

Taunton Deane Borough Council

Corporate Governance Committee – 22 June 2015

Internal Audit Plan 2014-15 Annual Opinion

Report of the Assistant Director – Alastair Woodland

(This matter is the responsibility of Executive Councillor John Williams, the Leader of the Council).

1. Executive Summary

The Internal Audit function plays a central role in corporate governance by providing assurance to the Corporate Governance Committee, looking over financial controls and checking on the probity of the organisation.

Internal Audit is required to provide an Annual Opinion on the state of the Internal Control Environment. This report provides that Opinion based on the work undertaken during 2014-15. This work will support the Annual Governance Statement.

2. Background

This report summarises the work of the Council's Internal Audit Service and provides:

- Details of any new significant weaknesses identified during internal audit work completed since the last report to the committee in June (Appendix B).
- A schedule of audits completed during the period, detailing their respective assurance opinion rating, the number of recommendations and the respective priority rankings of these (Appendix A).

Members will note that there are some service level high priority recommendations (4 or 5) identified since the March update. These will be followed-up by Internal Audit to provide assurance that risk exposure has been reduced.

3. Detailed Update

Please refer to the attached SWAP Annual Opinion Report

4. Finance Comments

There are no specific finance issues relating to this report.

5. Legal Comments

There are no specific legal issues relating to this report.

6. Links to Corporate Aims

Delivery of the corporate objectives requires strong internal control. The attached report provides a summary of the audit work carried out to date this year by the Council's internal auditors, South West Audit Partnership.

7. Environmental Implications

There are no direct implications from this report.

8. Community Safety Implications (if appropriate, such as measures to combat anti-social behaviour)

There are no direct implications from this report.

9. Equalities Impact

There are no direct implications from this report.

10. Risk Management

Any large organisation needs to have a well-established and systematic risk management framework in place to identify and mitigate the risks it may face. TDBC has a risk management framework, and within that, individual internal audit reports deal with the specific risk issues that arise from the findings. These are translated into mitigating actions and timetables for management to implement. The most significant findings since the last committee report are documented in Appendix B.

11. Partnership Implications

There are no direct implications from this report.

12. Recommendations

Members are asked to note the Annual Opinion, progress made in delivery of the 2014/15 internal audit plan and significant findings since the March 2015 update.

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Taunton Deane Borough Council

Internal Audit Plan – Annual Opinion 2014-15

Contents

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Purpose & Background	Page	3
Annual Opinion	Page	4 - 5

Internal Audit Work Plan 2013-14

SWAP Performance	Page	6 & 7
Internal Audit Work Programme	Page	8
Audits Completed	Page	9 - 13
Significant Corporate Risks 2014-15	Page	13
Summary of Control Assurances and recommendations	Page	14-15
Priority Action Points	Page	16
Audit Plan Progress 2014-15	Page	17

Appendices

Appendix A -	Audit Plan Progress 2014-15	Page	17-19
Appendix B -	High Priority Findings and Recommendations (since last Committee)	Page	20
Appendix C -	Audit Definitions	Page	21
Appendix D -	SWAP Local Partnerships Report		
Appendix E -	SWAP Internal Controls - DAP		
Appendix F -	SWAP Quality Assessment Improvement Plan		



SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the PSIAS.

Annual Opinion:

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

Purpose of Report

The Accounts and Audit Regulations (England) 2011 requires public authorities to publish an Annual Governance Statement (AGS). The Statement is an annual review of the Systems of Internal Control and gathers assurance from various sources to support it. One such source is Internal Audit. The Head of Internal Audit should provide a written annual report to those charged with governance to support the AGS. This report should include the following:

- an opinion on the overall adequacy and effectiveness of the organisation's risk management systems and internal control environment
- disclose any qualifications to that opinion, together with the reasons for the qualification
- present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies
- draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement
- compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria
- comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content.

Background

The Internal Audit service for Taunton Deane Borough Council is provided by the South West Audit Partnership Limited (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 which is reviewed annually. Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness through the work based on the Annual Plan agreed by Senior Management and this Committee.

Annual Opinion:

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

Assistant Director's Opinion

Members through the various committees are ultimately responsible for ensuring an effective system of internal control. The purpose of internal control is to manage risk rather than eliminate it. Getting the balance of internal control right is essential for organisational success—to knowingly take risk rather than be unwittingly exposed to it. Under control could expose the organisation to unacceptable risk and destroy value as over control stifles value creation and entrepreneurship. Therefore the Internal Control Environment needs the right balance to help Taunton Deane to deliver its services with ever decreasing resources.

The control environment sets the tone of an organisation, providing discipline and structure. Control environment factors include the integrity, ethical values and managements' competencies, managements' philosophy and operating style, the way authority and responsibility are assigned and how the Council is organised. Key segments include identification and evaluation of risks, control activities (policy and procedures, approvals, authorisations, verifications, etc), monitoring activities and information and communication processes.

Internal Audit has not reviewed all risks and assurances relating to Taunton Deane and cannot provide absolute assurance on the internal control environment. Our opinion is derived from the completion of the risk based internal audit plan and as such it is one source of assurance on the adequacy of the internal control environment.

With regards to the 2014/15 Annual Plan for Taunton Deane, there will be a total of 28 reviews delivered. In agreement with management, and previously reported to this Committee, a number of reviews were 'exchanged' or 'removed' as the need to respond to new and emerging risks was identified.

Most audits have been completed to report stage (Draft or Final). There remain 6 reviews we need to bring to report stage and these reviews will remain a priority for completing.

Annual Opinion:

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

Assistant Director's Opinion (Continued)

Of the 16 reviews that have an Assurance Opinion, including indicative assessments, no reviews were given 'No Assurance', and 3 (19%) were given 'Partial Assurance'.

This left a total of 13 (81%) that returned a favourable opinion of 'Reasonable Assurance' or 'Substantial Assurance'.

We are further encouraged that all internal and external audit recommendations are being actively monitored by Taunton Deane to seek assurance from relevant managers that the recommendations have been implemented.

I believe that the Senior Management of Taunton Deane have worked hard to cooperate with the audit process and while there have been difficulties in progressing some audits expediently, I recognise the pressures they face through managing the changing environment. In this regard I have also been grateful for the support of the Assistant Director – Corporate Services and the Corporate Strategy and Performance Manager.

I have considered the balance of audit work, the assurance levels provided and outcomes together with the response from Senior Management and feel confident to offer '**Reasonable Assurance**' in respect of the areas reviewed during the year as on balance most were found to be adequately controlled. Risks are generally managed, although there are some areas that require the introduction or improvement of internal control to help achieve TDBC's services and corporate objectives.

Performance:

SWAP strives to deliver audit excellence and works hard to demonstrate VFM, increased productivity and quality outputs for its Partner Councils.

SWAP Performance

Two years ago now, SWAP became a publically owned Company Limited by guarantee. A review of SWAP by Local Partnerships and organisation jointly owned by HM Treasury and the Local Government Association was undertaken in December 2014. The purpose of the review was to assess the benefits realised by the Partnership and its on-going commercial delivery. In short the conclusion of the review, in relation to SWAP, was that “all of its key objectives have been achieved”.

The full report is attached as Appendix D however, the review team summarised the following as positive outcomes achieved since incorporation:

- More efficient decision-making
- Scope for more flexible and proactive management
- Economies of scale which facilitate the development of specialist skills enabling more resilience
- Effective leveraging of technology
- Training and professional development opportunities for staff
- Effective partnership working and ‘best practice’ knowledge transfer across member organisations
- Ability to provide a cost effective service tailored to individual members budgetary needs.

With regards to the last bullet point, while we have not been able to carry out any further benchmarking for the year, I am pleased to report that for the eighth consecutive year we have not increased the day rate.

The Public Sector Internal Audit Standards (PSIAS) require that there should be an external quality review to validate that Internal Audit Teams are conforming to the International Professional Standards at least every five years. SWAP carried out such an assessment in 2012 and at that time agreed that it would be best practice to complete such a review every three years and therefore we have commissioned our next review to take place in September 2015. As a result of the quality review, a Quality Assessment Improvement Plan (QAIP) is produced. This document is a live document, reviewed regularly by the SWAP Board to ensure continuous

SWAP Performance Continued

improvement. Many of the original actions from the review have been completed, but I attach a copy of the latest QAIP ([Appendix F](#)) reported to the SWAP Board in April 2015, for your information.

And finally, just like any other Company and TDBC itself, our accounts are subject to both Internal and External Audit Review. Again, purely for information, the report of the Internal Auditors is attached as an [Appendix E](#) to the Review of Internal Audit and I can provide assurance that all actions have been completed or in progress.

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 questionnaires is to gauge satisfaction against timeliness, quality and professionalism. As part of the Balanced Scorecard presented to the SWAP Boards, a target of 85% is set where 80% would reflect the fact that the client agreed that the review was delivered to the expected standard. For Taunton Deane Borough Council the average feedback score was 82%.

As reported in March 2015 to this Committee, due to the SWAP restructure we will only have capacity to deliver c.93% of the 2014-15 plan. With regards to the 2014/15 Annual Plan for Taunton Deane Borough Council, there were a total of 28 reviews delivered from the originally agreed 31 reviews. Further, in agreement with management, and previously reported to this Committee, a number of reviews were exchanged as the need to respond to new and emerging risks was identified.

Most audits have been completed to report stage with 6 reviews where we are required to bring these to report stage. All except the Asset Management review should be at report stage by the end of June 2015.

Summary of Work 2014-15

The agreed Annual Audit Plan covers the following
Key areas of Activity:

- ◆ OPERATIONAL AUDITS
- ◆ INFORMATION SYSTEMS
- ◆ KEY CONTROLS
- ◆ GOVERNANCE, FRAUD & CORRUPTION
- ◆ SPECIAL REVIEWS
- ◆ FOLLOW-UP

Internal Audit Work Programme

The schedule provided at [Appendix A](#) contains a list of all audits agreed for inclusion in the Annual Audit Plan 2014-15 and the final outturn for the financial year. In total, 28 will be delivered. 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.

Of the 28 reviews in the revised 2014-15 audit plan, they are broken down as follows:

• Operational Audits	6
• Information Systems	4
• Key Control	7
• Governance, Fraud & Corruption	8
• Special Reviews	0
• Follow-up	3

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” - [Appendix C](#).

Summary of Work 2014-15

Continued.....

Audits Completed - Operational

Operational Audits — are a detailed evaluation of a service or functions control environment. A risk evaluation matrix is devised and controls are tested; risks are assessed against the risk appetite agreed with the SWAP Management Board. Where weaknesses or areas for improvement are identified, actions are agreed with management, prioritised and target dated. Based on the findings of each review, an overall Control Assurance is offered.

Operational Audits completed by SWAP for the Period April 2014 to March 2015, together with the Control Assurance offered, are summarised in the following table:

Audit Area	Audit Opinion	Audit Area	Audit Opinion
Parks and Open Spaces	Partial	Housing New Build	Substantial
Safeguarding	Reasonable	Community Infrastructure Levy	Reasonable (Draft)
Housing Sales (Right to Buy)	Reasonable (Draft)	Commercial Property/ Rents	(In Progress)

The 4 reviews returned 12 recommendations for improvement. The breakdown of these recommendations in terms of priority scores are; 2 priority four, 9 priority three and 1 priority two. For a summary of Control Assurance Definitions, Categorisation of Recommendations and Definitions of Risk Levels, please refer to Appendix C.



Summary of Work 2014-15

Continued.....

Audits Completed – Information Systems

Information Systems — IS audits are completed to provide the Authority with assurance with regards to their compliance with industry best practice. As with Operational Audits, an audit opinion is given. The following IS audits were in the plan for 2014/15:

Audit Area	Audit Opinion
COSY Replacement/ Open Contractor	Non Opinion
Software Asset Management	Drafting
Hardware Asset Management	Drafting
Financial Key Controls	Review

The 1 completed review returned 5 recommendations for improvement. The breakdown of these recommendations in terms of priority scores are; 4 priority three and 1 priority two.

Audits Completed – Key Controls, Finance

Key Control Audits — The Key Control Audit process focuses primarily on key risks relating to the Council’s major financial systems. It is essential that all key controls identified by the External Auditors are operating effectively to provide management with the necessary assurance. The findings from these reviews are considered by the External Auditors when they assess the Council’s Financial Statements at year end.

It is noted that there has been improvements within the finance key controls when compared to previous years. Key Control Audits completed by SWAP during the period April 2014 to March 2015 are as follows:



SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the PSIAS.

Summary of Work 2014-15

Continued.....

Audits Completed – Key Controls, Finance

Audit Area	Audit Opinion	Audit Area	Audit Opinion
Creditors	Partial	Payroll (Starters, Leavers, Changes)	Substantial
Housing Rents	Reasonable	Housing Benefits	Substantial
Debtors	Reasonable	Council Tax & NNDR	Substantial
Treasury Management	Reasonable		

A total of 28 recommendations were raised between the 7 reviews. The breakdown of these recommendations in terms of priority scores are; 4 priority four; 15 priority three and 9 priority two recommendations. It was pleasing to find that the vast majority of key controls were all operating effectively.

Summary of Work 2014-15

Continued.....

Audits Completed — Governance and Fraud

Governance and Fraud Reviews — The Governance, Fraud and Corruption Audit process focuses primarily on key risks relating to cross cutting areas that are controlled and/or impact at a Corporate rather than Service specific level. It also provides an annual assurance review of areas of the Council that are inherently higher risk. The following reviews of this type were completed:

Audit Area	Audit Opinion	Audit Area	Audit Opinion
Absence Management	Reasonable	Private Water Supply	Reasonable
Data Transparency	Partial	Protective Marking	Reasonable
Fraud Theme - Housing	Reasonable (Draft)	Choice Based Lettings	In Progress
Asset Management	In Progress	Legal Services - Shared	Non Opinion

The completed governance reviews resulted in 32 recommendations for improvement. There were 3 priority four recommendations; 11 priority three recommendations; 13 priority two recommendations and 4 priority one recommendations.



Summary of Work 2014-15

Continued.....

Audits Completed — Follow Up Audits

All follow up audits are non-opinion as the focus of the review is only to seek assurance that weaknesses raised in the original audit have been addressed. In addition to our follow up work internal audit and external audit recommendations are monitored for management assurance that they have been implemented. The following table shows work undertaken on following up no and partial assurance audits during 2014-15:

Audit Area	Audit Opinion	Audit Area	Audit Opinion
Procurement Cards	Non Opinion	Priority Area Strategy	Non Opinion
Data Centre	Non Opinion		

Outcomes from the follow up audits feed into the risk assessment for future audit plans.

A total of 23 recommendations were followed up through these reviews with 13 completed by their target date and a further 9 in progress. Seven were found not to be implemented and have been reported in the corresponding final reports issued to management.

Significant Corporate Risks

Where a risk is assessed as inherently high or very high within and audit review and further assessed as high or very high after we have tested the controls in place it is to be considered as a corporate risk for inclusion on the risk register by Senior Management.

We are pleased to report that whilst our work in 2014-15 has identified some partial assurance opinions, the corresponding risk assessment did not evaluate these to be significant and considered a corporate risk. Therefore no additional corporate risks have been identified during 2014-15.



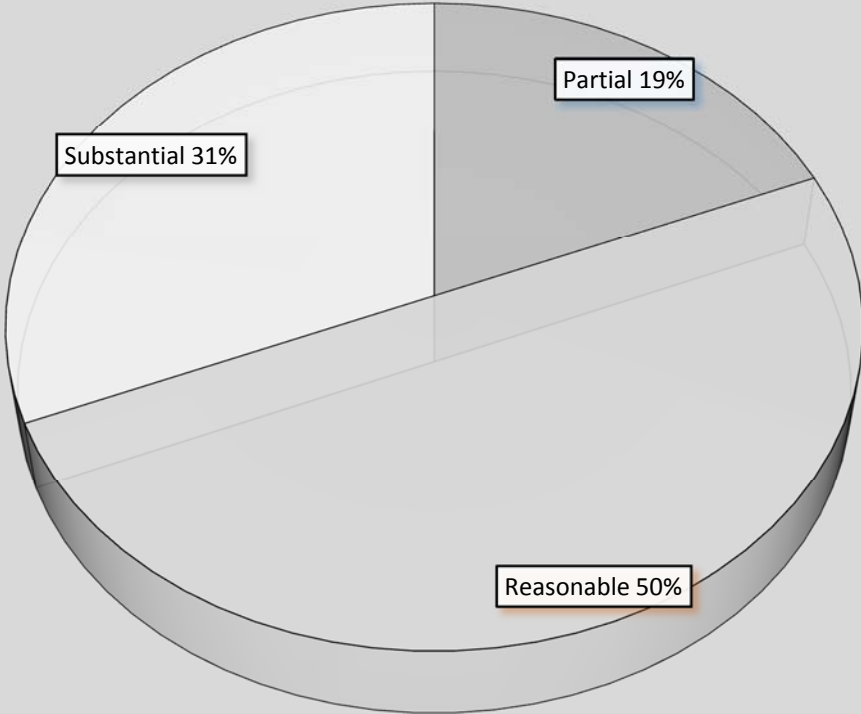
SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the PSIAS.

Summary of Work 2014-15

Continued.....

Summary of Control Assurance and Recommendations

Removing the non-opinion work shows that just over 81% of the reviews undertaken returned a favourable opinion. To provide this Committee with the assurance required, follow up audits are being conducted on the reviews that did not return an adequate assurance rating.

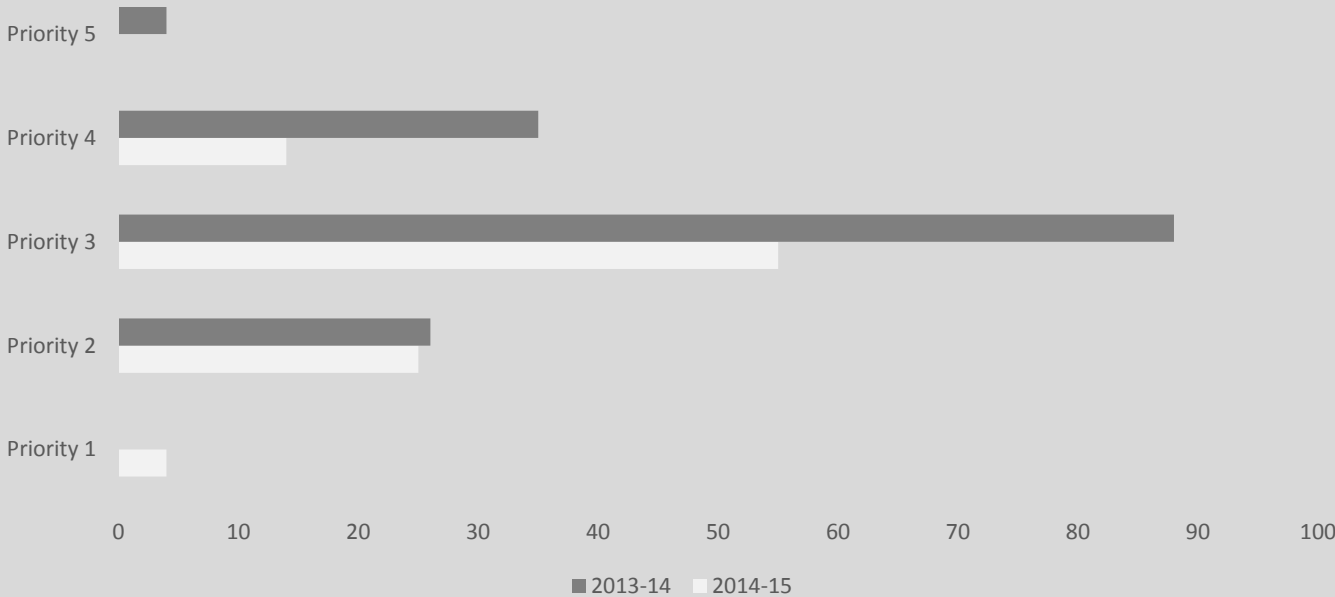


Summary of Work 2014-15
Continued.....

Summary of Control Assurance and Recommendations (Continued)

This shows that the majority of the recommendations made were of a medium priority. The comparison between years show a reduction in the number of recommendations raised across all priority ratings. No additional priority 5 recommendations were made during 2014-15.

Priority Recommendation Yearly Comparison



These are actions that we have identified as being high priority at a service level and that we believe should be brought to the attention of the Audit Committee

Priority Actions – at Service Level

Internal Audit is required to bring to the attention of senior managers and members any significant internal control, risk management and governance issues identified through our work. As agreed with this Committee where a review has a status of 'Final' and has been assessed as 'Partial or No Assurance' I provide further details to inform members of the key issues identified. I normally summarise those actions where the auditor has assessed the priority to be a level 4 (Medium/High) or 5 (High).

Creditors Key Control - Partial Assurance

It is acknowledged that since the last Internal Audit report was published improvements have been made within the creditor's process. These are acknowledged within the updated action plans below (Appendices A. and B.) However, there are matters still outstanding and these have contributed towards the opinion offered. Most significantly these cover:

- The number of potential duplicates identified by AP Forensics across all company codes within SAP. A report run in October 2014 identified out of 58,588 vendors there were 10,447 potential duplicates.
- The number of retrospective purchase orders being raised. Between April 2014 and February 2015 it was found 12.5% of purchase orders were retrospective.
- The number of transactions being raised on 45000 codes. Between April and November 2014 this amounted to 9,990 transactions, with a total value of £2.9m.

Attention is also drawn to the delegation table within SAP. While it is acknowledged Management have reported that an audit function has been added, where SAP identifiers are no longer linked to a position on the delegation table or show an authoriser whose access has changed, the authoriser cannot be identified.

Details of the level 4 and 5 priority recommendations identified since the last Committee are summarised in Appendix B for your information and consideration.

Audit Plan Progress 2014-15

APPENDIX A

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major				
						Recommendation				
						1	2	3	4	5
ICT Audits	Threat Protection (Dropped to allow time for the COSY Replacement Project and Software & Hardware Asset Management audits)	Q1	Dropped	-	-	-	-	-	-	-
ICT Audits	COSY Replacement/Open Contractor (New)	Q1	Final	Non-Opinion	5	0	1	4	0	0
Operational Audit	Parks & Open Spaces	Q1	Final	Partial	5	0	0	4	1	0
Operational Audit	Safeguarding	Q1	Final	Reasonable	6	0	1	4	1	0
Follow-up	Procurement Cards	Q1	Final	Follow-up	6	0	1	3	2	0
ICT Audits	Software Asset Management (New)	Q2	In progress	Unknown	-	-	-	-	-	-
ICT Audits	Hardware Asset Management (New)	Q2	In progress	Unknown	-	-	-	-	-	-
Governance, Fraud & Corruption	Absence Management - Theme	Q2	Final	Reasonable	10	4	6	0	0	0
Governance, Fraud & Corruption	Private Water Supply	Q2	Final	Reasonable	4	0	2	1	1	0
Governance, Fraud & Corruption	Data Transparency	Q2	Final	Partial	6	0	2	2	2	0
Governance, Fraud & Corruption	Protective Marking - Theme	Q2	Final	Non-Opinion	6	0	0	5	1	0
ICT Audits	Corporate Information Security Controls (CIS) (Dropped to allow time for the COSY Replacement Project and Software and Hardware Asset Management audits)	Q2	Dropped	-	-	-	-	-	-	-



SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the PSIAS.

Audit Plan Progress 2014-15

APPENDIX A

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major				
						Recommendation				
						1	2	3	4	5
Operational Audit	Housing Sales (right to buy)	Q2	Draft Report	Reasonable	1	0	0	1	0	0
Follow-up	PAS	Q2	Final	Follow-up	4	0	0	3	1	0
Key Control	Main Accounting (2 days from PRSM)	Q2	Final	Substantial	5	0	0	5	0	0
Governance, Fraud & Corruption	Fraud Theme - Housing	Q3	Draft Report	Reasonable	6	0	3	3	0	0
Key Control	Creditors	Q3	Final	Partial	10	0	2	4	4	0
Key Control	Council Tax & NNDR	Q3	Final	Substantial	1	0	1	0	0	0
Key Control	Debtors	Q3	Final	Reasonable	5	0	0	5	0	0
Key Control	Housing Benefits	Q3	Final	Substantial	2	0	1	1	0	0
Key Control	Payroll (Starters, Leaver, Changes)	Q3	Final	Substantial	3	0	3	0	0	0
Key Control	Treasury Management	Q3	Final	Reasonable	7	0	2	5	0	0
ICT Audits	Financial Key Controls	Q3	Review	Unknown	-	-	-	-	-	-
Operational Audit	Housing New Build	Q3	Final	Substantial	0	0	0	0	0	0
Governance, Fraud & Corruption	Choice Based Letting	Q4	In progress	Unknown	-	-	-	-	-	-



SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the PSIAS.

Audit Plan Progress 2014-15

APPENDIX A

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major				
						Recommendation				
						1	2	3	4	5
Governance, Fraud & Corruption	Safer Somerset Partnership/ Community Safety (Due to SWAP Restructure)	Q4	Dropped	-	-	-	-	-	-	-
Governance, Fraud & Corruption	Asset Management Theme	Q4	In progress	Unknown	-	-	-	-	-	-
Operational Audit	Community Infrastructure Levy (CIL)	Q4	Draft Report	Reasonable	-	-	-	-	-	-
Operational Audit	Housing Voids (Due to SWAP Restructure)	Q4	Dropped	-	-	-	-	-	-	-
Operational Audit	Commercial Properties/Rents	Q4	In progress	Unknown	-	-	-	-	-	-
Follow-up	Data Centre	Q4	Final	Follow Up	6	0	0	5	1	0
Governance, Fraud & Corruption	WSC & TDBC Shared Services (Due to SWAP Restructure)	All	Dropped	-	-	-	-	-	-	-
Governance, Fraud & Corruption	Legal Services - Shared Services	All	Final	Non-Opinion	0	0	0	0	0	0



SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the PSIAS.

High Priority Findings and Recommendations – Assessed at Service Level

APPENDIX B

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
Creditors					
Ten out of twenty purchase orders had been raised retrospectively. This is consistent with Southwest One's analysis of retrospective purchase orders up to the end of August 2012 which showed almost 35% of purchase orders were retrospective.	If purchase orders are not raised in advance there will be reduced assurance that best value has been achieved and that the supplier is aware of the Council's payment terms and conditions.	I recommend the Head of Service (Finance and Property) continues to monitor the frequency and users who raise retrospective purchase orders with the aim of bringing about a change of culture in the procure-to-pay process.	We continue to monitor this through regular reports and feedback at the AP User Group meetings. Some areas have been PO exempted to help with the process. Revised Financial Procedures will be issued soon and will emphasise the need to raise a PO on order and not retrospectively.	30/06/15	Finance Manager
Retrospective purchase orders are not in accordance with financial regulations.		I recommend the Strategic Finance Officer takes appropriate steps to encourage a change in culture within the organisation around the procure-to-pay method.	Will ensure that once the financial regulations have been updated, staff are made aware of the need to stop using retrospective orders. Monitoring of continued use will then be undertaken with further action taken should this continue.	As soon as Financial Regulations have been updated. 30 June 2015.	Finance Manager
To date the cleansing of the master data file is not complete.	If duplicate vendors remain on the system there is an increased risk of duplicate payments going undetected and vendor details becoming out of date where one record is updated over time.	I recommend the Chief Procurement Officer ensures the cleansing of the master data file is completed as expediently as possible.	Update March 2015 – SW1 Finance has recently completed a comprehensive exercise identifying large numbers of redundant vendors are deleted or blocked within SAP. Phase 1 (of 3) has recently been approved by clients	31/12/15 (Phase 1 - For review)	Business Systems & Support Manager

Control Assurance Definitions **Appendix C**

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 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.

- 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.



Trading Assurance Health-check 4

Benefits Realisation and On-going Commercial Delivery

South West Audit Partnership

Version number: Final

Date of issue to PO: 4th December 2014

Project Owner: Gerry Cox

Review dates: 1st December to 4th December 2014

Review Team Leader:

David Crowe

Review Team Members:

Rob Hann

Mark Poppy

Jim Scopes

This report reflects the views of the independent review team, based on information evaluated over a three to four day period, and is delivered to the Senior Responsible Officer immediately at the conclusion of the review.

Summary of report recommendations

The review team makes the following recommendations which are prioritised using the definitions below.

Ref	Recommendation	Critical /Essential / Recommended
1.	That SWAP undertake a relationship mapping exercise in order to identify new and emerging business development opportunities and to facilitate the development of a shared business development vision	Essential (do by end Q1 2015/16)
2.	That SWAP clarifies its strategic drivers in order to inform its future business plan	Essential (do by end of 2014/15)
3.	That SWAP should encourage (and where necessary provide training) to staff to see business development as a key part of their role	Recommended
4.	That SWAP management team instigate one-to-one meetings with member Section 151 officers and consider re-establishing a form of user forum or some form of engagement by virtual means	Essential (do by end of 2014/15)
5.	That SWAP considers the production of an annual report to raise awareness of SWAP's services and achievements amongst members and potential customers	Recommended
6.	That SWAP undertake a full appraisal and prioritisation of options for business development, including determining the most effective potential business structures to support the preferred approach	Essential (do by end Q1 2015/16)
7.	That SWAP develop a marketing strategy which is aligned with its strategic drivers and vision for business development	Essential (do by end Q2 2015/16)

Critical (Do Now) – To increase the likelihood of a successful outcome it is of the greatest importance that the programme/project should take action immediately

Essential (Do By) – To increase the likelihood of a successful outcome the programme/project should take action in the near future.

Recommended – The programme/project should benefit from the uptake of this recommendation.

Background

The South West Audit Partnership Ltd (SWAP) is a company limited by guarantee which provides internal audit services to local authorities, police and fire authorities, schools and other quasi-government entities in the south and west of England. It was created in 2005 and currently employs around 60 internal auditors who are located in specialist teams, internal audit, IT audit, contract audit, fraud and investigative audits as well as risk management advice and support.

The current Membership is made up of thirteen local authorities in the south west of England. SWAP is a local authority owned company and as such is focused primarily on public sector enterprises but will also consider providing services in other sectors, particularly the charitable sector and SME's.

Purposes and conduct of the Review

Purposes of the Review

The primary purpose of the Review is to review SWAP's business plan and to determine whether the anticipated benefits of the Partnership are actually being delivered

Appendix A gives the full purposes statement for the review.

Conduct of the Review

This Local Partnerships Review was carried out from 1st December to 4th December 2014 at the Yeovil Innovation Centre. The team members are listed on the front cover.

The people interviewed are listed in Appendix B.

The Review Team would like to thank Gerry Cox and his team for their support and openness, which contributed to the Review Team's understanding of the organisation and the outcome of this review.

Findings and recommendations

1. THE JOURNEY TO DATE

SWAP has existed in one form or another for nearly ten years. For eight years the partnership was governed under a joint committee arrangement. However, as the partnership grew the governance arrangements were becoming increasingly unwieldy (e.g. one member one vote and attendance difficulties led to problems with decision making). The key objectives behind incorporation were to address those governance issues and to deliver greater flexibility around terms and conditions of employment. Other drivers included a desire to deliver greater value to partners, to provide opportunities for business development and to remove reliance on one authority as host.

Since SWAP became a company in 2013 it has consolidated its member base to thirteen including a new unitary (Herefordshire - outside of traditional geographical boundaries). Over that period, all of its key objectives have been achieved with the move away from joint committee status to corporate status proving successful.

Moreover, the Review Team noted a number of positive outcomes which have been achieved since incorporation including:

- More efficient decision-making
- Scope for more flexible and proactive management including greater flexibility in programming work and in providing a wider range of services to owner/members
- Economies of scale which facilitate the development of specialist skills and enable the provision of a more resilient service to customers
- Effective leveraging of technology
- Training and professional development opportunities for staff
- Effective partnership working and 'best practice' knowledge transfer across member organisations
- Ability to provide a cost effective service tailored to individual members budgetary needs.

All of this has been delivered without disruption to the service provided to customers who remain satisfied with the quality of the service. Indeed, many of the stakeholders engaged stressed how the cost and quality of SWAP services compares favourably to other providers.

2. LOOKING FORWARD

The Review Team understand that SWAP is at a critical point in its development. It needs to make efficiency savings because Member council budgets are being cut. The Member authorities are looking for SWAP to deliver more for less. This creates a need to identify new sources of income and new customers in order to maintain viability. There is a need for diversification, both by identifying new potential members and/or customers and by widening the offer to existing members/customers.

As a prerequisite to diversification, the Review Team believe that a shared vision for the development of the business is needed. Whilst there are a number of ideas and approaches in development this has not yet coalesced into a coherent business strategy. This is understandable given the early stage of the new company. However, there is clear recognition that, given current trends, a potential funding gap will arise in the medium term which could impact on the sustainability of the business.

One way to instigate the development of a shared business development vision is to explore opportunities by engaging front line staff and members/customers in a mapping exercise to identify where existing relationships could be expanded and where new relationships could be forged in order to bring new business to SWAP. This exercise could be undertaken through a series of facilitated workshops engaging staff and stakeholders to identify such opportunities across the region. As part of this exercise the approximate geographical boundaries of SWAP's potential market could also be determined.

Recommendation 1: That SWAP undertake a relationship mapping exercise in order to identify new and emerging business development opportunities and to facilitate the development of a shared business development vision

The relationship mapping exercise needs to be complemented by an exercise to determine the key strategic drivers for the organisation in order to inform the corporate strategy and business planning in the medium to long term. Once determined this should be clearly articulated to all staff and members. Examples of such strategic drivers include:

- Appetite for risk (e.g. willingness to invest in upskilling existing staff and / or recruiting new staff in order to provide new services to new markets)
- Understanding the key priorities of members (e.g. minimising cost to member/owners) and expected outcomes (e.g. what would be an appropriate balance between public and private sector work?)
- Determining the optimum size and scale of SWAP
- Determining the markets SWAP intends to serve

Recommendation 2: That SWAP clarifies its strategic drivers in order to inform its future business plan

3. IMMEDIATE ISSUE - PLANNED RE-STRUCTURE

In order to ensure the short term viability of SWAP, senior management are taking decisive action in the form of a planned restructure of the company.

The Review Team found that, amongst staff, there are high expectations about the level of change which this restructure may deliver. Understandably, there is some nervousness about the impact of the re-structure on individual roles as well as on terms and conditions. In the short term this climate of uncertainty has had some negative impact on staff morale. This has highlighted the need for clear and unambiguous communications to staff, following the commencement of formal staff engagement in mid December. Moreover, there is an expectation from staff that the process of the restructure will be carried out in an open and transparent manner, with all staff having a clear understanding of how any competitive processes will be managed. This is clearly recognised by senior management.

4. STAFF AND STAKEHOLDER ENGAGEMENT/COMMUNICATIONS

The Review Team observed that some front-line staff do not necessarily feel sufficiently informed, empowered, incentivised or skilled to identify and attract new work. As a consequence, SWAP is potentially losing opportunities to undertake informal, low-level business development in the course of its staff carrying out day-to-day work. We believe that there is greater scope to harvest the existing customer knowledge of front-line staff and to access their local contacts and knowledge of new and emerging business development opportunities.

Recommendation 3: that SWAP should encourage (and where necessary provide training) to staff to see business development as a key part of their role

Furthermore, some key customers and stakeholders (e.g. Section 151 Officers) indicated that since incorporation, engagement outside of governance, has declined. Opportunities for customers to discuss emerging business requirements and for the management team to discuss their plans and direction of travel are being missed.

Recommendation 4: that SWAP management team instigate one-to-one meetings with member Section 151 officers and consider re-establishing a form of user forum or some form of engagement by virtual means

The Review Team also found that there is scope to more widely disseminate information about SWAP's achievements and performance.

Recommendation 5: that SWAP considers the production of an annual report to raise awareness of SWAP's services and achievements amongst members and potential customers

5. THE CURRENT TECKAL MODEL

The Review Team found that interviewees appeared broadly comfortable and familiar with the Teckal approach to business development. The fact the company delivers internal audit services to its owners provides both a degree of independence and external scrutiny, whilst maintaining a position within the broader local government environment. This provides a firm foundation upon which the business is based and from which to expand operations. The limitations of the Teckal model were also generally understood in as much as trading with non-members is currently limited to around 10% of turnover which, with legislative changes due next year, may increase this to 20%. The Review Team understand that trading with non-members has not currently reached these limits. This provides some scope for business development within Teckal boundaries.

The Review Team also encountered strong support for maintaining the current member based business model.

The fundamental issues the Review Team examined as a part of this review are how to explore new business opportunities in the short, medium and longer term and how structures could be developed to meet new opportunities as they arise both from members and non-members. We suggest the approach described in section 6.

6. APPRAISING OPTIONS TO DEVELOP THE BUSINESS

When the Review Team were briefed, the main option under consideration was the potential establishment of a separate trading company to explore trading with non-Teckal members in competition with other private sector audit service providers. The Review Team believe a full options appraisal should be undertaken to consider other alternative business structures and to ensure opportunities are maximised within the existing Teckal model.

Some options we have identified include the following (not intended to be exhaustive):

1. Adding SWAP members
2. Deepening the offer to existing members and their subsidiaries (e.g. leisure trusts, ALMOs, other trading companies)
3. Second Teckal company

4. Collaboration or merger with other audit bodies (e.g. Devon Audit Partnership, the proposed Bath and NE Somerset and North Somerset partnership)
5. New non-member customers (e.g. charities, LEPS, Academies, spin outs etc)
6. Setting up a separate trading company

There are likely to be other options and the above are not mutually exclusive.

The Review Team provide an overview below of the initial options identified:

6.1 Adding SWAP Members

SWAP has recently admitted Herefordshire Unitary Council (HC) to the membership. The fact that HC are outside of the traditional South West audit region was a matter for some consideration but overall it was felt that their inclusion would bring valuable new business and much needed additional funding to the company.

The Review Team believe that SWAP need to determine what it considers to be the optimum size and number of members that could comfortably be accommodated within the Teckal arrangements to maintain effective management, control and governance. Whilst there is no strict legal limit to the number of owner/members of a Teckal company, practically it may be difficult to manage an organisation with significantly more and diverse members. For these reasons, we believe that there is likely to be fairly limited scope to expand the number of new members and SWAP needs to think carefully about with whom it may engage and what additional benefits/funding might be added.

New potential members already constitute a relatively limited pool. Adding new key members may also mitigate the risk of losing core business from competition coming from other potential audit bodies (e.g. Devon Audit Partnership or the proposed Bath and NE Somerset and North Somerset partnership).

6.2 Deepening the offer to existing members and their subsidiaries (e.g. leisure trusts, Arm's Length Management Organisations - ALMOs, other trading companies)

Local authorities are delivering services in new ways including through establishing subsidiaries and other partnerships. These new bodies, once set up, need to be monitored and audited to ensure the outcomes expected on start-up and throughout operation are actually delivered. Parent local authorities might include an obligation to provide regular internal audit reports back to the parent bodies by the subsidiaries, perhaps paid for out of the subsidiary companies' allocated resources. In addition, there could be an opportunity, subject to conflicts of interest, to act as internal auditor for such subsidiaries. This could provide SWAP with an additional tranche of work within existing member Teckal boundaries, whilst, at the same time ensuring propriety and appropriate governance of new business structures is maintained to the benefit of all.

There could also be consultancy opportunities where there is some overlap between audit and assurance / advisory work within member authorities. There may be opportunities to prequalify on framework and call-off arrangements. A decision to consider consultancy opportunities would need to be carefully managed so as not to compromise the core service offering and may require new skill sets to be developed or brought into SWAP.

6.3 Second Teckal Company

Given feedback from several customers about the advantages of the Teckal business model, consideration could be given to establishing an additional Teckal company aimed at a specific sector, (assuming demand is sufficient). This would prevent 'member overload' in the existing Teckal company and provide a firm basis for the new sector/business to be delivered via a bespoke Teckal entity, owned by the new customer/members and potentially managed and serviced by SWAP personnel. There might be scope for this from several emerging sectors including the Police and Crime

Commissioners, schools, academies and educational facilities, fire and rescue services etc. This is the business model which has been adopted elsewhere, including by Norse Group.

6.4 Collaboration or Merger with other audit bodies

There may be opportunities to merge or collaborate with other existing audit partnerships within (or outside) the SW area (e.g. Devon Audit Partnership). The Review Team are aware that there are proposals to develop the Bath and NE Somerset and North Somerset partnership, initially into a joint committee with a view to establishing a Teckal company in due course. There may be limited time to consider the collaboration option and offer an alternative to establishing a potential competitor.

Collaboration could be by agreement rather than by way of new company or by way of adding new members to SWAP.

6.5 New non-member customers

A number of non-member potential customers have been identified and there are many more organisations who could potentially be serviced by SWAP and/or a new trading entity set up for that purpose. These new customers include academy schools, Local Enterprise Partnerships, charities and social enterprises and other similar bodies. There is an opportunity for SWAP to deliver up to 10% of its business to such customers currently and this will increase to 20% once the new EU procurement rules come into force next year. The Review Team understand SWAP is not currently trading at the limit of these boundaries and there is scope to expand this work. We understand the level of non-partner income for year ending 31st March 2014 was 4.7% and for the first 6 months of this financial year this has risen to 5.6% but remains well short of the existing 10% threshold. With the expected doubling of this threshold to 20% next year there appears plenty of scope to explore trading opportunities within the existing Teckal SWAP company. If new members join, the Teckal trading limit also grows in line with the growth in turnover.

Where trends become apparent, such as a new line of business from academies or charitable entities, consideration could be given to providing discounts on the basis of work awarded by several such bodies acting together. SWAP might be the conduit for facilitating such collaboration or else it might use its existing contacts to communicate with academies.

If a trend over time (say 1-3 years) can be determined of the Teckal trading limits being exceeded, (in the absence of other drivers such as tax considerations) that would be the time to establish a separate bespoke trading entity based on demand. The Review Team believe that careful consideration should be given to establishing a trading arm until it is absolutely necessary for the reasons given below.

6.6 Setting up a separate trading company

Setting up a separate trading company to service non-Teckal members (public, private or third sector) remains an option. There may be fiscal/tax reasons for doing so irrespective of customer or demand issues driving that approach which is beyond the scope of this review. However setting up a new body brings attendant costs, expenses, management and governance overheads which could be difficult for a relatively new start up business to manage, whilst seeking to embed the core Teckal business and restructure. It would be a different business to SWAP. It would need to compete in the open market for business against other competitors. Consideration would need to be given to which of the existing SWAP members (if any) would own the company. We have assumed any new trading entity would not be a 'subsidiary' of SWAP as this might endanger SWAP's Teckal status.

Recommendation 6: That SWAP undertake a full appraisal and prioritisation of options for business development, including determining the most effective potential business structures to support the preferred approach

7. MARKETING SWAP

The Review Team consider there is significant scope to adopt a more pro-active approach to marketing SWAP's services. For the most part this can be through informal engagement, word of mouth, customer feedback and other relevant channels. Marketing needs to be targeted, focused and customised to individual client needs. The approach to business development needs to be underpinned by a clearly articulated marketing strategy which is informed by the relationship mapping exercise and understood/adopted by all staff and SWAP members. We understand that a specialist marketing expert might be engaged to help develop a marketing strategy.

The marketing strategy should define (amongst other things):

- SWAP's full range of products / services
- Where these products and services have already been delivered to the existing member / customer base
- The benefits (both financial and non-financial) that members / customers have derived from the delivery of existing SWAP services (see bullet points on page 5)
- New markets (public, private and third sector) which have been identified for business development and any new products or services which will be developed to serve those new markets
- The pricing strategy for new the provision of new / products and services
- How the skills set of the restructured organisation will need to evolve to service new customers
- A 'bid qualification' process which articulates the criteria to be used in determining which areas of work to target (e.g. maturity of existing relationship with the potential client, likely bid costs, geographical location of the potential client, likelihood of successfully securing work from the target customer, alignment with existing SWAP skill-sets)

Recommendation 7: that SWAP develop a marketing strategy which is aligned with its strategic drivers and vision for business development

APPENDIX A

Purpose of the review

- Assessment of the business case and whether the anticipated benefits are actually being delivered (benefits will vary with time, so may be different for the first review and subsequent mid-term reviews)
- Confirmation of ongoing governance, leadership and management arrangements
- Consideration of ongoing commercial viability of the organisation, including the impact of cessation of the provision of any corporate services from the parent authority
- Ensuring that appropriate metrics / KPIs are routinely collected and used to inform decision making
- Assessing whether the business is resilient – that is whether it has the flexibility to adjust to future changes in the operating environment. This should include consideration of the wider strategic plans of the now independent organisation, particularly its future plans for ensuring its own viability should its contract with the host Local Authority cease and in that context, its plans to avoid dependence upon one significant contract and/or income stream
- Ensuring that arrangements are in place to monitor and continuously improve performance
- Ensuring that processes are in place to adequately govern and manage the business
- Assessing the scope for further innovation and the approach to managing new projects to deliver further business benefits
- Ensuring that there is appropriate staff engagement and development
- Confirmation that stakeholders are appropriately represented and involved
- Consideration of the effectiveness of the LATCo's maximisation of the opportunities afforded both by its independence from the host Local Authority and the legal form of its constitution and therefore the environment in which it now operates.
- Examination of the LATCo's financial planning arrangements such as its Reserves Policy, longer term budgets and financial planning and cash flow projections.
- Examination of continuing market analysis and responses thereto.
- Ensuring that taxation benefits have been maximised.
- Examination of the application or otherwise of the conditions in all LATCo contracts and the requirement for changes to reflect commercial benefits, penalties for non-performance, etc.
- Examination of the impacts and the acceptance of those impacts by all parties, of changes to funding streams and amounts.
- Ensuring that the LATCo is adhering to the legal requirements attached to its specific legal form.
- Consideration of the changed relationship between the LATCo and the host Local Authority and the staff, executives and non-executives of those two organisations and the impact of those changes in the contexts of both the original business objectives and the individual changed circumstances in both organisations.
- Depending upon the timing and brief of the review, the impact of all aspects of the review on both the LATCo and the host Local Authority.

APPENDIX B

Interviewees

NAME	ROLE
Jason Vaughan	Company Director, Chair of Board, Client Officer and Section 151 for Weymouth and West Dorset
Chris Gunn	Company Secretary: Finance, HR, Risk Management, Board Papers
Nick Hammacott	Senior Auditor based in Somerset County / Fraud Response Team
Charlotte Wilson	Auditor
Jo George	Audit Manager
Suella Coman	Audit Manager
Andrew Ellins	Audit Manager
Jo McCormick	Senior Auditor
CLlr Janet Page	Chairman of Audit Committee at West Dorset District Council / Member on the SWAP Members Board.
Steve Read	Managing Director - Somerset Waste Partnership
Shirlene Adam	Client and Section 151 Officer for Taunton Dean and West Somerset Councils
Donna Parham	Client Officer and Section 151 for South Somerset District Council / User Group co-ordinator
CLlr Richard Tonge	Cabinet Member for Finance, Performance, Risk, Procurement and Welfare Reform
Peter Robinson	Company Director / Client Officer and Section 151 for Hereford Unitary
Alison Holmes	Senior Auditor
Dave Warren	Auditor
CLlr Tim Carroll	Members Board Member for SSDC
CLlr Simon Coles	Audit Committee Member for Taunton Deane Borough Council
Richard Walker	MKi
Jeff Wring	Head of Audit for Bath and North East Somerset
Sue Pangborne	Chief Executive for Forest of Dean District Council
Jacqui Gooding	Audit Manager / Coordinator Fraud Response
Peter Ware	Partner Browne Jacobson Solicitors
Michael Hudson	Company Director, Client Officer and Section 151 Officer for Wiltshire Unitary
Dave Hill	Director of Planning
Ian Baker	Director of Quality
Gerry Cox	Chief Executive



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Date: 13 April 2015

When calling or telephoning please ask for: Robert Hutchins

Dear Gerry,

Internal Audit report for the South West Audit Partnership 2014/15

I can confirm that we have now completed our internal audit of the accounting arrangements for the South West Audit Partnership (SWAP) for the financial year ended 2014/15. I am pleased to report that our audit did not find any areas of concern and I am confident that the processes in place are adequate to support SWAP's annual report and financial statements.

The purpose of our audit was to review the systems of financial and other controls over the Partnership activities and to provide an opinion as to whether the operating procedures are working effectively and satisfactorily. Our work was undertaken in accordance with the Public Sector Internal Audit Standards along with other best practice and professional standards.

As part of the audit work we undertook an assessment of compliance with relevant procedures and controls and our findings are based on the areas examined and appropriate sample checking.

Key Findings

Our audit concluded that accounting statements prepared during the year were prepared on the correct accounting basis, were supported by an adequate audit trail from underlying records, and debtors and creditors were properly recorded.

All financial transactions relating to SWAP are recorded using the SAGE Financial Information Management System (FIMS) operated within the Partnership.

Orders are raised via FIMS and authorised by a member of SWAP's senior management team. Goods are receipted via the system and matched to the service/goods provided. Invoices are received and certified by the SWAP Admin staff and authorised by one of the SWAP senior management team.

A number of SWAP staff have procurement cards and statements are checked and reviewed by the admin staff and authorised by one of the senior management team. A review of a sample of

procurement card payments confirmed that good systems of control were in place and purchases coded correctly.

Invoices are raised via the FIMS system and all income receipted and recorded on the system.

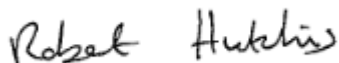
Payroll transactions are managed through South Somerset District Council and feed into FIMS on a monthly basis. A robust payroll checklist is maintained to administer and monitor the payroll on a monthly basis.

Regular bank reconciliations are performed and monthly budget monitoring reports are produced to ensure transactions are accurately recorded and any variances investigated and resolved.

From a review of the FIMS system reports, sample checking of invoices and payments, and the professional services provided by Francis Clark, Chartered Accountants, my view is that the internal control framework is satisfactory and that the accounts will fairly represent the transactions of SWAP for the 2014/15 financial year.

The Partnership has maintained a strategic risk register for a number of years, and the register is reviewed and updated on an annual basis and is a standing item taken to the quarterly board meetings. This identifies key strategic risks, current mitigating control measures and responsibility for managing those risks.

Yours sincerely

A handwritten signature in black ink that reads "Robert Hutchins". The signature is written in a cursive, slightly slanted style.

Robert Hutchins

Head of Devon Audit Partnership

Quality Assessment Improvement Plan

Introduction

This report provides the Board with information on the progress made against the Quality Assessment Improvement Plan (QAIP). The QAIP is reviewed periodically by the Management Team and by the Board at its meetings. The plan is kept under review and reports are presented to the Board on a regular basis. This provides assurance that the issues identified as part of the last review and any new improvements are being effectively managed through to completion.

Resolution

1. That the Board notes the latest update and the proposed actions in place to address the issues identified within the QAIP.

Background

The action plan was last reviewed by the Board of Directors on the 5th January 2015. The action plan remains in the same format as previously presented, with completed actions having been highlighted for removal and new items / or updates to existing items added in red text.

Further progress has been made in completing actions in the following areas:-

- Internal Audit of SWAP has been completed by the Devon Audit Partnership
- Actions arising from the Local Partnerships report have been appended to the QAIP as have further actions identified from a Management Team Away Day post restructure.

The Board's attention should be drawn to the 'management response' column which summarises the actions to be completed to address the recommendation.

A full copy of the outstanding actions is included as an appendix to this report.

C. Gunn – Company Secretary – 17th April 2015

SWAP Quality Assessment Improvement Plan (QAIP)

Final Action Plan

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
Periodic Reviews of SWAP to be regularly completed.	I recommend that the SWAP Management Team agree a time period for regular reviews, currently recommend every five years minimum, with an interim review part way through the agreed period.	3	This Action Plan will be kept under constant review. We envisage completing a full review every three years.	Chief Executive	On-Going March 2015
The Client Questionnaire Returns have highlighted a number of matters that need consideration by the Management Team and a plan devised as to how SWAP will respond to improve some of the issues raised.	I also recommend that the Chief Executive ensures that Directors follow up all scores assessed below 3 (Good) with individual Client Officers.	4 3	Agreed. Reduced priority as much picked up in LP report Client Survey results have been shared however, this action has been deferred due to restructuring and other priorities and we hope to revisit it in the new year.	SWAP Management Team	October 2012 October 2014 March 2015 September 2015
	In line conjunction with following up on scores assessed below 3 (Good), I recommend that the Chief Executive ensures that Directors follow up on all comments made with individual Client Officers.	4 3	Agreed. Reduced priority as much picked up in LP report As Above	SWAP Management Team	October 2012 October 2014 March 2015 September 2015

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
<p>External assessments must be carried out at least once every five years by a qualified independent reviewer or team from outside the organisation. The chief audit executive must discuss with the board:</p> <p>The need for more frequent external assessments; and</p> <p>The qualifications and independence of the external reviewer or review team, including any potential conflict of interest.”</p>	<p>I would therefore recommend the following:</p> <p>The Chief Executive should use the results of this review to determine whether there is a need for more frequent external assessment.</p>	3	<p>The results of this Assessment have been favourable identifying no failings with regards to the Standards.</p> <p>However, as referred to above we will endeavour to carry out a full Quality Review Assessment every three years.</p> <p>A meeting is taking place on 29th April with the four other major audit partnerships – a repeat of the 2012 exercise is on the agenda and will be scheduled in later this year.</p>	Chief Executive	<p>March 2015</p> <p>September 2015</p>
ACTIONS IN RESPONSE TO STAFF FEEDBACK:					
<p>Partner Websites do not all have clear links to the SWAP website. (Source FFL Reviews)</p>	<p>Audit Managers have agreed to liaise with Client Officers to ensure there is a clear link from Partner Websites to SWAPs.</p>	3	<p>Agreed, progress to be confirmed with Audit Managers</p> <p>The SWAP Website is undergoing some developments – when this is completed and re-launched we will pick up on this action.</p>	SWAP Management Team/ Audit Managers	<p>July 2014</p> <p>22-Oct 2014</p> <p>January 2015</p> <p>June 2015</p>

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
Outcome from External Audit of Accounts identified weaknesses	SWAP MT implement procedures to address the External Auditor's concerns on some issues identified during the External Audit of the Accounts regarding :- The capitalisation of fixed assets Review of Bank Reconciliations Authorisation of Purchase Orders Identification of Non-Partner Income	3	The Company Secretary has reviewed and implemented revised processes. These will be independently audited by DAP to provide the Board assurance. DAP are gaining approval from their Board to complete this work.	The Company Secretary	Completed November 2014 Completed
Local Partnerships have identified a number of potential areas for improvement	SWAP MT will present the report to the Board on the 15th January 2015 meeting and prepare an action plan and respond accordingly.	3	Present to Board 15 th January and then devise a response plan and incorporate key findings in Business Plan. Actions and responses have been added below.	Management Team	April 2015 Completed
SWAP has not fully explored the potential for expanding its current customer base. (Source LP Report)	That SWAP undertake a relationship mapping exercise in order to identify new and emerging business development opportunities and to facilitate the development of a shared business development vision.	4	We agree with the finding and see the importance of following this through. However, post restructure the target date (suggested end of quarter one) will not be realistic and therefore we have targeted to complete by the end of the second quarter.	Management Team	End of September 2015

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
Strategic drivers for SWAP although agreed in principle, are not clearly articulated to ensure focussed direction moving forward. (Source LP Report)	That SWAP clarifies its strategic drivers in order to inform its future business plan.	4	Agreed – this now forms a part of SWAP Business Plan	Gerry Cox	Completed
Some front-line staff do not necessarily feel sufficiently informed, empowered, incentivised or skilled to identify and attract new wo (Source LP Report)	That SWAP should encourage (and where necessary provide training) to staff to see business development as a key part of their role.	3	Agreed – we will encourage this with staff starting with our April Staff Away Day. We have also developed a proforma for staff to capture any interest and report to our new AD for External Clients to follow through. Further matters covering training etc will be addressed moving forward.	Management Team	In Progress and On-Going
Opportunities for customers to discuss emerging business requirements and for the management team to discuss their plans and direction of travel are being missed. (Source LP Report)	That SWAP management team instigate one-to-one meetings with member Section 151 officers and consider re-establishing a form of user forum or some form of engagement by virtual means.	3	Agreed – A Director will attend the Somerset meeting of s151 Officers and individual meetings will be scheduled in throughout the year.	Management Team	In Progress and On-Going

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
There is scope to more widely disseminate information about SWAP's achievements and performance. (Source LP Report)	That SWAP considers the production of an annual report to raise awareness of SWAP's services and achievements amongst members and potential customers.	4	We will produce an annual report for SWAP and use this as a means to inform our Partners and others of achievements throughout the year. This will also be used as a marketing tool when attending conferences etc.	Management Team	Mid-May
Setting up a separate trading company to service non-Teckal members (public, private or third sector) remains an option. (Source LP Report)	That SWAP undertake a full appraisal and prioritisation of options for business development, including determining the most effective potential business structures to support the preferred approach.	3	This will be picked up later in the year after our marketing plan has been developed.	Management Team	End September 2015
There is significant scope to adopt a more pro-active approach to marketing SWAP's services. (Source LP Report)	That SWAP develop a marketing strategy which is aligned with its strategic drivers and vision for business development	4	Starting with a marketing strategy and appropriate budget we will develop our approach to marketing SWAP. Initial approaches will be made to marketing 'experts' to seek advice on our approach.	Gerry Cox	End of May 2015 for initial research

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
We have a suite of KPI's which are reported on the balanced scorecard. These haven't been reviewed for some time. (Source MT Away Days)	Current KPI's should be reviewed to ensure they demonstrate achievement of our objectives and are complete.	3	We will review our current KPI's to challenge them for relevance and where necessary introduce new ones.	Management Team	October 2015
A number of clients are starting to question the length and structure of our audit reports. (Source MT Away Days)	We will review the report structure and seek the views of our clients before considering a refresh.	4	We will invite further feedback from our client officers – letting them know the issues already raised by some. We will also set up a working group to review the content and structure of audit reports for final agreement.	Management Team	September 2015