SWAP

SOUTH WEST AUDIT PARTNERSHIP

Delivering Audit Excellence

Wiltshire Council

Report of Internal Audit Activity 2012/13

March 2013

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Contents

The contacts at SWAP in connection with this report are:

Gerry Cox
Head of Internal Audit
Partnership
Tel: 01935 462371
gerry.cox@southwestaudit.gov.uk

David Hill
Group Audit Manager
Tel: 01935 462374
david.hill@southwestaudit.gov.uk

Denise Drew
Audit Manager
Tel: 01225 712702
denise.drew@southwestaudit.gov.uk

The Head of the Internal Audit Partnership is required to provide an opinion to support the Annual Governance Statement.

Audit Opinion

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

Our audit activity is split between:

- **Operational Audits**
- **Key Control Audits**
- **Governance, Fraud & Corruption Audits**
- **IT Audits**
- **Special Reviews**

Role of Internal Audit and Audit Work

The Internal Audit service for Wiltshire Council is provided by South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors, but also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Audit Committee at its meeting on 14th December 2012.

Internal Audit provides an independent and objective opinion on the Authority's governance, risk and control environment by evaluating its effectiveness.

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Chief Financial Officer (Section 151 Officer), following consultation with the Corporate Management Team and External Auditors. This year's Audit Plan was reported to this Committee at its meeting on 21st March 2012.

Key Control Audits are undertaken in quarter three of each year and these are planned in conjunction with the Council's External Auditor to assist in their assessment of the Council's financial control environment. This reduces the overall cost of audit to the Council.

Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, risk and control. This audit assignment activity is broken down into various categories of work as outlined in the bullet points shown in the column on the left of this page.

Outturn to Date:

We rank our recommendations on a scale of 1 to 5, with 1 being minor or administrative concerns to 5 being areas of major concern requiring immediate corrective action

Internal Audit Work Programme

The schedule provided at Appendix B contains a list of all audits as agreed in the Annual Audit Plan 2012/13 and also records the status of any outstanding work carried forward from the 2011/12 plan. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective "assurance opinion" rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit "Audit Framework Definitions" as detailed on pages 8 and 9 of this document.

To assist the Committee in its important monitoring and scrutiny role, in those cases where weaknesses have been identified in service/function reviews that are considered to represent significant service risks, a summary of the key audit findings that have resulted in them receiving a 'Partial Assurance Opinion' have been summarised in Appendix D.
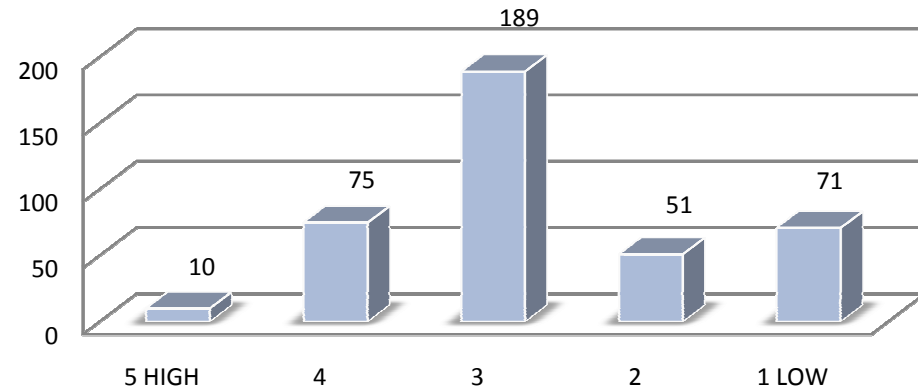
However, in circumstances where findings have been identified which are considered to represent significant corporate risks to the Council, due to their importance, these issues are separately summarised in Appendix C. These items will remain on this schedule for monitoring by the Committee until the necessary management action is taken and appropriate assurance has been provided that the risks have been mitigated / addressed.

Summary of Control Assurance and Recommendations

Control Assurance Outcomes

Substantial 8%

Advice 7%

Follow Up 7%

No 1%

Partial 17%

Reasonable 60%
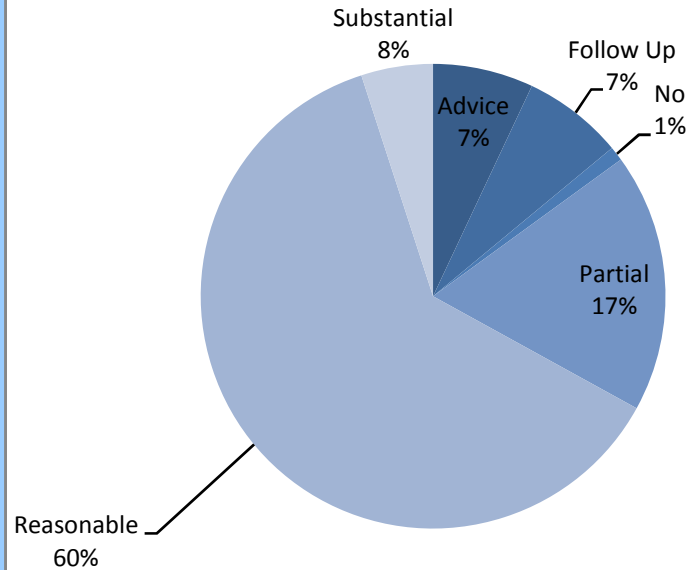
Audit Recommendations by Priority

Priority	Count
5 HIGH	10
4	75
3	189
2	51
1 LOW	71

Summary of Internal Audit Work

A total of 119 audit assignments were progressed during the period. Of these 87 reached completed or final report stage; 14 draft reports; and 18 are currently in progress. The diagrams above summarise the outcomes of final reports.

Audit Follow Up Work

Follow-up Audits are carried out to confirm that any recommendations from the original audit, where a "partial" or "none" opinion has been given. It is pleasing to note that all high priority actions (priority 4 and/or 5's) have been reviewed and management action to address these confirmed.

Performance:

The Head of Internal Audit Partnership reports performance on a regular basis to the SWAP Management and Partnership Boards.

SWAP Performance

SWAP now provides the Internal Audit service for 12 Councils and also many subsidiary bodies.

SWAP performance is subject to regular monitoring review by both the Management and Partnership Boards. The respective outturn performance results for Wiltshire Council for the 2012/13 (as at the end of February 2013) year are as follows;

Performance Target	Average Performance
Audit Plan – Percentage Progress 2011/12 Work C/Fwd Final, Draft and Discussion Fieldwork Completed awaiting report In progress Yet to commence	100% 73% 5% 10% 12%
Draft Report Issued within 5 working days Average Days to Issue Draft	75% 3 Days
Final Reports Issued within 10 working days of discussion of draft report.	70%
Quality of Audit Work Customer Satisfaction Questionnaire	79%
Audit Fee Increase/Decrease in approved Internal Audit Budget	£nil

Performance:

The Head of Internal Audit Partnership reports performance on a regular basis to the SWAP Management and Partnership Boards.

SWAP Performance

At the close of each audit review a Customer Satisfaction Questionnaire is sent out to the service manager or nominated officer. The aim of the questionnaire is to gauge satisfaction against timeliness; quality; and professionalism. As part of the Balanced Scorecard presented to the SWAP Management Board, a target of 85% is set where 75% would represent a score of good. Whilst the number of questionnaires returned remains low the average satisfaction rate is 79%.

The draft to final report percentage is still too low but has significantly improved by taking the schools performance figures out of the calculation. As reported at the last committee, this skewed the figures in a downward manner and was not truly reflective of the response to draft reports by Management.

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

Approved Amendments to Annual Audit Plan 2012-13

Planned audit work is as detailed in Appendix B. Audit work remains under constant review to ensure that, if necessary, internal audit resources can also be targeted at emerging issues in a timely manner. Any changes that are required are agreed with the Chief Financial Officer and are reported to the Committee.

During quarter 3 specific requests for Internal Audit support has resulted in a requirement to complete additional audit work. At present these additions are covered from the agreed contingency allowance or from deferred or removed audits.

The additional work covers review activity in the following areas:

- Adult Services Contracts
- Access Passes
- SAP Access Controls
- SCL Project
- Traffic and Network Management

Assurance Definitions:

At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition";

- **Substantial**
- **Reasonable**
- **Partial**
- **None**

Audit Framework Definitions

Control Assurance Definitions

Substantial ★★★ I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.

Reasonable ★★ I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Partial ★ I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

None ▲ I am not able to offer any assurance. The areas reviewed were found to be inadequately

Categorisation of Recommendations

When making recommendations to Management it is important that they 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. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

Quarter 1 Outturn:

Recommendations that are made as a result of audit assignments are ranked on a scale of 1 to 5 to indicate their relative priority/potential impact.

Audit Framework Definitions

Priority 5: Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.

Priority 4: Important findings that need to be resolved by management.

Priority 3: The accuracy of records is at risk and requires attention.

Priority 2: Minor control issues have been identified which nevertheless need to be addressed.

Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

Definitions of Risk

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