

Wiltshire Council

Report of Internal Audit Activity

Plan Progress 2020/21 – October 2020

Executive Summary

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

As part of our plan progress reports, we will provide an ongoing opinion to support the end of year annual opinion.

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

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Audit Opinion and Summary of Significant Risks

Audit Opinion:

This is our second quarterly update for 2020/21 and is the first update since we substantially re-started audit reviews following the pause in our work due to the COVID-19 pandemic. Reviews completed to date highlight that, in the majority of areas, risks are reasonably well managed with the systems of internal control working effectively.

Significant Risks:

There have been no new significant risks identified during this period.

Update to SWAP Audit Assurance Opinions and Definitions:

There are no industry-standard assurance opinions and definitions. However, in a recent paper, the Chartered Institute of Public Finance and Accountancy (CIPFA) made recommendations to standardise the opinions and the definitions of these. SWAP has chosen to adopt these recommendations and as such our previous Partial opinion has become Limited, and None has become No Assurance. Our Reasonable and Substantial opinions remain unchanged. Limited and No Assurance opinions are being treated as broadly similar opinions to our previous Partial and None opinions. There are new definitions for each of the four opinions and these can be found at the top of page 6 at the start of Appendix A.

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



SWAP Performance

SWAP performance is subject to regular review by both the Directors and Owners meetings. The respective outturn performance results for Wiltshire Council for the 2020/21 year (as at 30 October 2020) are as follows:

Performance Target	Average Performance
<u>Audit Plan – Percentage Progress*</u>	
Completed	41.2%
Work at Report Stage	2.4%
Fieldwork	28.2%
Scoping	7%
Yet to commence	21.2%
<p>* The above percentages are based on the internal audit work plan presented in July and September, covering the first nine months of the financial year and make the assumption that as at 30th June, one quarter of the internal audit resources have been utilised</p>	
<u>Quality of Audit Work</u>	
Overall Client Satisfaction <i>(Did our work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation)</i>	98%

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Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.



Added Value

SWAP strives to add value wherever possible i.e. going beyond the standard expectations and providing something 'more' while adding little or nothing to the cost.

We are introducing and implementing the concept of *'Agile Auditing'*. With increased collaboration and a joint commitment with the service under review, it is possible to complete audits faster and more efficiently. We are extending this initiative, using it wherever possible in our audits this current financial year.

With the help of SWAP's two newly appointed Data Analysts, we are looking to include analysis of data as part of every audit where possible. This allows us not only the opportunity to test whole populations of data, but where this is not possible or appropriate, to be able to use data analytics to target our testing in a more effective way.

As further examples of adding value, we have also participated in benchmarking exercises using the Local Area Chief Auditor's Network (LACAN) which has delivered some useful benchmarking data. Furthermore, we are undertaking a piece of advisory work in liaison with management to produce a revised whistleblowing policy and procedure.

In addition, SWAP is continuing to progress the programme of Continuous Auditing. This is a method whereby audit testing of key controls of an areas or activity, is performed on a more frequent basis. It changes the audit approach from periodic reviews incorporating a small sample of transactions, to ongoing testing of a larger overall sample, with audit results produced shortly after testing. The benefits are a more reactive and timely approach to auditing which gives a continuous assurance on systems and processes throughout the year.

Internal Audit Plan Progress 2020/2021

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



Summary of Recommendations

Outstanding Audit Recommendations by Priority 2017/18, 2018/19, 2019/20 and 2020/21 Non Schools

	< 30 Days	< 60 Days	< 90 Days	< 120 Days	120+ Days	Totals
3	0	1	5	3	50	59
2	0	1	0	0	18	19
1	0	0	0	0	0	0
Totals	0	2	5	3	78	86

Outstanding Audit Recommendations by Priority 2017/18, 2018/19, 2019/20 and 2020/21 Schools

	< 30 Days	< 60 Days	< 90 Days	< 120 Days	120+ Days	Totals
3	0	5	1	1	58	65
2	0	1	0	4	22	27
1	0	0	0	0	0	0
Totals	0	6	1	5	80	92

Appendix C provides a summary of the outstanding Priority 1, 2 and 3 non-schools recommendations.

Internal Audit Plan Progress 2020/2021

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



Changes to the Audit Plan

We will regularly re-visit and adjust our programme of audit work to ensure that it matches the changing risk profile of the organisation's operations, systems, and controls.

As a result of being able to bring new work into the plan part-way through the year, this means there have been fewer changes and amendments to the plan. However, rather than periodically presenting the committee with a static plan and proposed changes, we are looking to provide senior management and members with an improved, real-time solution to view planned audit work; including updates on audits added or removed, together with a risk assessment of the impact of removal on assurance. The solution is currently in production and we hope to bring an update on this to the next meeting of this Committee.

Full details of our current on-going work are detailed in Appendix B on page 8.

The role of SWAP as the internal auditors for Wiltshire Council is to provide independent assurance that the Council’s risk management, governance and internal control processes are operating effectively. In order for senior management and members to be able to appreciate the implications of the assurance provided within an audit report, SWAP provide an assurance opinion. We have four opinion ratings defined as follows:

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

Advisory – As well as our opinion-based work we will provide consultancy services. The advice offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

In addition to the assurance definitions above we have also introduced an ‘assurance dial’ which indicates on a range of high medium or low where within the range of that assurance a particular audit assurance sits.



As can be seen in this example the assurance provided is low limited as the dial is sitting on the lower end of the limited scale. It could equally have been a medium limited assurance where the dial sits midway or high limited when it is sitting at the upper end close to the reasonable assurance.

We provide the Committee with details of the overall assurance opinion for all completed audits and they can be seen in the plan progress table in Appendix B below.

In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. Recommendations are prioritised from 1 to 3 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level. Each recommendation has been given a priority rating at service level with the following definitions:

Categorisation of Recommendations	
Priority 1	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

Definitions of Risk	
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major 2 = Moderate 3 = Minor Recommendation		
						1	2	3
						Outstanding 2019/20 Plan Progress		
Reporting								
Healthy Organisation	Healthy Organisation	Q1-Q2	Discussion					
2020/21 Plan Progress								
Complete								
Follow Up	Direct Payments	Q2	Completed	Follow Up	N/A			
Follow Up	Gross Loans	Q2	Completed	Follow Up	N/A			
Advice	COVID Business Grants Spotlight Process Assurance Review	Q2	Completed	Advice and Guidance	N/A			
Advice	COVID Business Grants Red Team Process Assurance Review	Q2	Completed	Advice and Guidance	N/A			
Operational	Pension Fund Key Control Review	Q2	Completed	Reasonable	5		2	3
Grant Certification	Local Transport Capital Grants	Q2	Completed	Certification	N/A			
Grant Certification	Local Authority Bus Subsidy	Q2	Completed	Certification	N/A			
Grant Certification	COVID-19 Bus Services Support Grant	Q2	Completed	Certification	N/A			
Grant Certification	Public Health Grant	Q2	Completed	Certification	N/A			
Reporting								
ICT	Cyber Security Framework	Q2	Draft					

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major 2 = Moderate 3 = Minor Recommendation		
						1	2	3
						In Progress		
Grant Certification	Troubled Families	Q1-Q4	Ongoing					
Governance, Fraud & Corruption	National Fraud Initiative (NFI)	Q1-Q4	Advice and Guidance					
Grant Certification	Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund	Q2	Fieldwork					
Grant Certification	COVID-19 Bus Services Support Grant (Restart)	Q2	Scoping					
Operational	Brokerage - Adults	Q2	Fieldwork					
Operational	Brokerage - Children's	Q2	Fieldwork					
Key Control	Key Financial Controls - Continuous Assurance and Data Analytics	Q2	Scoping					
Grant Certification	COVID-19 Discretionary Grant	Q2	Fieldwork					
ICT	ICT Governance Review	Q2	Scoping					
Operational	Budget Management	Q2	Fieldwork					
Operational	Deprivation of Liberty Safeguards	Q3	Fieldwork					
Follow Up	Christ the King Catholic School Amesbury	Q3	Fieldwork					
Follow Up	School Theme HR & Payroll - Holt	Q3	Fieldwork					
Follow Up	School Theme HR & Payroll – St Patrick's	Q3	Fieldwork					

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major 2 = Moderate 3 = Minor Recommendation		
						1	2	3
						Follow Up	Adult Services – Court of Protection: Deputyship and Appointeeship for Service Users	Q3
Yet to Commence								
Grant Certification	Infection Control Funding Assurance	Q2						
Advisory	Assurance work over the Authority’s COVID-19 recovery plan; specifically gains made and lessons learnt	Q2						
Grant Certification	Test and Trace Service Support Grant	Q2						
Governance, Fraud & Corruption	Council Oversight of Maintained Schools	Q3						
Operational	Third Party Spend – Purchase to Pay	Q3						
Operational	Medium Term Financial Strategy	Q3						
Grant Certification	Additional Dedicated Home to School and College Grant	Q3						
Operational	Culture and Ethics	Q3						
Follow Up	Contract Management	Q3						