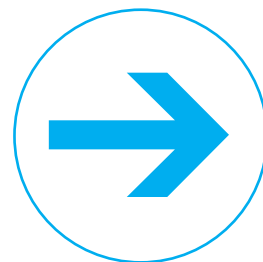


transformational change

assuring your future



2015/16 ANNUAL REPORT



SWAP

INTERNAL AUDIT SERVICES

Assuring – Improving – Protecting

welcome to SWAP



About Us

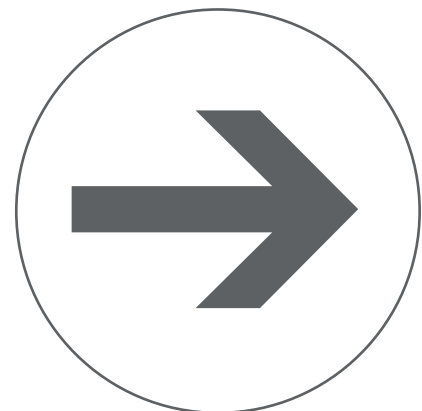
Welcome to the second Annual Report from the South West Audit Partnership (SWAP). The report is intended to provide both our stakeholders and other interested parties with a brief overview of the company's activities during the previous year, highlighting any exceptional or interesting events and giving an overview of our plans for the future.

SWAP has been in existence since 2005. Starting as a local government partnership established under Section 101 of the Local Government Act and with just two initial partners, it has grown to include fourteen Local Authorities, crossing six County borders, and a number of other public and private sector clients. After eight years the partnership had grown to such an extent that it was necessary to review our governance arrangements. As a result, SWAP became a company limited by guarantee in 2013. We continue to grow and now provide services in a number of places throughout the UK and beyond.

Our partners and clients enjoy the following benefits:

- Financial Savings over their prior internal audit arrangements
- Sharing of best practice and identified risk across all partners
- Development of in-house expertise, available to all partners and clients, including ICT and Fraud
- A wealth of experience across a range of Local Government services
- Significant increases in productivity and quality over prior arrangements

SWAP is a public sector company controlled within the meaning of the 1989 Local Government and Housing Act.



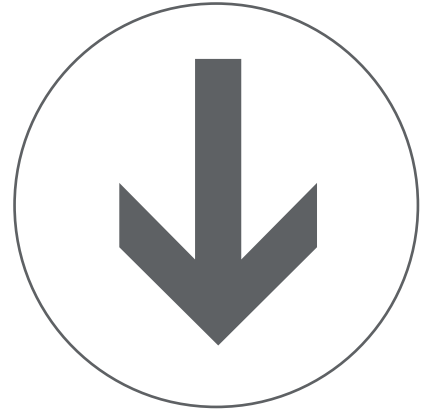
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SWAP

SOUTH WEST AUDIT PARTNERSHIP

Delivering Audit Excellence



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chief executive





Gerry Cox • Chief Executive



A Message from the Chief Executive

After eleven years of running SWAP the last year saw the most change and the biggest challenges my colleagues and I have faced since we started. Firstly, the government announced that austerity measures, for the public sector, would continue at least until 2019. With so many local government and quasi-government clients, SWAP would have to rise to the challenge of maintaining a high quality service despite the deepening economic crisis hitting the sector.

Secondly, the company restructured early in 2015 and as a result we reluctantly lost some experienced staff. But every cloud has a silver lining and the way was opened up for us to promote some outstandingly talented people we already employed. We also successfully recruited to our remaining vacant posts and now SWAP is leaner, fitter and better able to meet the expectations of our customers, both present and future.

The company now has the privilege of serving fourteen owners, with the inclusion of North Dorset District Council as a new member of the partnership. We continue to hold constructive dialogue with a number of other local authorities, police forces and others in the public sector with a view to them joining SWAP. These potential partners are all looking to share in the success that the current partners enjoy.

But SWAP is not just in the business of attracting new partners, as welcome as they are. The company has now strategically positioned itself to offer ad hoc services to those who simply wish to enhance their existing internal audit function, rather than join SWAP. In particular, we are proud of the depth and breadth of talent we have to offer in respect of Information Technology Audit and Counter Fraud services. We have concentrated our efforts in increasing our resources in both these areas, recognising that most public sector organisations struggle to provide adequate audit coverage. Of course others offer these services, but they usually come at a premium price which many cannot afford. SWAP, as a public sector owned not-for-profit company, can offer the same quality as others but at a significantly lower price. We also provide the full range of internal audit and risk management services on a one-off or contracted basis.

For many public sector bodies change management and business continuity have become huge priorities as they struggle to deliver services with very limited resources. Many organisations are being forced to take greater risks than ever, but are those increasing risks being properly managed and are they fully understood? As you can read later in this report SWAP has developed, in conjunction with some of our partners, a Healthy Organisation audit that can evaluate the state of an organisations risks and highlight those areas that require priority attention. This is a unique service specifically designed to meet the challenges the public sector currently faces.

The public sector is changing rapidly with devolution, combined authorities and new ways of delivering services all creating new opportunities but also much uncertainty. SWAP is well positioned and equipped to help our partners and customers deal with the ever-shifting risks that are emerging. Why not join them and us and look forward to an assured future!



chairman





Jason Vaughan • Chairman



A Message from the Chairman

It is a real privilege to be Chairman of SWAP. I have overseen the successful expansion of SWAP with an increase in the number of partner councils who have been attracted to the partnership due to the high quality of the Internal Audit service provided. With this successful expansion it became clear that the governance arrangements also needed to be changed. So in 2013, SWAP changed from being a partnership and operating through a Joint Committee under Section 101 of the Local Government Act 1972 to becoming a company limited by a guarantee in 2013.

The partner councils are the owners of SWAP and each of the fourteen partners are required to appoint a senior officer who becomes a Director of the company. The Board of Directors meets on average quarterly during the year and oversees the development and performance of the company. Each partner also appoints a Councillor to a Members Board who approve the overall resources and the admittance of any new partners. The Chair and Vice Chair of the Member Board are also Directors of SWAP and part of the SWAP Board of Directors. This ensures the two Boards successfully work together to ensure SWAP continues to be successful.

As a Chief Finance Officer (Section 151 officer) for three councils, I am only too well aware of the cost and difficulty in providing quality Internal Audit services for individual councils. If SWAP had not existed, I would probably have had to invent it! In the last ten years SWAP has not raised its charges to its partners and has continued to increase both the amount of audit coverage and the quality and the breadth of their work.

I agreed to take on the role of Chairman as I recognised the real value SWAP provided and its potential for the future. You are not just 'buying' an Internal Audit service but joining a successful partnership that has a proven track record of delivery. With SWAP you get so much more than an Internal Audit service. I have found access to a wide range of staff with enhanced audit skills who have an in depth understanding of not only my own organisation but also best practice across the partner authorities.

So far expanding the partnership has proved beneficial to all and our Members are keen to continue that process, as long as it remains viable to do so. As SWAP enters its eleventh year of operations, I look forward to welcoming more partners and clients to enjoy the benefits of the partnership.

J. C. Vaughan

our services



AUDIT

“SWAP are delivering a modern, flexible and engaged service that helps us control our business in a period of unprecedented change.”

Martin Gerrish, Strategic Manager, Finance Governance • Somerset County Council

Risk Based (Operational) Audits

Core to our business is the provision of an Internal Audit Service aimed at providing properly focussed assurance to our clients on the effectiveness of their internal control environment.

IT Audit

Most, if not every, service has a reliance on the IT infrastructure and the data held on IT systems. SWAP delivers IT audits to ensure systems are safeguarding the organisation's assets, maintaining data integrity, and operating effectively and efficiently to achieve the organisation's business goals or objectives. We have a wealth of experience in delivery in this area including SAP and also have Auditors trained to ISO27001.

Academy Schools

The importance of an effective Internal Audit Service within Academy Schools is confirmed by a report published by the Department for Education. A recent investigation into a London Academy School shows how thousands of pounds of School money was misused. SWAP provides Schools with an Internal Audit Service that reports directly to the School's Audit Committee, or the Committee that performs that role.

Procurement Audit

The aim of these reviews is to ensure that systems help obtain best value for money, and to provide advice and guidance on the procurement processes required to meet applicable laws and regulations.

Special Investigations/Consultancy

We undertake ad-hoc reviews/consultations to support our clients through new and emerging risks. We also carry out reactive investigations where a threat to the organisation has been identified or just to provide advice on service compliance or areas for improvement.

Counter Fraud Investigations

With three of our existing partners, SWAP has been successful in securing Government funding to deliver a counter fraud investigation service. All our fraud investigators are qualified professionals and with positive results already being achieved we plan to expand this service further.

Quality Assessment

SWAP has a number of Chartered Internal Auditors who have the skills and experience in conducting Internal Audit Quality Assessments, as required by the mandatory Public Sector Internal Auditing Standards (PSIAS). We can either provide a full external assessment or act as an external validator for internal self-assessments.

By providing these services to fourteen partner organisations and other clients, the opportunities for efficiency, benchmarking and sharing of best practice abound. Our aim is to provide support and added value to every service we review.

healthy organisation





David Hill • Director of Planning



Organisational Control

The challenge for SWAP over the last few years has been how do we stay relevant and add value to our partners and clients? This has become more important following major cuts to public sector funding resulting in the significant transformation agenda that was embarked upon and will continue for many years.

During the 2014/15 financial year, SWAP collaborated with audit groups from around the country as well as leading practitioners and professional bodies. Our aim was to develop a robust and reliable model for assessing the corporate health of organisations, particularly within the public sector.

The resulting model rigorously tests an organisations control environment, supported by a Combined Assurance approach, under eight key headings:

- Corporate Governance
- Financial Management
- Risk Management
- Performance Management
- Commissioning and Procurement
- Programme and Project Management
- Information Management
- People and Asset Management

During 2015/16 we have undertaken the Healthy Organisation review at four Local Authorities and all have acknowledged the benefits of this audit to support continuous improvement. Regular updates are being reported to monitor the overall and changing health of each organisation against an agreed improvement plan.

The benefits of this new approach have been evident in that Members of Audit Committees have acknowledged that they now have a greater understanding of their organisations. Members of the audit teams have also stated that they all have a greater understanding of the organisation as an entity rather than specific service areas.

The process has also helped identify the areas Internal Audit really need to focus on rather than those areas that have been driven by the traditional risk based approach. This allows scarce audit resource to be targeted in the most effective way.

The journey has just started with more reviews under way and the process will no doubt evolve, but after some scepticism from some parties, all are as one about the benefits the Healthy Organisation audit brings to their organisations.

All “four local authorities acknowledge the benefits of this audit”

adding value





Ian Baker • Director of Quality



Adding Value - through Collaboration

I'm sure we're all familiar with the saying "two heads are better than one". At SWAP we believe in taking that further! Of course our partner organisations already benefit from being a part of the largest internal audit partnerships in UK local government. It allows us to benchmark, compare and share best practice and learning opportunities across our partnership.

That's one of the massive benefits of partnership working, but we wanted to take this obvious advantage to a new level. The pluses of partnership working are clear for all to see, but in order to maximise the opportunity to add value to our partner organisations, five major Internal Audit partnerships have come together from around the Country under the collective banner 'Audit Together' (the Group).

Whilst each partnership has on their own been very successful, they recognise the benefit of being able to share their findings and intelligence with up to 32 Local Councils, including a good mix of County, Unitary and District Authorities, allowing for effective benchmarking exercises to be completed within the Group.

The aim of the Group is to provide support and intelligence for each partnership with a view to taking advantage of efficiencies, through sharing

and cooperation. In doing so the Group aim to enhance the value added to their partner organisations. The Group have no obligations other than their desire to share knowledge to help and support one another for the mutual benefit of their owners and the public.

Currently collaborators in addition to SWAP, who cover Dorset, Herefordshire, Somerset, Wiltshire and parts of Devon and Gloucester, includes:

- Devon Audit Partnership (DAP) in Devonshire
- Shared Internal Audit Services (SIAS) in Hertfordshire
- Southern Internal Audit Partnership (SIAP) in Hampshire
- Veritau Ltd – in Yorkshire

The Group produces a quarterly bulletin, providing an Internal Audit View, for the benefit of all Partner organisations. The Group plans to expand to include another two partnerships in 2016/17 and create a shared Website that is currently in development!

“ Audit Partnerships - Collaborating to Improve Services ”



careers at SWAP





Careers at SWAP

As an organisation that provides professional services we seek to employ only the best individuals and aim to create an outstanding working environment to attract and retain high quality internal auditors. This allows us to continue to deliver the high standards that our customers expect, as well as having staff that wish to belong to an organisation that delivers a cutting edge internal audit service.

Over the last year we have continued to invest in our staff. We have over fifty staff that work with us all year as well as a range of casual staff who join us as and when we need them. Our team is made up of professionally qualified chartered auditors, accountants, fraud examiners and IT experts all of whom enable us to deliver a service that our customers value.

Every year we ask our staff to tell us how we are performing across a range of areas. We use the feedback to ensure that our staff feel confident and motivated to deliver across our business.

As part of our commitment to our staff we continue to help them develop and improve their skills. This is achieved by either supporting them to become professionally qualified, or by helping them to become more confident in leading their teams to ensure that our customers get the best value and quality they expect from our service.

As at the 31st March 2016, 62% of our staff hold professional qualifications in internal audit or other appropriate certifications that help us deliver the service that our customers desire. 45% of those that aren't professionally qualified are currently studying.

During the year we have launched e-learning across our business, allowing staff to access a range of material available for both work related and personal development. This has helped motivate and retain staff in ensuring that their training needs are met.

We work closely with the Morgan Kai Group with a number of our staff who are qualified to deliver training across the globe on their audit management software – MK Insight. This ensures our staff have an intimate understanding of our audit management system which ultimately benefits our customers.

“62% of our staff hold professional qualifications in internal audit”

combating fraud

A large, semi-transparent blue-tinted image of a hand with fingers spread, palm facing forward. The word "STOP" is written in large, bold, dark blue capital letters across the center of the palm. The background features a pattern of light blue ovals and a circular graphic element with concentric rings and a central arrow pointing right.

STOP



Combatting Fraud

PREVENT • DETECT • DETER

Within the Autumn Statement, published in December 2013, the Government announced the formation of a Single Fraud Investigation Service (SFIS). Many Local Government staff employed in Revenues teams to investigate primarily Housing Benefit Fraud, were transferred to the Department for Work and Pensions (DWP), who are now responsible for the detection and investigation of all benefit related fraud.

On announcing SFIS, the Government said they would invest in local government's capacity to tackle non-benefit fraud. The Department for Communities and Local Government (DCLG) invited Local Authorities to submit proposals for funding to deliver financial savings through counter fraud activities. Proposals needed to achieve efficiencies and transformation through partnership working between Local Authorities and/or with other public and private sector partners.

As a consequence, three of SWAP's partners submitted a successful bid with SWAP and formed the South West Counter Fraud Partnership

(SWCFP). Working together the SWCFP is able to provide:

- Economies of scale and reduced costs
- Better targeting of limited resources
- Better use of technology and cross partner data analysis
- Sharing knowledge and best practice
- Fraud training and awareness sessions for both staff and Members

The SWCFP provide a proactive and reactive response to fraud and undertake investigations of potential fraud or irregularities. We would welcome enquiries from other organisation, so if you think we might be able to help you in any way, give us a call to discuss your requirements.

“The SWCFP provide a proactive and reactive response to fraud”

meet the team



Gerry Cox CFIIA, QIAL, CIA, CRMA • Chief Executive Officer

Former Chairman of the Board of the Global Institute of Internal Auditors and previously served as the Institute of Internal Auditors - UK and Ireland's President for two terms. Gerry has served as a Head of Audit in Local Government and has more than 30 years of Internal Audit Experience.



Ian Baker CMIIA, QIAL, CIA, FMS • Executive Director

A Chartered Internal Auditor and Fellow Member of the Institute of Management Services. Ian has over 30 year's Local Government experience with 20 years in a senior audit role. A former Head of Audit, Ian is now an Executive Director with focus on Quality and Delivery.



David Hill CMIIA, QIAL, CIA • Executive Director

A Chartered Internal Auditor, David has worked as an Auditor with the Local Government arena for 30 years. A former Head of Internal Audit, David is now an Executive Director with focus on Planning and Performance.



Rupert Bamberger CMIIA, QIAL, CA • Assistant Director

A Chartered Accountant and Chartered Internal Auditor who has worked with a range of public sector clients including Councils, Police and Fire Authorities and a number of Greater London Authority organisations.



Lisa Fryer ACA • Assistant Director

A Chartered Accountant with 4 years in Practice, then 10 years of Financial and Management Accounting experience in both the public and private sectors. For the last 10 years Lisa has been an Internal Audit Manager, leading a team in the Public Sector, with responsibility for a range of clients



Jo George CMIIA, QIAL, CIA • Assistant Director

A Chartered Internal Auditor who has worked with a diverse base of audit clients in both the public and private sector. Jo has over 20 years audit, finance and governance experience. Jo is also an accredited trainer delivering training to national and international clients.



Jacqui Gooding CMIIA, QIAL, CIA, CFE (ACFE) • Assistant Director

A Chartered Internal Auditor and Certified Fraud Examiner with 13 years of Internal Audit experience working in the public sector with the last five of those as an Internal Audit Manager. Jacqui is the Partnership's lead on Fraud.



Moya Moore CMIIA, ACA, QIAL, CIA • Assistant Director

Chartered Internal Auditor with over 15 years of Audit experience, in both the public and private sectors. As well as being a member of the ICAEW and IIA, Moya is a member of South West IIA Board. She is also an accredited trainer who has delivered training to national and international clients. Moya is responsible for new business within the partnership as well as overseeing a range of partners and clients.



Jenny Strahan CISA, BSc (Hons) • Assistant Director

Has around 20 years Internal Audit and ICT experience gained in both the public and private sector across a range of services and clients. Jenny is a member of the IIA and ISACA.



Alastair Woodland LLB, CIA, PIIA, MAAT • Assistant Director

Has over 12 years of Internal Audit experience. For the last 5 years as an Internal Audit Manager, leading a team in the Public Sector, with responsibility for a range of clients.



Chris Gunn • Company Secretary

Worked as an Auditor in Local Government for more than 20 years. A former Head of Internal Audit, Chris now acts as Company Secretary.



the future



Looking Forward

SWAP exists to serve our owners, clients and the public. Our aim is to continue to grow in order to maintain and improve the quality and effectiveness of our services. Striking the right balance between how much our services cost and the quality and value we can deliver is absolutely paramount. As others look to cut costs by reducing coverage or quality, our focus is on improving our services at no extra cost or, wherever possible, at a lower cost. We will do this by attracting more customers and

partners, helping to spread our overheads and producing better economies of scale.

Our counter-fraud partnership is now well established and is starting to attract new partners and customers. With our specialist expertise we believe we have a unique opportunity to help our partners and clients in tackling and controlling fraud.



DURING 2016/17 WE AIM TO:

- ➔ Continue to grow the number of partners, where it makes sense to do so for all concerned.
- ➔ Offer our services to even more public sector clients, including fire, police, academies and other government organisations.
- ➔ Grow our private sector business further.

the numbers




“Revenue up for second successive year”

Financial Performance

The Company had a solid year with turnover stabilising, moving from £2,563,132 (2014/15) to £2,510,957 (2015/16). Despite higher than expected restructuring costs, we still managed to achieve a significant operational surplus of £50k.

The 2015/16 full audited accounts for the Company will be uploaded to our website, but a summary of our income and expenditure unaudited figures are shown below:



“Another year of no partner fee increases”

2015/16 FINANCIAL YEAR	BUDGET	UNAUDITED YEAR END FIGURES
INCOME		
PARTNER	£2,291,214	£2,306,244
NON - PARTNER	£160,000	£109,803
OTHER INCOME	£4,900	£3,711
INCOME FRAUD PARTNERSHIP	£0	£91,200
TOTAL INCOME	£2,456,114	£2,510,958
EXPENDITURE		
STAFF RELATED COSTS	£2,171,408	£2,191,209
BUILDING COSTS	£20,424	£27,308
ADMINISTRATION COSTS	£98,410	£90,266
LEGAL AND PROFESSIONAL FEES	£80,060	£61,173
COSTS OF FRAUD PARTNERSHIP	£0	£90,677
TOTAL EXPENDITURE	£2,370,302	£2,460,633
PROJECTED SURPLUS/(DEFICIT)	£85,812	£50,325

Internal Control

The Board is collectively accountable for maintaining a sound system of internal control that supports the achievement of the SWAP's objectives, and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system. A key element in that flow of assurance is the annual opinion from the Company's Internal Auditors the Devon Audit Partnership.

Internal Audit report for the South West Audit Partnership 2015/16

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 2015/16. 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.

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

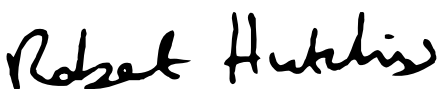
Orders are raised via FIMS and authorised by a member of SWAP's senior management team. Goods are receipted via the system and matched to the service/goods provided. Invoices are received and certified by the SWAP Admin staff and authorised by one of the SWAP senior management team. A number of SWAP 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 fed 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 2015/16 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



Robert Hutchins • Head of Devon Audit Partnership



SWAP Company Directors

Executive Directors

Gerry Cox	Chief Executive
Ian Baker	Director of Quality
Dave Hill	Director of Planning

Non-Executive Directors

Mark Taylor	Dorset County Council
Simon Davey	East Devon District Council
Paul Jones	Forest of Dean District Council
Peter Robinson	Herefordshire Council
Adam Savery	Mendip District Council
John Symes	North Dorset District Council
Alison Monteith	Sedgemoor District Council
Martin Gerrish	Somerset County Council
Donna Parham	South Somerset District Council
Richard Sealy	Taunton Deane Borough Council
Jason Vaughan	West Dorset District Council
Julie Strange	Weymouth and Portland Borough Council
Paul Fitzgerald	West Somerset Council
Michael Hudson	Wiltshire Council
Dawn Hill	Member Representative
Brian Jones	Member Representative



SWAP

INTERNAL AUDIT SERVICES

Assuring – Improving – Protecting

South West Audit Partnership Limited
Yeovil Innovation Centre
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Yeovil • Somerset • BA22 8RN

Direct Line: 01935 385906

E-mail: enquiries@southwestaudit.co.uk

www.southwestaudit.co.uk

The South West Audit Partnership Limited (SWAP) is a publically owned company, limited by guarantee. SWAP is jointly owned by: Dorset County Council, East Devon District Council, Forest of Dean District Council, Herefordshire Council, Mendip District Council, North Dorset District Council, Sedgemoor District Council, Somerset County Council, South Somerset District Council, Taunton Deane Borough Council, West Dorset District Council, West Somerset Council, Weymouth and Portland Borough Council, Wiltshire Council