Wiltshire Council

Where everybody matters

Internal Audit

Annual Report
2010/11

June 2011

INTERNAL AUDIT
ANNUAL REPORT 2010/11

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Introduction

1.   Internal Audit provides an independent and objective assurance function to the management of the Council, through the examination and evaluation of the adequacy of internal controls. Each year, Internal Audit is required to provide an opinion on the adequacy of these controls in relation to the Council's overall control environment.

2.   This report details the Internal Audit opinion on the Council's control environment and the outcomes of the internal audits carried out in 2010/11. Levels of assurance are given on all finalised internal audits undertaken, as well as on the operation of the Council's overall control framework. This overall assurance also informs and is a key part of the Annual Governance Statement 2010/11 assessed elsewhere on the Committee's agenda.

Internal Audit Opinion

3.   The CIPFA Code of Practice requires an opinion on the overall adequacy and effectiveness of the Council's control environment. This is based upon the Internal Audit work carried out in the year. The control environment includes governance, risk management and internal control. Audit work has been carried out on each of these during 2010/11.

4.   With the inception of Wiltshire Council in April 2009, Internal Audit has ensured that all its audits undertaken in year are followed up, at an appropriate time, with a review of the level and extent to which management have implemented and achieved the actions proposed in response to the original audit. These follow ups provide additional assurance to the Council that risks identified and reported have been considered and actions put in place to address these risks, by reducing or eliminating the likelihood and impact of these risks.

5.   For 2010/11 Internal Audit have concluded that the level of assurance given from the audits completed during the year lead to an overall audit opinion for the year of **substantial assurance** on the adequacy and effective operation of the Council's overall control environment. **This represents an improvement on the previous year**, when the overall audit opinion was a limited assurance; this followed the major structural reorganisation of moving from five councils into one.

Internal Audit Work

6.   Throughout the year 2010/11, Internal Audit have completed and reported on a total of 44 planned audits. Each report gave an audit opinion on the control environment for the service or area audited, and the opinions were:

- Full Assurance   -   2 audits
- Substantial Assurance -   29 audits
- Limited Assurance   -   13 audits
- No Assurance   -   0 audits

7.   In addition, 30 follow-up reviews were carried out, which have confirmed that, in the overall majority of cases, management have responded properly and promptly to audit reports, and have taken appropriate action to manage the risks identified by the audits.

8.   A summary of all the audits completed during the year, with levels of assurance given and the numbers of medium and high risks reported, is attached as the Appendix A to this report. An explanation of the range of audit opinions and risk ratings is also given in this Appendix.

9.   Also attached at Appendix B is a summary of outcomes of those 2010/11 audits completed and finalised since the end of March 2011 and consequently have not previously been reported to the Audit Committee. This provides the Audit Committee with the final progress report for all planned audits completed in 2010/11.

10.   In addition, at Appendix C, is a summary of the outcomes of follow-ups completed since Internal Audit last reported to the Audit Committee in March 2011.

11.   In all cases action plans have been provided by management to address and manage the risks identified. These plans have been used in the current year, and will be followed up in the 2011/12 audit. This follow up normally occurs within three to six months of the date the final audit report was issued. Follow up work will identify and report on the achievements made by management in addressing the identified risks, and inform on any improvement in the level of assurance from the original audit. The results of follow-up work are reported to the Audit Committee.

12. Where there are risks reported which are above the council's risk appetite (all high and some medium risks), then the relationship between Internal Audit and the risk management process becomes important. As such, all final report executive summaries are provided to departmental risk leads for informing and populating, as appropriate, departmental and corporate risk registers.

13. Whilst Internal Audit has responsibility to report on the results of its assignments and on management's responses to reported risks, ensuring effective implementation of responses to risks is primarily a management function.

14. When draft reports are issued to management, the covering memorandum asks managers to assist Internal Audit through the completion of the risk assessment, proposed management actions, resource implications and target dates within two weeks of receipt of the report. A prompt response will ensure that the final report can be issued thereby ensuring timeliness and relevance. There are concerns that some responses are significantly delayed. The most significant delays arose in respect of the following draft reports:

Audit	Responsible Service Area	Date of Draft Report	Date of Management Response	Time Taken from Draft to Response
Direct Payments & Individual Budgets	Community Services	16.08.10	06.04.11	33 weeks
Risk Management	Resources	26.02.10	04.08.10	22 weeks
Financial Assessments & Benefits Team	Community Services	28.07.10	14.12.10	20 weeks
Vulnerable Adults – IT Controls	Community Services	21.10.10	03.02.11	15 weeks
Purchasing Cards	Resources	10.06.10	02.09.10	12 weeks

15. The causes of these delays have been discussed with the departments; it is hoped these will be avoided by new procedures and guidance being issued at the start of the 2011/12 audit year. Delays in management attending to key risks raised in Internal Audit reports and ensuring the finalisation of the audit process, undermines internal control and continues to expose the council to risk.

Key Risks Arising From Audit Work

16.   A total of 48 high risks were reported in 23 of the 44 final Internal Audit reports issued. Levels of overall assurance for service areas with high risks were:

- Substantial – 12
- Limited – 11

17.   The key risks and issues arising from service areas are set out below and have been reported to this Committee throughout the year. In all cases, action plans have been agreed for implementation with the management responsible; we will follow up actions taken during 2011/12.

Purchasing Cards (1 high risk)

The routine management of the cards was found to be uncontrolled providing an environment in which fraud could occur undetected. A significant number of risks were found; the high level risk identified is associated with the credit and individual transaction limits applied to some cards on issue to officers presenting the potential for the Council to suffer financial loss.

Corporate Asset Management (1 high risk)

Historically there have been a number of different lists, databases and asset registers kept by various teams at different locations. During 2009/10, at the date of the audit, land and property information had been verified but work was required to ensure information quality for other asset classes. Without this assurance, the quality of data used by the corporate finance team to populate the SAP Asset Register, and therefore records underlying the annual accounts, is at risk.

Members' Allowances and Expense Claims (1 high risk)

The scheme comprises a range of fixed rate allowances paid in regular instalments but the major variable element is the Travel and Subsistence Allowance. Payments for travel and subsistence are made only in respect of claim forms submitted by councillors for specific activities and expenditure incurred; there is no requirement for receipts. This risks problems with HMRC regarding the validity of VAT reclaims, may result in receipts of inappropriate dates being submitted, prevents full transparency of, and accountability for, costs incurred and fails to provide for adequate authorisation.

CPU – Procurement Policies, Guidance and Training (1 high risk)

Liaison with staff across Council departments found that staff involved in procuring goods and services had an unacceptable level of mis-understanding of the process, that knowledge of financial thresholds was poor, and that there was inadequate compliance in ordering goods and services via the prescribed routes. The risks of such failures are non-compliance with legislation, inaccurate, incomplete and untimely ordering, the bypassing of systems altogether, potential financial loss, adverse supplier reactions and reputational damage.

Remote Offices – Cash & Bank Accounts (3 high risks)

Gaps and inconsistencies were found in the way petty cash and local bank accounts are monitored and controlled, and potential errors and omissions in the central records were identified. There were no consistent procedural requirements in place, so each office had developed its own processes and the quality of these is dependent on the skills and knowledge of the current staff. The three high risks identified are the inadequate security arrangements at remote sites, which do not afford sufficient protection for cash and other valuable items; the absence of regular reconciliations which may allow frauds and error to remain undetected and the pre-signing of cheques that was found at one site.

Land Charges (4 high risks)

The service operates four disparate land charges systems; one at each hub. Bids from suppliers to standardise the system across the county have been received, however, unless full data capture of all paper records is undertaken implementation of the new system will need to be delayed, and the invest to save potential will not be realised. The searches system in the south hub is more complex than the others, and with duplication in the update of manual and computer records plus ongoing unreliability of IT functionality, these have materially affected productivity. This risks legal and reputational damage if searches are not completed within legislative targets. A lean review of the service identified the need to flatten the structure and achieve cost savings. However, this has not yet occurred and the savings are delayed. The coalition government have implemented changes which have directly affected authorities' ability to generate land charges revenue, such as the abolition of personal search fees. Other providers have since reduced their chargeable fees to remain competitive; the council has needed to follow suit. This has resulted in the underachievement of income forecasts

Pewsey Sports Centre (1 high risk)

Consumer Records Bureau (CRB) legislation states that people working in direct contact with children or vulnerable adults should hold enhanced CRB clearance. As the ex-District Council policy was to have only the standard level CRB check staff may be working with only this standard level of CRB check. This not only potentially places users of the Centre at risk, but will result in Wiltshire Council not complying with legislation. Although this audit was specific to Pewsey Sports Centre, management agreed to confirm the status of CRB checks across all leisure services.

CRB Records for Schools and Childrens' Centres (7 high risks)

Although this audit was initially agreed to assess the position in Schools, there are similar arrangements around CRB and safeguarding procedures required in Early Years settings. An audit of Sure Start Children's Centres (2009/10) identified issues around existing CRB processes. It was then agreed to extend the audit to cover Children's Centres. During the audit, differing information was issued by the CRB, the Independent Safeguarding Authority (ISA) and Ofsted; the position and action needed relating to CRB and ISA was constantly changing. Faced with this environment of change and instability, it is difficult for HR to know and implement the latest requirements which is a risk to the authority. Issues were found around evidence that staff, volunteers, parent helpers, visitors and visiting staff are CRB cleared, carrying a risk to the children and a reputational risk to the Council that due diligence has not been applied. The audit also identified a lack of control over access to personnel records and the retention of CRB certificates or copy certificates which is in contravention to the Data Protection Act. Although many principles apply to Schools and Children's Centres alike, communication is not consistent. Children's Centres are often overlooked, for example updates regarding policies and procedures. With no control over the information available to Schools and Children's Centres, there is a risk that important information or requirements may be overlooked.

Financial Assessments & Benefits Team (FAB) (5 high risks)

The FAB Team are a joint partnership between Wiltshire Council and the Government Department for Work and Pensions (DWP). A review of the entire process from referral, through to CareFirst and SAP was undertaken for a number of financial assessments. Financial assessments are only available in hard copy and are not uploaded onto CareFirst. This means that if a financial assessment form is lost or misplaced and information challenged, there would be no written evidence and the assessment may have to be re-done; this impacts on the quality of service. In instances where FAB assessors are diverted from mainstream work to carry out annual re-assessments, there is a risk that financial assessments are delayed and targets may not be met.

Provision of Care Homes & Placements (5 high risks)

Wiltshire Council has a framework agreement with the Orders of St John Trust (OSJ) which covers a 25 year period for the lease of 19 Wiltshire Council care homes and the provision of care services for 20 years. A review of contracts, agreements, variations and letters showed that Council contracting procedures have not always been followed, especially the need to liaise with Legal Services for major contracts. The absence of legal involvement could place the Council in a weak position if challenged. The varying approaches found to contracting with OSJ made it difficult to understand what agreements were in place and exactly what was being purchased. The method used to account for beds and occupancy levels is confusing and not transparent. Evidence suggests the number of beds purchased under the agreement was optimistic; the Department should be reducing the amount of beds purchased to a level which reflects current usage. Visits to 4 care homes identified weaknesses in the administration and control of resident's cash and care records.

Adult Placements – IT Controls (1 high risk)

Confidential client data is held in files and folders to which only the Adult Care Placements team should have access. We identified incorrect and excessive file permissions in this area which could allow unauthorised access to this confidential data.

Other Audit Work 2010-11

18.   Internal Audit has undertaken a variety of other work in addition to planned audit assignments. Much of this work has been in response to specific requests from clients to provide advice and assistance in relation to a control, process or system query. Other work has been in relation to suspected frauds reported to the section, as well as in support of the National Fraud Initiative.

Counter Fraud Work

19.   Certain audits, such as Officer's Expense Claims, Remote Offices – Cash & Bank Accounts, and Purchasing Cards, were included in the audit programme due to prior findings of fraud risk. Our audits in these areas have resulted in a number of control improvements to reduce the risk of fraud.

20.   Notifications received by Internal Audit from the National Anti Fraud Network and other authorities of nationally reported frauds have been disseminated to relevant teams within the Council to ensure appropriate actions can be planned and implemented.

National Fraud Initiative

21.   The Audit Commission runs the National Fraud Initiative (NFI) every two years using data from public bodies to identify anomalous matches indicating the possibility of error or fraud. Wiltshire Council undertook its first NFI exercise in 2010. Internal Audit administered the extraction and secure upload of all data as prescribed by the Audit Commission.

22.   Teams across the Council received reports during quarter 4 of over 20,000 matches for investigation. To date, only 15% of matches have had investigations completed; four teams have yet to complete any investigations.. Teams should investigate matches, particularly those of high priority, on a timely basis.

23.   During 2011/12, Internal Audit will monitor the results of investigations and report any frauds and errors found to the Audit Commission and external audit.

24.   A summary of progress to date is as follows:

Report type	No of reports	Total number of matches	Priority matches	Investigations Completed
Creditors	10	12,054	-	690
Housing Benefits	21	4,137	535	37
Transport Passes	2	1,503	1,503	1,503
Blue Badges	3	1.068	871	365
Payroll	9	744	182	-
Pensions	6	601	218	445
Licences	16	280	73	3
Care Homes	2	207	109	-
Housing	4	12	8	-
Parking Permits	2	3	2	-
Totals	**75**	**20,609**	**3,501**	**3,043**

Investigations

25.   We have investigated twelve referrals of suspected fraud or irregularity. Many investigations have resulted in management implementing improvements to controls. One investigation, concerning income theft and false accounting, resulted in the dismissal of an officer and the case being passed to the police.

Financial Management Standard in Schools (FMSiS)

26.   Internal Audit completed its assessment of all primary and secondary schools in Wiltshire against the Financial Management Standard in Schools during 2010/11. Only two schools failed to meet the requirements of the standard.

27.   In December 2010, the Government announced the immediate cessation of the FMSiS and the planned introduction of a Schools Financial Value Standard (SFVS) in September 2011. The SFVS will be a simpler assessment focussing on effective financial management and achieving value for money.

28.   Internal Audit provided a training pack to school administrative officers, containing guidance on audit and financial control, and issued our annual Internal Audit Schools Bulletin to all schools. The Bulletin included information on common issues arising from our FMSiS work, and best practice advice on governance arrangements, financial planning, financial processes and budgetary control.

Internal Audit Performance 2010/11

29.   Internal Audit monitors its performance using a number of indicators. These are shown below with comparisons to the previous year. In order to present an overview of Internal Audit's performance for the year, the following tables summarise certain key targets against which we have measured our achievements for 2010-11.

Indicator	Budgeted Days	Actual Days	% Achieved
Audit Time against Audit Plan	2,693	2,595	96%
Planned Audits Completed	2,087	1,898	91%
Planned Schools Audits Completed	229	195	85%

30.   Audit resources during the year were reduced from a planned 16.36 FTE to an actual 15.85 FTE. This was due to the secondment of one Principal Auditor during the first quarter of the financial year, coupled with the reduction of two Principal Auditors in the last quarter of the financial year following the management restructuring.

31.   Actual audit time was also reduced by the need for staff to attend restructuring meetings and to prepare for their new responsibilities. In addition, the proposal to implement a new strategy for the delivery of internal audit services within the council has required significant input from team members. Finally, 15 of the 17 staff within the team moved offices during the year and again productivity was reduced at this time.

32.   The amount of audit time against the plan however remained high as actual time spent on some audits in year exceeded the budgeted time allocated. Although management of time to budget is a key aim, in some cases, it is important that additional time is allocated beyond that originally set. For example, where the service area under review is a fundamental or core service or system, where there have been significant changes in staffing, systems used or procedures undertaken, where legislative changes or other external influences have impacted on the service, or where the service manager has identified and reported the service as being at high risk of failure in some capacity.

33.   Examples of audits which were undertaken in year where decisions were made to extend the originally budgeted time include DCS FAB Team and DNP Land Charges.

Appendix A

Explanation of Audit Opinions and Risk Ratings

<u>**Audit Opinion**</u>

Full Assurance – There is a sound system of control designed to achieve the service objectives, with key controls being consistently applied.

Substantial Assurance – Whilst there is a basically sound system of control, there are weaknesses which may put some of the service objectives at risk.

Limited Assurance – Weaknesses in the system of control are such as to put service objectives at risk.

No Assurance – Control is generally weak leaving the system open to significant error or abuse.
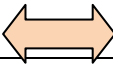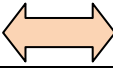

<u>**Risk Rating**</u>

High Risks – These are significant risks to the effective delivery of the service. Risk management strategies should be put in place to appropriately manage the identified risks within a short timescale. Frequent monitoring of the management of identified risks is essential.

Medium Risks – These are risks which must be managed to ensure the effective delivery of the service. Monitoring of the risk should be regularly undertaken.

Low Risks – These are risks which are not considered significant to the effective delivery of the service, but which should nevertheless be managed and monitored using existing management processes.

Outcomes of Completed Audits 2010/11

Audited Activity	Audit Opinion 2010/11	Audit Opinion 2009/10 (where applicable)	Change in assurance 2009/10 to 2010/11	Risks Identified
RESOURCES				
Cash, Investments and Borrowing	Full Assurance	Substantial Assurance	↑	No High or medium Risks
Financial Reporting	Substantial Assurance	Limited Assurance	↑	2 Medium Risks
Council Tax	Substantial Assurance	Limited Assurance	↑	3 Medium Risks
National Non Domestic Rates	Substantial Assurance	Limited Assurance	↑	5 Medium Risks
Housing and Council Tax Benefits	Substantial Assurance	Limited Assurance	↑	3 Medium Risks
Risk Management	Substantial Assurance	N/A	-	3 Medium Risks
Accounts Payable	Substantial Assurance	Limited Assurance	↑	5 Medium Risks
Officers' Expense Claims	Substantial Assurance	N/A	-	6 Medium Risks
Payroll	Substantial Assurance	Substantial Assurance	↔	1 Medium Risk
Core IT Control Environment	Substantial Assurance	N/A	-	6 Medium Risks
SAP IT Controls (Financial Systems)	Substantial Assurance	N/A	-	2 Medium Risks
Purchasing Cards	Limited Assurance	N/A	-	1 High Risk 11 Medium Risks
Corporate Assets Management	Limited Assurance	N/A	-	1 High Risk 3 Medium Risks
Accounts Receivable	Limited Assurance	Limited Assurance	↔	4 Medium Risks
Members' Allowances and Expense Claims	Limited Assurance	N/A	-	1 High Risk 2 Medium Risks
CPU – Procurement Policies, Guidance & Training	Limited Assurance	N/A	-	1 High Risk 5 Medium Risks
Remote Offices – Cash & Bank Accounts	Limited Assurance	N/A	-	3 High Risks 3 Medium Risks

Audited Activity	Audit Opinion	Audit Opinion 2009/10 (where applicable)	Change in assurance 2009/10 to 2010/11	Risks Identified
NEIGHBOURHOOD AND PLANNING				
Footways and Pavements	Full Assurance	N/A	-	No High or medium Risks
DNP – Internal Governance	Substantial Assurance	N/A	-	2 Medium Risks
Service Charges on Council Properties	Substantial Assurance	N/A	-	4 Medium Risks
Gas Servicing	Substantial Assurance	N/A	-	3 Medium Risks
Waiting List Management	Substantial Assurance	N/A	-	3 Medium Risks
Housing Rents	Substantial Assurance	Limited Assurance	⬆	1 High Risk 1 Medium Risk
Bridge Management	Substantial Assurance	N/A	-	1 High Risk 3 Medium Risks
Provision of Highway Services	Substantial Assurance	N/A	-	1High Risks 5 Medium Risks
Passenger Transport Procurement	Substantial Assurance	N/A	-	1 High Risk 3 Medium Risks
Five Rivers Leisure Centre	Substantial Assurance	N/A	-	1 High Risk 4 Medium Risks
Housing Rents IT Controls	Substantial Assurance	N/A	-	6 Medium Risks
Land Charges	Limited Assurance	N/A	-	4 High Risks 7 Medium Risks
Pewsey Sports Centre	Limited Assurance	N/A	-	1 High Risk 4 Medium Risks
Depots, Stores and Workshops	Limited Assurance	N/A	-	2 Medium Risks

Audited Activity	Audit Opinion	Audit Opinion 2009/10 (where applicable)	Change in assurance 2009/10 to 2010/11	Risks Identified
CHILDREN AND EDUCATION				
DCE Procurement	Substantial Assurance	N/A	-	5 Medium Risks
DCE Capital Projects	Substantial Assurance	N/A	-	3 High Risks 2 Medium Risks
Youth Development – IT Controls	Substantial Assurance	N/A	-	1 High Risk 4 Medium Risks
CRB Records for Schools and Childrens' Centres	Limited Assurance	N/A	-	7 High Risks 3 Medium Risks
COMMUNITY SERVICES				
Direct Payments & Individual Budgets	Substantial Assurance	N/A	-	2 High Risks 6 Medium Risks
Direct Payments – IT Controls	Substantial Assurance	N/A	-	3 Medium Risks
Vulnerable Adults – IT Controls	Substantial Assurance	N/A	-	2 High Risks 3 Medium Risks
Community Equipment	Substantial Assurance	N/A	-	1 High Risk 4 Medium Risks
DCS Internal Governance	Substantial Assurance	N/A	-	3 Medium Risks
DCS Procurement	Substantial Assurance	N/A	-	2 Medium Risks
Financial Assessments & Benefits Team (FAB)	Limited Assurance	N/A	-	5 High Risks 9 Medium Risks
Provision of Care Homes & Placements	Limited Assurance	N/A	-	5 High Risks 7 Medium Risks
Adult Placements – IT Controls	Limited Assurance	N/A	-	1 High Risk 3 Medium Risks

Appendix B

Key Risks arising from Audits Completed since March 2011

Audited Activity	Audit Objectives	Audit Opinion	<u>Medium</u> Risks and Main Issues	Management Actions Proposed
Housing and Council Tax Benefits	• The operational and performance management of the Housing and Council Tax Benefits function is adequate and effective. • All applications are promptly and properly processed. • Adequate verification of information ensures that all benefits are correctly calculated and properly due. • Payments reconcile between Application systems, Civica and SAP. • Controls exist to administer, monitor and recover overpayments promptly. • Adequate arrangements exist to detect frauds and other irregularities. • The project to procure, install, test and operate a single application system across the county is underway and on target for completion according to plan by October 2011, and project risks are being adequately identified and managed.	Substantial **3 Medium Risks**	• Failure to undertake a prompt and effective end to end application, SAP and bank reconciliation of all benefit payments risks undetected overpayment error bringing into question the integrity of information held on the ledger and its feeder systems. • Inconsistency in the application of overpayment recovery procedures risks inefficient and ineffective recovery resulting in unrecovered debts. • Failure to update the project risk register by nominating action owners, identifying contingency plans and reporting them to the Project Board, risks having inadequate plans in place to deal with significant risks to project success.	Since the audit some progress has been made on this. The Head of Revenues and Benefits will continue to work with the Chief Accountant to develop a prompt and effective process for end to end reconciliation. Since the audit an operational manager has been given specific responsibility for overseeing, monitoring and managing the application of overpayments and their recovery across all service hubs. Also see audit commission recommendations action plan **R4.** The Head of Revenues and Benefits will work with the project manager to update risk register to include: • risk owners • contingency plans And reporting above back to project board.

Audited Activity	Audit Objectives	Audit Opinion	High and Medium Risks and Main Issues	Management Actions Proposed
Housing Rents	• All properties are identified and accurately recorded in the rent accounting system. • The gross rent and other charges have been correctly calculated in respect of each dwelling and correctly recorded in the tenants rent accounts. • All rent collections are correctly and promptly credited to the tenants' rent accounts. • All tenancy changes are correctly approved and recorded. • Rent and service charges are correctly identified with the HRA and general fund and are subject to reconciliation between Simdell and SAP. • Effective procedures are in place to pursue and recover current and former tenant arrears including arrangements with legal services.	Substantial **1 High Risk** **1 Medium Risk**	<u>High</u> • Failure to conduct effective verification checks on standing data changes to rent liabilities prior to actual adjustment and implementation risks: 1. Errors not being detected; 2. Financial loss; and 3. Reputational damage. <u>Medium</u> • Failure to pursue current tenant arrears in line with council policy, and on a timely basis, risks tenants' inability to repay debts, unrecoverable arrears and financial loss to the council.	The Head of Housing Management will liaise with the Chief Accountant to ensure that a verification of any rent or service charge is undertaken. A review of resources and training available to housing officers will be undertaken to ensure that rent arrears are dealt with promptly and in line with policy.

Audited Activity	Audit Objectives	Audit Opinion	<u>High</u> Risk and Main Issues	Management Actions Proposed
Community Equipment	• The contract in place with Medequip is effectively managed and providing value for money. • There is a review process in place to ensure that payments to the contractor are correct. • Equipment is awarded only after the criteria for eligibility is met. • The process of procuring equipment via the Medequip computer system contains sufficient controls to stop goods being ordered inappropriately or by unauthorised people.	Substantial Assurance 1 High Risk 4 Medium Risks	• Each user is required to have a password to use the Medequip online system although the system does not require passwords to be changed once they have been set up. There is a risk that PINS and passwords could become known to other individuals and used to procure or authorise inappropriate purchases. Without proper password controls, the security of the system is compromised.	• Action to be taken to instruct all prescribers to change their password every 28 days in line with Wiltshire's ICT Information Guide – Information Security • A permanent note to be added to monitoring minutes to remind staff that on no account should they share their PIN details with another prescriber.

Audited Activity	Audit Objectives	Audit Opinion	<u>Medium</u> Risks and Main Issues	Management Actions Proposed
DCS Departmental Governance	- The arrangements for ensuring that departmental objectives are aligned to corporate goals and priorities. - The linking of the departmental risk register to the department's objectives, and the arrangements for monitoring and updating the register, also covering the strategic planning risk assessment process. - The management information systems and performance indicators used, and how are these linked to objectives and are being monitored. - The arrangements for ensuring that corporate policies and procedures are clearly communicated and embedded throughout the department, and are then complied with in practice. - The significant partnerships which the department has in place, and the governance arrangements used to monitor and confirm achievement of objectives.	Substantial Assurance 3 Medium Risks	- Service priorities and targets do not fit available resources or align with departmental and corporate priorities. - The Department cannot always illustrate that it is doing the right things well. - Partners' risk protocols are not in line with the Council's.	- The 11/12 department plans are driven from the Councils Business and Finance plans. The departmental plan is monitored for progress against key milestones at the Departmental Leadership Team (DLT) Meeting, held usually twice a month. The financial plan is also monitored by DLT against proposed procurement, review and efficiency savings to ensure benefits are realised. - The monitoring of the departmental plans, finance and performance position by DLT on a regular basis allows the senior management team to see how the department is making progress against key objectives and financial benefits identified in the departmental, Council business and financial plans. - All branches of the department are actively managing their risks. This means that they will have identified and considered risks that could impact from our partner organisations. We cannot control how our partners manage their risks but by identifying how their management and actions on risk may impact on us, we have significant governance in place.

Audited Activity	Audit Objectives	Audit Opinion	<u>Medium</u> Risks and Main Issues	Management Actions Proposed
DCS Procurement	• Review the policy and strategy for procurement in DCS. • Assess the effectiveness of contract management and performance measurement. • Assess the effectiveness of partnership & collaboration. • Review supplier and contract monitoring processes.	Substantial Assurance 2 Medium Risks	• There is a risk that for contracts which are not identified as high value, supplier performance may not be adequately monitored, managed and service standards maintained whilst savings are being implemented. • Risk Registers may need to be further developed for the DCS contracts which are not included with those being targeted for regular review.	• To establish a risk-based approach to medium/ low value contracts to identify any specific performance issues and cost opportunities • The DCS Procurement Plan will be amended to reflect risk consideration at a strategic level to determine where the corporate risk policy is applied. Discussion will be pursued with the Corporate Procurement Unit to explore the potential of amending the Contracts Register to include/ reflect 'risk'.

Audited Activity	Audit Objectives	Audit Opinion	<u>High</u> Risk and Main Issues	Management Actions Proposed
Bridge Management	• An ongoing programme of inspection and maintenance is in place. • The Council's contractor Mouchel is effectively managed by the Bridge Management Team. • Ancient and listed bridges are repaired in accordance with the appropriate legislation and with the relevant consent obtained. • Payments to contractor are reviewed and monitored.	Substantial Assurance 1 High Risk 3 Medium Risks	• There are approximately 112 bridges that used to be inspected by the District Councils including 12 bridges on the Chippenham to Calne cycleway. Responsibility for the maintenance and related paperwork of these bridges has not been formally taken on by the Bridge Team and inspections have not yet been fully incorporated into the inspection regime. If an incident were to occur then the Council could be accused of failing to provide an effective inspection regime, resulting in a claim being made and damage to the Council's reputation.	• Include assessments of ex-District Council bridges in highways bridge assessment programme.
Provision of Highway Services	• The Contractor (Ringway Infrastructure Services Ltd) is complying with the contractual particulars and is operating in line with Wiltshire Council procedures • Works are undertaken according to the schedule of repairs • A system of checking and review is in place and evidenced • Spending is made according to the principles of best value and is reported in line with timescales set out in the Contract	Substantial Assurance 1 High Risk 5 Medium Risks	• The contractor does not provide reports on efficiency savings. As the savings are not reported, the Council has no assurance that it has received the full benefit of any efficiencies, this is a direct contradiction to the quality of performance clause of the contract.	• Current renegotiation of contract rates and efficiencies identified through the Innovation Forum as part of the Council's 12% cost savings for 2011/12 will put the identification of efficiency savings on a more formal arrangement.

Audited Activity	Audit Objectives	Audit Opinion	High Risk and Main Issues	Management Actions Proposed
Passenger Transport Procurement	• Review the policy and strategy for procurement in DNP Passenger Transport. • Assess the effectiveness of contract management and performance measurement. • Review supplier and contract monitoring processes.	Substantial Assurance 1 High Risk 3 Medium Risks	• There is a risk that the scope for further passenger transport procurement savings may be limited by cost pressures being experienced by suppliers. Fuel price rises are impacting on all suppliers, as well as the change in the formula used by government to reimburse suppliers for Bus Subsidy Operators Grant (BSOG).	• The PTU will be monitoring the situation with regard to the price of fuel and take the necessary action. Through supplier dialogue the PTU can gauge the sense of feeling on this issue and the tipping point is usually when suppliers terminate contracts due to them not being financially viable. The Council currently pays an annual inflation increase on some of its contracts, which as part of the calculation considers the price of fuel over the previous year. This year there will need to be careful consideration when setting the budget for 2012/13, as the inflation figure will be high.

Audited Activity	Audit Objectives	Audit Opinion	<u>High</u> Risk and Main Issues	Management Actions Proposed
Five Rivers Leisure Centre	• Effective management arrangements are in place and service costs, including budgeting and budgetary control are monitored. • Financial controls and processes, such as those for income and expenditure are operating effectively. • Systems and procedures are in place for non-financial risk areas such as health and safety and leisure centre checks. • Management actions proposed in the previous audit have been implemented where applicable.	Substantial Assurance 1 High Risk 4 Medium Risks	• There is currently no evidence, held on site or within Human Resources to confirm whether any of the staff at Five Rivers Leisure Centre have been CRB checked. This is in breach of the CRB legislation and could put the public using the centre at risk.	• Risk Assessments for each job role in Leisure Centres were completed November 2010 and passed to HR for direction regarding who should and who should have a CRB. Once confirmation is established the Centres will initiate a process of getting the required staff CRB cleared. All staff involved in Ofsted registered activities should have disclosure numbers and dates available on site.

Audited Activity	Audit Objectives	Audit Opinion	<u>High</u> Risk and Main Issues	Management Actions Proposed
Core IT Control Environment	• To ensure the integrity of applications and data, by restricting physical and logical access to systems • To ensure the availability of systems and data, by operating sound 'housekeeping' infrastructure operations.	Substantial Assurance 6 Medium Risks	• High levels of administrator-equivalent accounts increase the risk of significant unauthorised and damaging changes being made. Lack of clarity and control over the privileged groups and their members seriously hampers the sound management of the network • Users with the setting of no password set or NULL passwords could logon without a password. If no password is set, unauthorised users (attackers) could use these accounts without having to obtain a corresponding password.	• We are writing an Elevated Rights Policy, which will outline in detail the specific responsibilities of all users who have higher-level permissions to systems (for example, administrator accounts), and will cover the procedure that must be followed to enable such accounts to be created. • As part of the Assurance Check noted above, we will review all accounts with no or a NULL password.

Audited Activity	Audit Objectives	Audit Opinion	<u>Medium</u> Risks and Main Issues	Management Actions Proposed
Core IT Control Environment **(cont)**			• Since the purpose of most of the Active Directory groups is not clear, it is also not clear what permissions and access levels have been granted to the members of these groups. This gives rise to the risk that significant numbers of users may have excessive permissions (ie inappropriate access to files).	• Where there is no ongoing need for the account, it will be removed entirely as part of the AD project. Where the account needs to continue, a password fitting our current CoCo-compliant password policy will be added. We have a High priority project on the ICT / IM Programme to address resilience issues within our Active Directory. As part of this project we will address issues concerning the clarity of permissions structure within AD.
			• Without detailed procedures covering backups we have found that staff and support suppliers are unaware of who should be covering which areas of responsibility. This is an ongoing risk until it is addressed.	• We will initiate a review and update of the backup plan, ensuring in particular that there is a robust back-up procedure for Unix-based servers such as Simdell and Academy.
			• Without a means of identifying all backup failures individually per system rather than per server, there is a risk that back up failures will not be identified leading to possible loss of data	• As above
			• Failure to test the Disaster Recovery plan could result in the plan not being implemented as anticipated, causing problems which could potentially increase the recovery time	• Following completion of the ICT in-source and population of the new structure, we will undertake appropriate testing of the plan.

Audited Activity	Audit Objectives	Audit Opinion	Medium Risks and Main Issues	Management Actions Proposed
SAP IT Controls (Financial Systems)	• To ensure the integrity of applications and data, by restricting physical and logical access to systems. ▪ To ensure the continued integrity and availability of systems where changes occur, by operating a sound change management procedure ▪ To ensure the availability of systems and data, by operating sound 'housekeeping' infrastructure operations.	Substantial Assurance 2 Medium Risks	• If there are users logging on after they are meant to have left the organisation then there is a risk of unauthorised access • Without a specific procedure relating to the review of users, roles and authorisations, there is a risk that inappropriate access may be granted to users or not removed from users whose jobs no longer require such access or who have left the organisation.	• There is an HR process that identifies staff who are leaving the Council and notifies the SAP support team. The SAP support team carries out regular checks against leaver lists to ensure user accounts are disabled for leavers. Further checks first disable, then delete dormant user accounts. These checks will continue, but it relies on adherence to the HR leaver process by managers to ensure the SAP Support Team receives accurate data. • A procedure is under development, based on the experience gained from carrying out periodic user compliance checks in close liaison with the functional process owners.

Audited Activity	Audit Objectives	Audit Opinion	<u>Medium</u> Risks and Main Issues	Management Actions Proposed
Housing Rents IT Controls	▪ To ensure the integrity of applications and data, by restricting physical and logical access to systems. ▪ To ensure the continued integrity and availability of systems where changes occur, by operating a sound change management procedure. ▪ To ensure the availability of systems and data, by operating sound 'housekeeping' infrastructure operations.	Substantial Assurance 6 Medium Risks	• Without documented Simdell specific procedures for managing administrator accounts, users, groups and associated permissions, there is a risk that tasks may not be completed appropriately, access levels may not be suitably set and no one but the system administrator would know how tasks are done. In the case of Simdell, this risk is magnified, since there is only one system administrator. • Without a documented Simdell specific password policy, which is cohesive with the corporate password policy, there is a risk that corporate password security is not being adhered to, thereby weakening protective controls. • Without a Simdell specific policy for user/group permissions reviews there is a risk that user and permissions reviews will not take place. If such reviews do not take place then there is a further risk that users who are no longer working either with the department or the organisation will not have their access removed after they leave. Alternatively, there is no check that access provided to users is appropriate.	• System Administrator to write up procedures for Housing managers to ratify (in progress). • As above. • System Administrator to do quarterly review. A list will be produced of current users and Housing Managers will verify that the roles are correct.

Audited Activity	Audit Objectives	Audit Opinion	<u>Medium</u> Risks and Main Issues	Management Actions Proposed
Housing Rents IT Controls **(cont)**			• Without a security policy which covers accounts with high privileges (e.g. super user accounts) there is a risk that users will not be aware of how such accounts should be authorised, used, set up or of the controls which should be in place for them. • Not having a documented procedure for managing and controlling Simdell super user accounts means there is a risk that managers are unable to know how super user accounts are managed and whether or not they are appropriately controlled. However, there was no evidence that these accounts were inappropriately managed or controlled. • Failure to have a Simdell specific procedure in place relating to logical access controls means there is a risk that the procedures used are not known by anyone other than the system administrator, which could lead to business continuity issues. If procedures are not documented they are not able to be checked by a manager, which means they are at risk of not being compliant either to corporate policies or industry best practice.	• Super user access can only be changed under the ROOT user. This is controlled by Wilts ICT security (they have the passwords) • As above. • A guide to the System Administrator's role in relation to council IT policy & audit requirements has been written and verified by internal audit

Audited Activity	Audit Objectives	Audit Opinion	<u>Medium</u> Risk and Main Issues	Management Actions Proposed
Payroll	▪ There are clearly documented Financial Regulations, Policies and Procedures for the operation of the SAP Payroll System. ▪ Appropriate and secure controls are exercised over the creation and amendment of standing data (to include starters, leavers, in-service amendments, rates of tax, NI and employer/employee pension contributions). ▪ There are appropriate segregations of duties in the operation of the system. ▪ Exception reporting is used to monitor the operation of the Payroll system. ▪ There are regular reconciliations between the General Ledger and the Payroll system. ▪ Pay-overs of tax, NI, pension contributions and other deductions (e.g. Court Orders) are accurate and timely.	Substantial Assurance 1 Medium Risk	• Overtime or additional hours claims may be paid without the authorisation of the budget holder.	• Process review to ensure budget holder authorises as well as line manager if appropriate.

Audited Activity	Audit Objectives	Audit Opinion	<u>Medium</u> Risks and Main Issues	Management Actions Proposed
Accounts Payable	▪ There are documented policies and procedures for the operation of the Accounts Payable system. ▪ Control is exercised over the creation and management of supplier records. ▪ Control is exercised over the receipt of goods and the payment of invoices within appropriate timescales. ▪ There are controls over the printing of cheques and the creation of BACS payment files.	Substantial Assurance 5 Medium Risks	• Segregation of duties is Inadequate. • Invoices may be paid without the approval of an authorised signatory and the high value signing limit given to some staff may lead to inappropriate or excessive expenditure. • Non standard Purchase Order Forms generated outside the SAP SRM system may be used.	• User roles will be checked against the individual's role within the team. • Signatures are checked at the point of entry. Limits have been requested by Departments and authorised by their Heads of Finance but some need to be reviewed. • Procurement will be notified of such instances.
Accounts Receivable	▪ Income / sundry debtors are periodically reconciled to the general ledger. ▪ The debtors system is periodically reconciled to the cash receipting system. ▪ Sundry debtors arrears reports are regularly and independently reviewed to ensure that action is taken in accordance with prescribed procedures. ▪ Key accounts receivable processes operate as documented (walkthrough test).	Limited Assurance 4 Medium Risks	• There are risks connected with the timeliness of follow-up, collection and the write-off of overdue debts, including a risk that a reduction in staff resources will impact on the ability to collect the outstanding debts.	• The AR team will follow agreed processes to ensure all debt followed up on a timely basis. Temporary resources will be retained to deal with the backlog. A review of income management will include write-off procedures.

Audited Activity	Audit Objectives	Audit Opinion	<u>Medium</u> Risk and Main Issues	Management Actions Proposed
Financial Reporting	▪ Review of revenue income and expenditure against budget is periodically undertaken by management. ▪ Suspense and holding accounts are periodically cleared, with evidenced management review. ▪ Journals are subject to periodic independent review, including review of exception reports.	Substantial Assurance 2 Medium Risks	• In revenue budget monitoring the workaround solutions that have developed for operational reasons are time consuming which imposes restrictions on service accountants in adding value to the process. • Departments have developed different and inconsistent practices for revenue budget monitoring with varying degrees of evidenced management review.	• A review of the budget monitoring process will take place following the financial services restructure. This will aim to make the process more consistent and efficient. • As above

Appendix C

Management Actions in Response to Audits as reported in Follow Ups since March 2011

Audited Activity	Audit Opinion	<u>Medium</u> Risks and Main Issues	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
Department of Neighbourhood & Planning – Internal Governance	Substantial **2 Medium Risks** (No High Risks)	• Overreliance on Wire communications to promulgate policy and procedural changes, and the consequent lack of acknowledgement risks poor compliance and potential for operational failure. • Failure to facilitate feedback to electronic communications to staff risks a lack of assurance that important messages have been received and acted upon.	• Corporate Director will raise at Corporate Leadership Team, and with Director of Communications • Corporate Director will raise at Corporate Leadership Team, and with Director of Communications	Each communication is being targeted according to communication need/impact required, and team SMTs (senior management team meetings) are increasingly being used as the route of communication to teams on specific issues. As above we are targeting communications, and being more specific about who is required to do what in response to it.

Audited Activity	Audit Opinion	High Risks and Main Issues	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
Land Charges	Limited Assurance **4 High Risks** (7 Medium Risks)	• Failure to stabilise IT service for the South Hub will result in inefficiency of service and reputational and legal risk. • Failure to implement staff restructuring as soon as possible reduces the savings achievable.	• ICT are currently very aware of this situation and are currently working on a solution. This problem is not isolated to Local Land Charges. This situation will need to be closely monitored when the team are collocated to Trowbridge. • **Proposals are currently on hold pending the corporate management structure review**	Since the South Hub team were transferred to Bourne Hill, issues have still arisen with printing problems and setting up access to systems and hardware which have impacted upon service delivery. However, generally the server has now stabilised allowing improved timeliness for processing claims and allowing the team to improve upon turnover performance more recently from 50 to 32 days. The Head of Land Charges has received confirmation of ownership of her post. However, since December 2010, 4 members of staff have left the service (out of a total 8.82 FTE) with 3 replacement staff only just having started in the last few weeks. One of these replacement staff has subsequently resigned. We are about to undertake a service review which is likely to start in May 2011.

Audited Activity	Audit Opinion	<u>High</u> Risks and Main Issues	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
Land Charges (cont)		• Failure to fully capture land charges data at the earliest opportunity will delay implementation of a single support system, and the efficiencies and consequent savings these will realise. • Failure to further reduce land charges fees could result in future loss of revenues through lack of competitive advantage.	• Project plan and business case is currently being produced. The findings in the audit report will be included in the business case. • This needs to be countered with the possibility that new business received wont balance against the income currently being achieved by customers who are willing to pay the higher fee. Reducing the fee has its own risks with the pressure that the service is under to meet the income figures which are widely recognised to be unachievable. Further research to be undertaken on this. Fees to be reviewed in November following 6 months trading at the revised fee.	The Interim Programme Director – ICT has confirmed that this work will need to be undertaken as part of the implementation of the new system so the project funding will be used to cover this element. Again, this has been delayed due to the impact of staff turnover and management review. We have not looked at the funding yet. An exercise will be carried out with Finance. *A revised target date has not yet been provided.*

Audited Activity	Audit Opinion	Medium Risks and Main Issues	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
National Non Domestic Rates	Substantial **5 Medium Risks** (No High Risks)	• North Hub - Failure to undertake prompt reconciliations between the property base and VO schedules risks delays in actioning amendments, with the potential for incorrect or late billing, and loss of income. • West Hub - Failure to inspect properties on a timely and regular basis risks reliefs being granted inappropriately, incorrect billing arising and potential loss of income. • East and West Hubs - Failure to ensure that reconciliations are authorised by senior management risks the accuracy of the billing run not being checked, resulting in incomplete and inaccurate billing.	North have been advised to ensure reconciliations are carried out promptly; it is noted that North always try to issue new bills promptly to ensure adequate time for payment. These differences in process will not exist when we move to a single IT system in November 2011. An inspector has been appointed in November 2010 - progress is already being made and the expectation is that all four hubs will operate in the same way. When processing year end in future years, reconciliations will be authorised by the Systems and Performance Manager or the Systems Operations Manager.	Reconciliations are now carried out promptly. Property Inspector now up and running, NNDR properties being regularly inspected. Actioned and in place.

Audited Activity	Audit Opinion	<u>Medium</u> Risks and Main Issues	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
National Non Domestic Rates (cont)		• <u>All Hubs</u> - Failure to recover slippage to the project plan following the late signing of the contract, risks implementation of the new system missing the planned go-live date and the start of the 2012/13 financial year.	Progress against the project plan will be closely monitored by the Project Managers (Wiltshire Council and Northgate) and any slippage and likely impact on the go-live date will reported to the Project Board.	Project plan being monitored as per proposed action.
		• <u>All Hubs</u> - Set backs in completing the project will result in planned efficiencies being further delayed and lost cost savings.	Progress against the project plan will be closely monitored by the Project Managers (Wiltshire Council and Northgate) and any slippage and likely impact on the go-live date will reported to the Project Board.	As per above.

Audited Activity	Audit Opinion	High Risks and Main Issues	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
Trade Waste	Limited Assurance 2 High Risks	• The Trade Waste service may suffer poor performance and a damaged reputation due to bad debts being written back to their income budget for reasons that are out of their control. • If the Computer Software is not implemented the benefits of becoming one Council can not be achieved as the service will continue to be run as four different areas based on the old District Councils.	• We are working hard within the department to chase any unpaid debts in conjunction with SST AR. • A business case has been put forward to the Head of Service for approval and funding	• Work continues to chase bad debts. However, clear protocols required to establish who is responsible. The service has committed resources to chase bad debt, but at the start of LGR resources were absorbed by Corporate Finance to undertake this function. It is felt that, without the service continuing to support debt recovery (with it's now depleted resource), high levels of bad debt would remain. Further work required to agree future arrangements. • Service is currently reviewing its requirements for a service-wide asset management and service delivery ICT system. Whilst there is a clear business case supporting the use of a single, consistent system, the provider has yet to be decided. However, costs have been harmonised as have some activities and processes.

Audited Activity	Audit Opinion	High Risks and Main Issues	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
CareFirst (DCE)	Limited Assurance 2 High Risks	• CareFirst system users may not be receiving a satisfactory level of CareFirst availability.	• A planned upgrade in May 2010 to 10g will result in a more stable and resilient system. A system of automated checks are programmed into the system to check system availability, when a problem is detected a restart of the services or servers is performed.	• The planned upgrade to 10g Application and database servers happened at the beginning of February 2011. Monitoring software is used to automatically check the availability of the servers, when a server fails, it automatically reboots the servers. There has been a decrease in the volume and duration of system downtimes. Currently there are no system stability issues
		• The system and support being provided by OLM is unsatisfactory.	• DCE to engage at Service Director level with representatives of OLM (Carefirst Vendors). To formally request that Corporate ICT, Business Analyst carry out a market review of the other Social Care Case management systems.	• Meeting held in May 2010 with Service Director social care and OLM account manager. There has been no progress with a market review of social care systems. As at March 2011, in view of the costs involved in changing systems this is not seen as a viable option