

**AUDIT COMMITTEE**

**28<sup>th</sup> October 2014**

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**INTERNAL AUDIT 2014/15 2<sup>nd</sup> Quarter UPDATE REPORT**

**Purpose of the Report**

1. This progress report presents the Committee with an update on the performance of the Internal Audit (IA) Section. In particular, it provides a summary of:
  - the outcomes of audits completed during the second quarter of 2014/15,
  - the results and outcomes of follow-up reviews carried out during the period, to assess the extent and adequacy of management action taken in response to audit reports from the previous year
  - an update on the delivery of the 2014/15 IA Plan, including audits in-progress which should be finalised and reported to the next Committee meeting and any deferred audits.

**Executive Summary**

2. A total of 16 audit assignments have been completed since the update provided in July 2014. 10 audit assignments are at draft stage and 29 are currently in progress.
3. Overall IA concluded as per its assurance definitions at page 5 of the SWAP report at Appendix A of this report that the majority of its findings were of reasonable assurance.
4. From this work no potential very high significant 'corporate' risks have been identified.
5. There were 2 of the 16 audit reviews completed were afforded partial assurance. Detail is provided in Appendix D.

6. Overall, 58 recommendations have been made by IA since the July 2014 update. Only two were not accepted by Management (see Appendix E). The break down of the prioritisation of recommendations highlights the majority still are at or below level 3 as follows:

<b>Year</b>	<b>Priority 5</b>	<b>Priority 4</b>	<b>Priority 3</b>	<b>Priority 2</b>	<b>Priority 1</b>	<b>Total reported</b>
<b>2013/14 carry forward audits</b>	3	17	23	7	0	<b>50</b>
<b>2014/15 audits</b>	0	0	5	1	2	<b>8</b>
<b>Percentage</b>	5%	29%	49%	14%	3%	

7. Appendix B shows audits grouped by current status and highlighted as Red, Amber or Green. Overall this identifies a number of audits progressing with some slippage, although commentary provides clear reasoning and evidence around most of the causes of this, such as restructures. When considered around risk and period of delay or deferment there are no issues to report at this quarter end and the position will continue to be monitored.
8. Following on from the Audit Committee's recommendation SWAP and myself have undertaken a trawl of the higher priority recommendations (priorities 3 to 5) made in the last two years. This requires a degree of self certification and has only just begun as a formal process. As such at this stage there are 60 recommendations where a response is still awaited from managers. That is not to say action has not taken place, rather no response has been forthcoming. As with audit satisfaction questionnaire the support of this Committee in focusing attention on the need to assess the implementation of recommendations is critical. In addition, going forward Finance will be undertaking monthly checks on progress and chasing managers with update reports to Corporate Directors and identification of any risk assessment revisions required due to unsatisfactory progress. As such this quarter this new appendix should be view more for information on progress, and further reports will hopefully reflect a downward trend in the number of recommendations outstanding implementation (although for a period it may also see an increase in the number of recommendations not accepted – this too will be important management information to assess).
9. Internal Audit have agreed other additional work relating to central government returns and advice for new and ongoing projects within the Programme Office.

10. Overall the performance of SWAP is on track with the partnership performance measures.

### **Proposal**

11. Members are asked to note the findings from IA audits to date.

### **Reasons for Proposals**

12. To ensure an effective IA function and strong control environment.

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Unpublished documents relied upon in the preparation of this Report: None.

Appendices: A – IA Third Progress Report 2014/15  
B – IA detailed Audit Plan and monitoring statement 2014/15  
C – Significant Corporate Risks  
D – Summary of audits deemed 'Partial / No' assurance  
E - Recommendations Not Accepted  
F - Recommendations Outstanding