

## **Information/Discussion Paper**

### **Overview & Scrutiny – 28<sup>th</sup> November 2022**

#### **SWAP Internal Audit Services**

This paper sets out who we are, what we do, how we are performing, our financial position, the risks our organisation faces, how those risks are managed and how we go about meeting the needs of our partners and clients.

#### **1. Introduction**

- 1.1 Our core business – We provide internal audit services to the Local Government sector. We were set up in 2005 when 2 councils came together to share internal audit services. We grew to such a size that in 2013 we incorporated as a company limited by guarantee as a means to manage our governance arrangements. [SWAP](#) is legally defined as a separate body to our [Partner](#) organisations operating as a private company limited by guarantee without share capital. We operate as a not-for-profit internal audit partnership dedicated to improving the efficiency and productivity of the public sector organisations we serve as well as helping them manage their risks.
- 1.2 Governance Arrangements – Broadly speaking, the Owners set strategy and make key decisions regarding the governance structure, budgets and assets. They meet 6 monthly. Each partner appoints a representative to the Owners board. Our [Board of Directors](#) oversees the implementation of strategy and monitors the overall performance of the company. Our [Management Team](#) runs the company, on a day-to-day basis, in accordance with the strategy and the direction provided by the Board of Directors.

#### **2. Performance**

- 2.1 100% Partner retention - Since our creation we have enjoyed 100% partner retention and we have grown to include 26 partners now, across 8 counties, with our head office in Yeovil. We are the biggest local government internal audit partnership in England and Wales.
- 2.2 Publicly owned - We are owned by the organisations we provide services to, the quality of our service delivery is very important to us as we have a real interest in making sure every audit represents good value for money as well as delivering in terms of quality.
- 2.3 We pride ourselves in conforming to the International Professional Practices Framework of the Institute of Internal Auditors (IIA). Our last [External Quality Assessment](#) was undertaken in 2020 and we were assessed as conformant (highest rating available).
- 2.4 Operating as a Partnership we have the advantage of being able to draw on a highly skilled workforce, as well as the shared expertise of our local government partners. We also have experience working for a range of clients, including housing organisations and charities, as well as police and fire authorities.
- 2.5 We are specialists in independent business improvement, assurance, and specialist consultation services. We use our skills and experience to help of public sector partners reach their full potential.

- 2.6 Professional engagement is important to us so that we are up to date with emerging issues through horizon scanning and sharing best practice. We work with a wide variety of collaboration groups and bodies including:
- Local Authorities Chief Auditors Network (LACAN)
  - Institute of Internal Auditors UK & Ireland - We attend IIA National Conference annually as well as the local regional events that our staff are committee members of
  - Institute of Internal Auditors Global
  - CIPFA - Chartered Institute of Public Finance and Accountancy
  - BCS – British Computer Society
  - CIFAS - The UK's largest cross-sector fraud sharing organisation
- 2.7 Our Partnership has enjoyed recognition at a national level, we were winners of the Public Finance Awards 2017 which we enter annually (Finalists again this year). We were finalists in the Audit and Risk Awards last year in 3 categories achieving Highly commended.
- 2.8 We recognise that as a profession that we cannot afford to stay still and innovation and change are key to us growing as a service, to find out more about our innovative approach please click on the following [link](#) where our CEO David Hill speaks with Richard Chambers our Non-Executive Independent Board member about change within the world of Internal Audit.
- 2.9 In addition to the areas already covered, the table below provides an overview, demonstrating a strong performing Internal Audit service with high levels of customer satisfaction.

<b>Performance measure</b>	<b>Target</b>	<b>2020/21</b>	<b>2021/22</b>
Overall Customer Satisfaction Score	95%	99.1%	99.75%
Increased Income from Non-Partners (Clients)	Set with Annual Budget	£282k	£300k
% Of Professionally qualified staff	Over 50%	63%	58%
Staff Turnover	10%	7.0%	10.3%

### **3. The Financial Headlines (based on latest accounts for 2021/22)**

- 3.1 Income – We had another solid year in terms of income, with Partner income slightly under the original budget of £3.5m and Non-Partner (Client) income continuing to recover following the financial uncertainty over the last two years, to finish the year on £300k.
- 3.2 Expenditure – We continue to manage expenditure carefully, including staffing costs and use of contractors where necessary to back fill. The ongoing homeworking arrangements are delivering savings and the knock-on effect of Covid is resulting in savings in the areas of marketing, accommodation costs and reduced travel. This has allowed us to continue to invest in Information Technology solutions to advance our digital ambitions and to achieve Cyber Essentials Plus, as well as maintain our commitment and investment in training and development within the Partnership
- 3.3 Reserves - The company's net assets (excluding the pension liability) have increased from £848,125 to £877,795. This is due to operating profit generated from activities during the

year exceeding our projected budget surplus of £5,600. The retained earnings since the company was formed has been calculated at £698,489 (in addition to the £180k relating to the funding that was provided to the company when it first started).

#### 4. Our key risks and how we mitigate them

- 4.1 At each Board meeting we provide the Board with an update on our current strategic risks. Risks are kept under review by the Executive Leadership Team and updates are presented to the Board on a regular basis, who also have real time via our Board Portal, providing assurance that the strategic risks of the Company are being effectively managed.
- 4.2 At each meeting the board is given a deep dive of one of our top 10 risks, exploring the risk and the controls in place to mitigate it.
- 4.3 The table below sets out a summary of the risks that we face and the controls in place to manage the risks.

Risk	Controls in place to manage the risk
Information Security Management - (Cyber Risk, Information Integrity and Availability) – We suffer as a result of data security / integrity issues	Inhouse Cyber security experts, Laptops and data protected by <a href="#">Microsoft 365</a> and <a href="#">Intune</a> , Use of <a href="#">External Advisors (Perspicuity)</a> for M365 security, <a href="#">Cyber Essentials +</a> Accreditation
Inadequate Business Continuity Planning - Our service provision to our Partners and Clients is disrupted	We have a Business Continuity Plan in place including Service Level Agreements with all of our with key suppliers and Partners. We have a range of IT back-up hardware which include Internet Dongles, spare laptops and SWAP Mobile phones in case of connectivity issues
Failing to attract quality staff in sufficient numbers to meet customer needs	We offer existing staff progression opportunities as well as access to professional training. We utilise an agile recruitment approach including managing a talent pool. We offer a competitive staff benefits package, make use of Audit & Risk Consultants for recruitment and are starting along the apprenticeship route
We fail to comply with Internal Audit Quality Assurance Standards / Codes of Practice with regards to the quality and coverage of our audit work resulting in damage to our reputation	We annually self-assess and report to our Board of Directors against our External Quality Assessment action plan and are committed to the training and development of our staff. We also undertake External Quality Assessments on a range of Internal Audit functions
Geopolitical risks have an adverse impact on our Partners and ultimately some may well impact on us as a Company - Pandemics, climate change, chip shortages (3rd party supply chain issues), inflationary and pay pressures	We utilise the services of our external Financial Advisors - <a href="#">PKF Francis Clark</a> to provide regular updates on key financial matters. We network via <a href="#">LinkedIn</a> , attend (virtually) <a href="#">Browne Jacobson</a> legal seminars, we have regular contact with <a href="#">Softcat</a> (Our IT equipment providers). We have a Business Continuity Plan in place, reduce travel (whilst meeting the needs of our Partners) and our staff work from home. We actively aim to reduce our CO2 emissions.

## 5. How we have gone about meeting the needs of our Partners and Clients

- 5.1 Listening to feedback from our Partner and Clients is fundamental to improving our service delivery. Customer feedback received via customer satisfaction questionnaires or directly during the course of our work, has allowed us to continue to build on our established reputation in the sector.
- 5.2 Customer feedback has enabled us to improve our service offering which aims to increase customer satisfaction, whilst ensuring maximum value for money by facilitating improvements and efficiencies wherever we can within the audit process. To understand more about the mindset that we have adopted in redeveloping our processes click on the [link](#) to hear our CEO talk about his transformational mindset. Some of the benefits of this approach that are being delivered include:
- Developed and rolling out a [one-page audit report](#), across our Partners. This looks to summarise all of the audit findings on a single page, to provide greater focus and deliver key messages more effectively.
  - Data advice & support – We have created a specialist Data Analytics Team that have helped our customers in identifying data quality issues in existing records, provided advice on the structure and content of data sets and offered practical solutions to enhance the value their data provides.
  - Data visualisation – We provide advice on existing or planned data visualisation, via Excel or PowerBi, supporting the creation of dashboards/ pivot tables/ other visualisation tools. This use of data has allowed us to assist with audit scoping and / or audit reporting, minimising the resource impact on the customer.
  - Emerging Technology - We are starting to utilise more advanced, emerging technologies. We can share our experiences with the early adoption of Automation, Natural Language Processing (NLP) and continuous assurance provision.
  - Digital Transformation – We can work with our Partners through the assurance journey, from the identification of ambitions within their digital strategies to providing specific risk advice as part of digital transformation projects.
  - [Combined Assurance and Healthy Organisation Reviews](#) – Working with our Partners we have developed and implemented organisational health checks as a highly effective way to identify critical areas where assurance or procedures could be improved in their businesses, as well as recognising areas where potential efficiency savings could be made.

## 6. Summary

- 6.1 Overall, SWAP continues to provide a robust and innovative Internal Audit service, maintaining high levels of customer satisfaction.
- 6.2 Changes are underway to deliver a service that will, going forward, work more collaboratively with our Partners as a result of adopting an interactive agile audit approach. The implementation of a new Audit Management system, [AuditBoard](#) which should further reduce the burden on Partner staff during the course of the audit and allow for greater collaboration and real time access to the progress of an audit.

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**Background Papers**

N/A

**Contact Officer**David Hill, Chief Executive  
[David.Hill@swapaudit.co.uk](mailto:David.Hill@swapaudit.co.uk)**Accountability**Paul Jones, Executive Director of Finance,  
Assets and Regeneration