

# APPENDIX A



## Wiltshire Council

Report of Internal Audit Activity Quarter One - 2015/16

July 2015

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The Chief Executive of SWAP is required to provide an opinion to support the Annual Governance Statement.

“risks are generally well managed and the systems of internal control are working effectively”

## 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 generally 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 is a Local Authority controlled company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS). The Partnership is also guided by the Internal Audit Charter approved by this Committee.

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 Associate Director, Finance (Section 151 Officer), following consultation with the Corporate Leadership Team, the Audit Committee and External Auditors. As part of the Healthy Organisation Programme, we are currently meeting with officers to agree those high risk areas that are not subject to external review and use this information to continually develop the audit plan. This will enable us to avoid duplication of effort with external agencies such as OFSTED or the Information Commissioner Office (ICO) for instance and help reduce unnecessary costs to the Council. This is a fluid process, for example the planned Assurance mapping of Safeguarding has been deferred due to the recent Ofsted Inspection. Once this overall Programme and pilot areas are complete, we will feedback the proposed plan at the next Committee meeting for approval.

Financial 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. However, given the ever increasing incidence of data security breaches adversely affecting many organisations, ICT Key controls will be undertaken each quarter via the use of automated tools run against a 100% sample size. The results will be fed back to officers each quarter thereby providing a more continuous assurance to the organisation.

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**

**“There have been 44 recommendations raised since our last update with 82% being lower priority 3, 2 or 1.”**

**“There has been no non-assurance opinions issued”**

## Internal Audit Work Programme

The schedule provided at Appendix B contains a list of all audits as agreed in the Annual Audit Plan 2015/16 and any remaining work from the 2014/15 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 9 and 10 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.

Appendix E includes any recommendations made which were not agreed by management. The report also includes recommendations made and agreed but which are still outstanding three months after the final report has been issued. Please note action may be outstanding if implementation dates are not yet due.

Outturn to date:

## Efficiencies and 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.**

**“Audits have added value through recommending improvements that will deliver more efficient processes.”**

## Efficiencies and Added Value

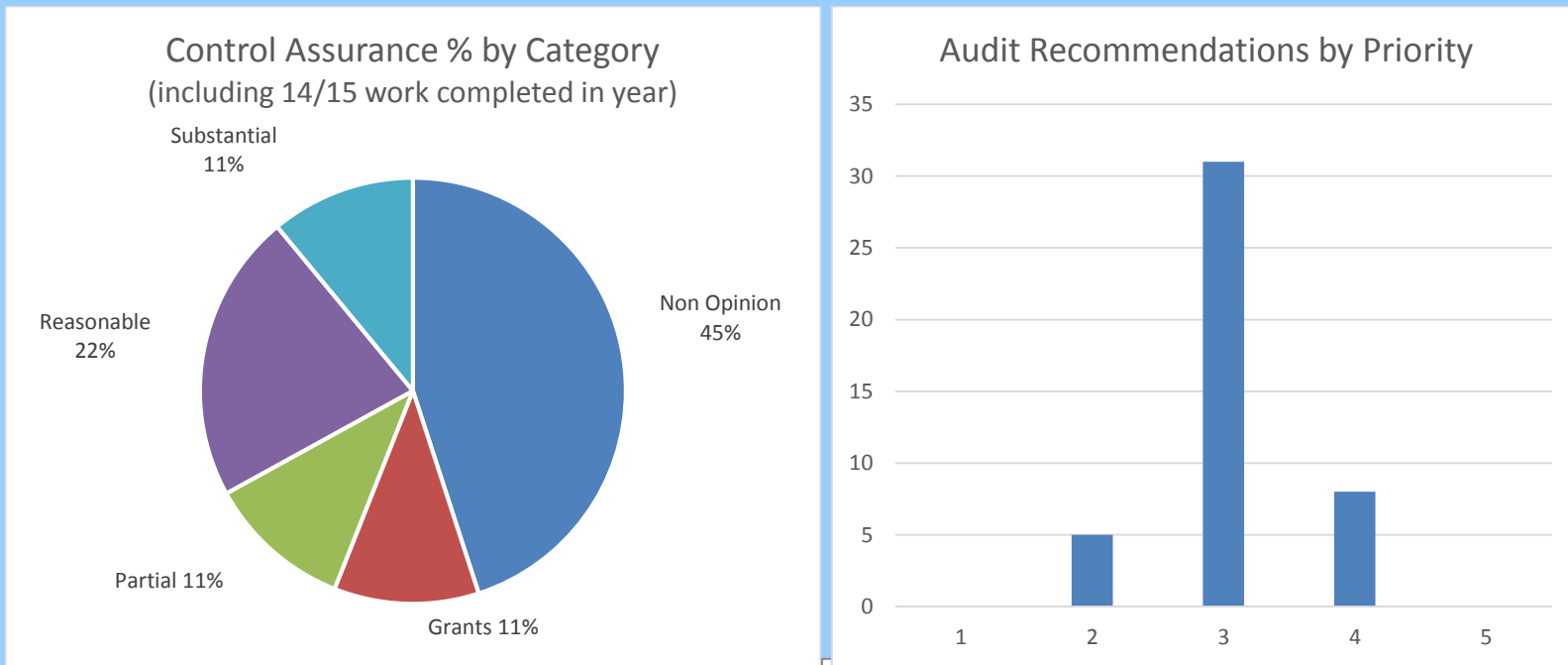
Primarily Internal Audit is an assurance function and will remain as such. However, Members requested that we provide them with examples of where we have “added value” to a particular service or function under review. In response to this we have changed our approach and internal processes and will now formally capture at the end of each audit where we have “added value”.

The SWAP definition of “added value” is “it refers to 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”.

As we complete our operational audit reviews and through our governance audit programmes across SWAP we seek to bring information and best practice to managers to help support their systems of risk management and control. Work of particular note this quarter includes:

1. **ICT Key Controls** - We developed IDEA routines to enable us to provide a greater degree of sample testing of the Council’s corporate SAP system and its data. This year (2015/16), we will undertake sample testing every quarter to provide greater assurance of data quality to officers. One of the added benefits of this will be the more timely identification of any suspicious activity (fraud) as well as the updating or removal of information that is incomplete or inaccurate.
2. **Consolidation of Financial Key Controls** – to support a more efficient reporting process, we supported the Section 151 Officer’s request to produce a single consolidated report to provide an over-arching report for key financial controls.
3. **Non opinion work - Imprest Accounts; Business Continuity Planning (Schools)** –we have provided guidance to officers and schools on these matters to strengthen control and promote good practice.

Summary of Control Assurance and Recommendations



**Summary of Internal Audit Work to date**

Seven audit assignments from the 2014-15 plan have been completed since the progress reported to Committee in June 2015. An analysis of assurances given and recommendations made is provided above. Seven further audit assignments from the 2014-15 plan are at draft with one still in progress. The progress of those audits that have commenced for the 2015/16 plan are detailed in Appendix B of this report.

Performance:

The Chief Executive of SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.

“More work is needed to improve the timeliness of issuing final reports”

**SWAP Performance**

SWAP now provides the Internal Audit service for 14 Councils and also many subsidiary bodies. SWAP performance is subject to regular monitoring review by both the Board and the Members Meeting. The respective performance results for Wiltshire Council for the 2015/16 year so far are as follows;

Performance Target	Average Performance
<p><b><u>Audit Plan – Percentage Progress</u></b> 15/16 Percentage completion - 90% or more</p>	100%
<p><b><u>Draft Reports</u></b> Issued within 5 working days Issued within 10 working days</p>	52% 74%
<p><b><u>Final Reports</u></b> Issued within 10 working days of discussion of draft report.</p>	29%
<p><b><u>Quality of Audit Work</u></b> Customer Satisfaction Questionnaire</p>	83%



Performance:

**The Chief Executive of SWAP reports performance on a regular basis to the SWAP Management and 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. The current accumulative feedback for Wiltshire Council is 83%. This is in line with other SWAP partner authorities.

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 2015-16

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 Associate Director Finance (Section 151) and are reported to the Committee.

During the first quarter, 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 agreed so far for the 2015-16 year covers review activity in the following area:

- Repair & Renew Grant Certification;
- Growth Hub Scheme (Phase 6 & 7);
- Bus Subsidy Ring Fence Scheme;
- Carbon Reduction Commitment Scheme;
- Grant letter & Grant determination (Chippenham Station Hub);
- Contracts Payments (Special investigation);
- Insurance Coverage Review (e.g. Legionella).





There are no issues to report with any of this work.

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

<b>Substantial</b>		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.
<b>Reasonable</b>		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.
<b>Partial</b>		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.
<b>None</b>		I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

### 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.

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

**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.