SWAP covered performance and risk together.
- The SWAP forward work plan should be examined and ensure that performance and risk audits are carried out and assurance is given making sure the processes are in place and effective;
- Protocol 11 referenced the Audit Committee as having an interest in budgeting although it was not clear what their role was and that the Financial Planning Task Group had plans to look at budgeting;
- The Constitution Focus Group was currently looking at partnership governance and data sharing between partners could be looked into.
- An idea was suggested that OS and Audit communicate on their work plans to identify overlap and other interested areas;

### **3. Co-opted Member**

Having looked at the research and noting the small amount of audit committees having a co-opted member it was decided that there was not a need employ one for Wiltshire Councils audit committee.

### **4. Size of Committee**

The size of the committee was looked at and it was noted that the size of the committee was in-line with other committees and therefore not a concern. It was noted that it was difficult to engage members and getting members on board.

A suggestion was made to look at training options and getting members more involved with audits.

### **5. Conclusion and next steps**

It was clear that there was overlap between work being carried out by Scrutiny and Audit and for that reason the Chairs of the committees should meet to discuss their forward work plans, constitutional wording and plan on the best way to communicate going forward.

To make sure that SWAP cover risk and performance on their internal plan.

Following the meeting between OS and Audit, a report would go to the Constitutional Focus Group outlining the changes required.

## **Audit Task Group – 20 March 2018**

### **Notes**

Present: Cllr Richard Britton, Cllr Stewart Dobson, Cllr Tony Jackson and Cllr Graham Wright

Also Present: Michael Hudson – Director of Finance and Procurement, Frank Cain – Head of Legal Services, Henry Powell – Senior Scrutiny Officer and Stuart Figini – Democratic Services Officer.

#### **1. Apologies**

There were no apologies.

#### **2. Constitution**

The Task Group considered the wording and made suggested amendments to the following sections of the Constitution concerning the roles of the Audit Committee, the Overview and Scrutiny Management Committee and the Financial Task Group:

##### **a. Part 3 – Paragraph 2.8 – Audit Committee**

Suggested amendments:

- i. Reverse the entries for Internal Audit Activity and External Audit Activity.
- ii. First bullet point and second line of Internal Audit Activity - to add the words 'and subsequent changes thereto' after the words 'audit plan ...'.
- iii. First bullet point and second Line of Regulatory Framework - to add the words 'and performance', after the words 'governance, risk ...'.
- iv. Second bullet point and second line of Regulatory Framework – to add the words 'including the arrangements for partnership governance' after the words 'review the supporting evidence ...'.
- v. Second bullet point and first line of Financial Management and Accounts – to add the words 'including the accounting policies' after the words 'statement of accounts ...'.
- vi. Third bullet point and second line of Financial Management and Accounts – to add the words 'including consideration of the external auditor's assessment on Value for Money and appropriate actions flowing from that.'

b. Part 9 – Paragraph 3 – Audit Committee, Overview and Scrutiny Management Committee, Select Committees and the Financial Planning Task Group

Suggested amendments:

- i. Amend the title to read, ‘Audit Committee and Overview and Scrutiny Management Committee’.
- ii. Paragraph 3.1
  - First line – add the letter ‘B’ after Section B of Part 3 ...’.
  - Third line – remove the words, ‘incorporating Scrutiny Select Committees and the Financial Task Group’.
- iii. Paragraph 3.2
  - First and second lines - to remove references to the Scrutiny Select Committee and the Financial Planning Task Group, and for the first two lines to read, ‘The Audit Committee and Overview and Scrutiny Management Committee report...’
  - Third line – to add the words, ‘ the Terms set out in paragraph 3.1 above.’
  - To remove the six bullet points
- iv. Paragraph 3.3
  - To remove the last sentence of the paragraph.

c. Part 2 – Article 6 and Protocol 11

- Amend Article 6 to include particular reference to the Overview and Scrutiny Management Committee considering financial matters, so that it is consistent with the wording of relevant finance responsibilities detailed in Protocol 11.
- Remove the words ‘process and soundness of information’ from column 6 of rows 2, 3 and 4 of Protocol 11, and a reference made at the end of Protocol 11 to Article 6 for further information on processes and the reliability of information.
- Consider improvements to general referral processes between the Overview and Scrutiny Management Committee and the Audit Committee and vice versa.
- Consider the attendance of ex-officio member of the Overview and Scrutiny Management Committee at Audit Committee meetings and vice versa.



**Action:**

- i) That the Director of Finance and Procurement, Head of Legal Services and Senior Scrutiny Officer be authorised to consider Article 6 and Protocol 11 further in light of the comments detailed above at 2 c, and that their comments be circulated to the Task Group members for approval.
- ii) That the Constitution Focus Group be asked to consider the proposed amendments, as detailed above and at Appendices 1 and 2 attached to these notes.

## **Audit Task Group – Current Wording**

Constitution - Part 3 – Section B – Functions of Committees, Cabinet and Council

### 2.8 Audit Committee

#### Composition

The size of the Audit Committee and appointments to it will be determined by Council.

Appointments will be made having regard to rules on political

proportionality.

The Audit Committee will exclude members of the Cabinet. The Leader of the Council or the cabinet member responsible for finance and governance is a non-voting member of the Committee.

Substitute members will be permitted in accordance with Part 4 of this

Constitution.

#### Role and Function

The Audit Committee will be responsible for:

- Internal Audit Activity:
  - To approve the terms of reference and strategy for internal audit, and the annual internal audit plan;
  - To monitor and review the effectiveness of internal audit to ensure compliance with statutory requirements;
  - To consider the Head of Internal Audit's annual report and opinion, and a summary on internal audit activity and the level of assurance it provides on the Council's corporate governance arrangements;
  - To consider specific internal audit reports as requested, and monitor the implementation of agreed management actions.
- External Audit Activity:
  - To receive and comment on the external audit plan;
  - To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance;
  - To comment on the scope and depth of external audit work and to ensure it gives value for money;
  - To monitor the implementation of management actions arising from external audit work.
- Regulatory Framework:
  - To monitor and review the effective development and operation of corporate governance, risk management and internal control, and to receive progress reports as required;
  - To oversee the process for production of the annual governance statement (AGS), to review the supporting evidence, and to approve the draft AGS;

- To monitor the development and implementation of the Council's anti-fraud and corruption policy and strategy.
- Financial Management and Accounts
  - To ensure the Council's arrangements for financial management are adequate and effective, and are regularly reviewed;
  - To review and approve the annual statement of accounts;
  - To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

## **Audit Task Group Proposed Wording**

Constitution - Part 3 – Section B – Functions of Committees, Cabinet and Council

### 2.8 Audit Committee

#### Composition

The size of the Audit Committee and appointments to it will be determined by Council.

Appointments will be made having regard to rules on political

proportionality.

The Audit Committee will exclude members of the Cabinet. The Leader of the Council or the cabinet member responsible for finance and governance is a non-voting member of the Committee.

Substitute members will be permitted in accordance with Part 4 of this

Constitution.

#### Role and Function

The Audit Committee will be responsible for:

- External Audit Activity:
  - To receive and comment on the external audit plan;
  - To consider the external auditor’s annual letter, relevant reports, and the report to those charged with governance;
  - To comment on the scope and depth of external audit work and to ensure it gives value for money;
  - To monitor the implementation of management actions arising from external audit work.
- Internal Audit Activity:
  - To approve the terms of reference and strategy for internal audit, the annual internal audit plan and subsequent changes thereto;
  - To monitor and review the effectiveness of internal audit to ensure compliance with statutory requirements;
  - To consider the Head of Internal Audit’s annual report and opinion, and a summary on internal audit activity and the level of assurance it provides on the Council’s corporate governance arrangements;
  - To consider specific internal audit reports as requested, and monitor the implementation of agreed management actions.
- Regulatory Framework:
  - To monitor and review the effective development and operation of corporate governance, risk and performance management and internal control, and to receive progress reports as required;
  - To oversee the process for production of the annual governance statement (AGS), to review the supporting evidence, including the arrangements for partnership governance, and to approve the draft AGS;
  - To monitor the development and implementation of the Council’s anti-fraud and corruption policy and strategy.

- Financial Management and Accounts
  - To ensure the Council's arrangements for financial management are adequate and effective, and are regularly reviewed;
  - To review and approve the annual statement of accounts, including the accounting policies;
  - To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts, including considering the external auditor's assessment on Value for Money and appropriate actions flowing from that

## **Audit Task Group – Current Wording**

### Constitution – Part 9

#### 3. Audit Committee, Overview and Scrutiny Management Committee, Select Committees and the Financial Planning Task Group

3.1 The financial responsibilities of the Audit Committee are set out at Section B of Part 3 of this constitution. The financial responsibilities of the Overview and Scrutiny Management Committee (incorporating Scrutiny Select Committees and the Financial Planning Task Group) are set out at Article 6 of Part 2 of this constitution. These committees are responsible for influencing and scrutinising Cabinet decisions before and after they have been implemented, and for holding the Cabinet to account.

3.2 The Audit Committee, Overview and Scrutiny Management Committee, Scrutiny Select Committees and the Financial Planning Task Group report to the Cabinet or the Full Council in relation to matters concerning:

- Financial and other internal control systems;
- Financial irregularities and losses;
- Internal and External Audit;
- Performance information, including performance indicators;
- Best Value Reviews of cross cutting services;
- Risk management

3.3 These committees have the right of access to information they consider necessary as set out in Part 5 of the constitution and can consult directly with internal and external auditors. The committees are responsible for reviewing the external auditor's reports and the annual audit letter and internal audit's annual report.

## **Audit Task Group Proposed Wording**

Constitution – Part 9

3. Audit Committee and Overview and Scrutiny Management Committee  
3.1 The financial responsibilities of the Audit Committee are set out at Section B of Part 3B of this constitution. The financial responsibilities of the Overview and Scrutiny Management Committee (are set out at Article 6 of Part 2 of this constitution. These committees are responsible for influencing and scrutinising Cabinet decisions before and after they have been implemented, and for holding the Cabinet to account.

3.2 The Audit Committee and Overview and Scrutiny Management Committee report to the Cabinet or the Full Council in relation to matters concerning the Terms set out in paragraph 3.1 above.

3.3 These committees have the right of access to information they consider necessary as set out in Part 5 of the constitution and can consult directly with internal and external auditors.

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## Proposed changes to the Constitution in order to clarify the separate roles of the Audit Committee and the Overview and Scrutiny Management Committee

1 The role of the Audit Committee is set out in paragraph 2.8 of Part 3 of the Constitution. This paragraph requires some modification in order to make it a definitive statement of Audit's role to include references to activities mentioned elsewhere in the Constitution and to reflect guidance from various professional bodies.

- External Audit is the major statutory provision which is the responsibility of the Audit Committee and the entry "External Audit activity" should precede "Internal Audit Activity" in para 2.8
- In "Internal Audit Activity" second line to read "and the annual internal audit plan and subsequent changes thereto."
- In "Regulatory Framework", 1<sup>st</sup> bullet point second line to read: "of corporate governance, risk and performance management and internal controls and to receive ....."
- In "Regulatory Framework", 2<sup>nd</sup> bullet point, second line "statement (AGS), to review the supporting evidence including the arrangements for governance of partnership working, and to ...."
- In "Financial Management and Accounts" 1<sup>st</sup> bullet point, second line: "..... are adequate and effective, and, together with its accounting policies, are regularly reviewed."

2 In Protocol 11 DELETE the words "process and soundness of information" from column 6 of rows 2, 3 and 4.

3 In order to clarify the separate and distinct role of Overview and Scrutiny the following changes are proposed.

In Part 2 Article 6 Overview and Scrutiny Committees:

- After the 6<sup>th</sup> bullet point "Overview, policy development and scrutiny of policy framework and corporate and organisational matters" Insert new bullet point "Overview and scrutiny engagement on budget setting, budget monitoring and the Medium Term Financial Strategy (MTFS)"
- Insert new paragraph 6.5: "The Management Committee will also work closely with the Audit Committee to refer matters of governance and/or the control environment for further review. Likewise, the Audit Committee can refer matters arising from its remit that have a specific impact or risk to the Council's policy or operation to the Management Committee to consider the need for review"

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- Renumber paras 6.6, 6.6 and 6.7 accordingly.

- Section heading to read “Audit Committee and Overview and Scrutiny management Committee”
- In para 3.1 2<sup>nd</sup> sentence DELETE “(incorporating Scrutiny Select Committees and the Financial Planning Task Group)”
- Para 3.2 to read “The Audit Committee and Overview and Scrutiny Management Committee report to the Cabinet or the Full Council in relation to matters concerning their respective responsibilities as set out in Para 2.8 of Section B of Part 3 and **Part 2 Article 6.2** of the Constitution respectively.”
- In para 3.3 DELETE the second sentence “The committees are responsible for reviewing the external auditor’s reports and the annual audit letter and internal audit’s annual report”

## AUDIT FORWARD PLAN

### PROPOSED WORK PROGRAMME FOR THE AUDIT COMMITTEE - 2018/19

Meeting Date and Time	Name of Report	Report Author	Deadline for KPMG and SWAP	Deadline for submission of internal reports	Legal publication date
Wednesday 11 April 2018 10 am	Q3 IA report	SWAP			
	Audit Task Group	WC			

Tuesday 24 July 2018 2pm	IA annual report 2017/2018	SWAP			
	Q1 IA Report	SWAP			
	Annual Governance Statement	????			
	Report to those charged with Governance (ISA 260) 2017/2018	KPMG			
	Statement of Accounts	Michael Hudson			

**PROPOSED WORK PROGRAMME FOR THE AUDIT COMMITTEE - 2017/18**

Wednesday 14 November 2018 10am	Q2 IA report	SWAP			
	Annual Audit Letter	Deloitte			

Wednesday 6 February 2019 10am	Q3 IA	SWAP			
	Grant Certification Report 2016/17	KPMG ????			

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**Legal:** Ian Gibbons – Associate Director, Legal & Governance

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**PROPOSED WORK PROGRAMME FOR THE AUDIT COMMITTEE - 2017/18**

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