

# Annual Internal Audit Report & Opinion

2020-21

West Sussex County Council



## Southern Internal Audit Partnership

Assurance through excellence  
and innovation

## Contents

Section	Page
1. Role of Internal Audit	3
2. Internal Audit Approach	4
3. Internal Audit Opinion	5
4. Internal Audit Coverage and Output	6-8
6. Key Observations	9-12
7. Anti-Fraud & Corruption	13
8. Quality Assurance and Improvement	13-14
9. Disclosure of Non-Conformance	14
10. Quality control	14
11. Internal Audit Performance	15
12. Acknowledgement	15
Annex 1 – 2020/21 Audit Reviews and Opinions	16

## 1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

***‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’***

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].



The role of internal audit is best summarised through its definition within the Standards, as an:

***‘Independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.***

The County Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The County Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives.

## 2. Internal Audit Approach

To enable effective outcomes, internal audit provides a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary. A full range of internal audit services is provided in forming the annual opinion.

The approach to each review is determined by the Head of the Southern Internal Audit Partnership and will depend on the:

- Level of assurance required;
- Significance of the objectives under review to the organisation's success;
- Risks inherent in the achievement of objectives; and
- Level of confidence required that controls are well designed and operating as intended.

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the County Council on the framework of internal control, risk management and governance in operation and to stimulate improvement.



The impact of COVID-19 during the year has had a significant impact on the way we have worked and interacted. The enforced central government directive *'if you can work from home, you must do so'* has required the Southern Internal Audit Partnership to adopt a revised operating model and innovative approach to virtual auditing.

Work contributing to my 2020/21 annual opinion has all been undertaken virtually, optimising technology and virtual platforms to share, monitor and observe operations to substantiate our findings.

I am confident that the revised operating model has not compromised quality or SIAPs ability to complete assurance work throughout the year or the conclusion drawn. I would wish to extend my appreciation to County Council officers with whom we have worked during the year for their support, cooperation, and seamless transition to the virtual audit approach without which the delivery of an annual opinion would not have been possible.

### 3. Internal Audit Opinion

The Head of the Southern Internal Audit Partnership is responsible for the delivery of an annual audit opinion and report that can be used by the County Council to inform its governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year (assurance & consultancy);
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- the results of work of other review bodies where appropriate;
- the extent of resources available to deliver the internal audit work;
- the quality and performance of the internal audit service and the extent of compliance with the Standards; and
- the proportion of the County Council's audit need that has been covered within the period.

#### ***Annual Internal Audit Opinion 2020-21***

***"I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of West Sussex County Council's internal control environment.***

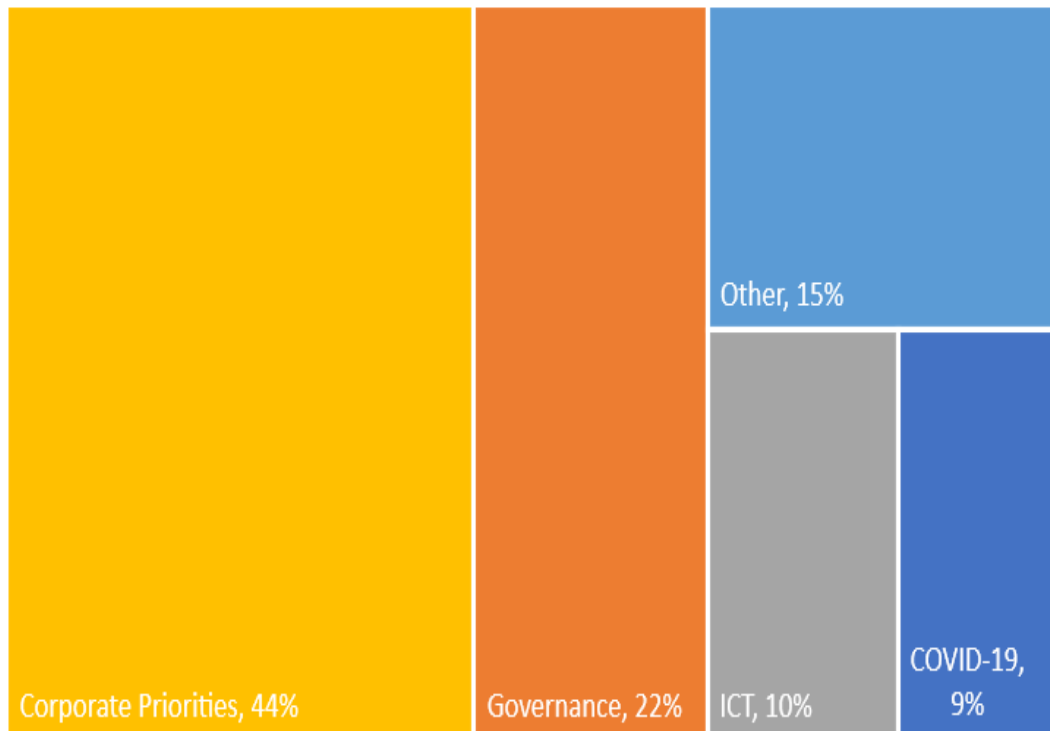
***In my opinion, West Sussex County Council's framework of governance, risk management and control is 'Reasonable' and audit testing has demonstrated controls to be working in practice.***

***Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement."***

#### 4. Internal Audit Coverage and Output

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the County Council's activities and to support the preparation of the Annual Governance Statement.

Audit Reviews by Type



Work has been planned and performed so as to obtain sufficient information and explanation considered necessary in order to provide evidence to give reasonable assurance that the internal control system is operating effectively.

The 2020-21 Internal audit plan, approved by the Regulation, Audit & Accounts Committee in July 2020, was informed by internal audits own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the organisation.

The scale of COVID-19 coupled with the speed of its impact and the wide-ranging challenges presented has necessitated new and different ways of working across the County Council. Such challenges and subsequent resolutions bring with them new and emerging risks that management need to consider, manage, and mitigate. The plan has remained fluid throughout the year to maintain an effective focus.

In delivering the internal audit opinion internal audit have undertaken 35 reviews during the year ending 31 March 2021.

Due to the ongoing pressures presented by the COVID-19 pandemic and in response to the announcement from Central Government in early January of further lockdown measures Sussex declared a 'major incident'.

From experiences of the first lockdown West Sussex County Council concluded that in prioritisation of their resources they did not feel they had sufficient officer capacity to facilitate the conclusion of the originally agreed Internal Audit Plan (20/21).

At the request of the Council's S151 Officer the Head of SIAP was tasked to review and reassess the agreed Internal Audit Plan 2020/21 to determine the minimum coverage required to still enable provision of an annual opinion for the current financial year.

It reported to the Executive Leadership Team and the Regulation Audit & Accounts Committee that the professional and regulatory expectations on local government bodies to ensure that their internal audit arrangements conform with PSIAS had not changed and heads of internal audit still needed to consider whether they can issue an annual opinion or whether there will need to be a '*limitation of scope*'.

The primary consequence of not providing an annual opinion or doing so but with a limitation of scope is that the leadership team and those charged with governance do not receive independent assurance that the framework of governance, risk management and control is adequate and effective.

Without this assurance the organisation should consider the risk of significant control weaknesses, inefficiencies or poor performance remaining unidentified. In addition, opportunities for improvement may be lost.

The internal audit plan is by its nature risk-based focusing on the key risk faced by the organisation therefore dilution to the plan is not sustainable in the long term.

It remains appropriate within the professional and regulatory standards that alongside direct internal audit work the Head of SIAP can also place reliance on other assurance providers (as set out PSIAS 250).

The revised plan was approved by ELT and the Chairman and Vice Chairman of RAAC following the request from the S151 Officer in January 2021.

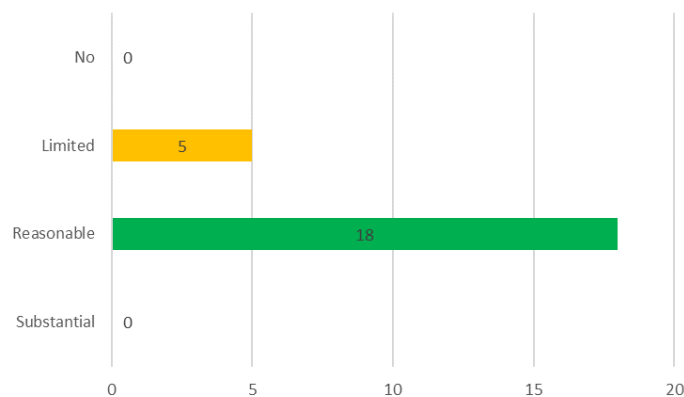
In completion of the revised plan, I feel that sufficient work has been carried out to provide an opinion on West Sussex County Councils framework of governance, risk and internal control for 2020/21.

Work is substantially complete, and an opinion has been formed for 4 reviews, however, final reports have not yet been agreed. I do not expect the outcomes of these reviews to adversely impact my annual opinion.

- Procurement (Sub £100k) (Reasonable)
- Cloud Service Provisioning (Reasonable)
- School Thematic Review (Reasonable)
- Central Government Grants (allocation) (TBC)

Fieldwork remains in progress in respect of 1 review (Dual Use Agreements). It is fully anticipated that assurance work will be completed in the near future and will be reported to Senior Management and the Regulation Audit & Accounts Committee as part of our next progress report.

There have been 30 completed reviews:



**Substantial** –A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

**Reasonable** - There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

**Limited** - Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

**No** - Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

\*7 reviews did not culminate in an audit opinion as they were a combination of position statements; advisory; grants / claims.

A list of the 2020-21 assurance reviews undertaken and their respective opinions is provided in Annex 1

## 5. Key Observations



There were no 'No Assurance' opinions issued during the year. In general, internal audit work found there to be a sound control environment in place across a majority of review areas that were working effectively to support the delivery of corporate objectives, however, there were some areas identified that provide challenge to the organisations risk environment:

### **Management of restructures**

Policies and procedures were found to be in place providing information and guidance to staff and managers on the restructure and redundancy processes, however, review highlighted some areas of omission and timely update.

Additionally, there was found to be non-compliance with existing policy and process in the following areas:

- Equality Impact Assessments could not be found for two of the restructures sampled, and some protected characteristics were not included in the EIAs reviewed.
- The Council's Redundancy Policy requires employees at risk of redundancy to be issued with a letter stating that they are at risk, followed by a later letter confirming they are to be made redundant. Testing highlighted that for five staff in one of the restructures sampled the letters issued combined both the at risk and confirmation notification in one letter.
- Before a restructure can commence, an Authority to Proceed form should be completed and signed by the Head of Service, the Director of Finance, the Director of HR and the Chief Executive to agree the process. One restructure reviewed found the form held by HR had not been signed, although continued to proceed.

### **S75 Governance**

The review focused on the governance framework for the Section 75 Agreement for the commissioning and pooled funding of various services between West Sussex County Council (WSCC) and West Sussex Clinical Commissioning Groups (CCGs).

Testing highlighted that the Overarching Partnership Agreement in relation to the Section 75 Agreement for the commissioning and pooled funding of services had diminished over time resulting in lack of clarity in respect of the agreed governance framework and performance measurement.

The Terms of Reference in the Agreement state that the Joint Commissioning Strategy Group (JCSG) should oversee the development of joint

commissioning intentions, monitor progress against these intentions and receive regular reports on performance, however, whilst financial performance was monitored and reported, there was no formal process for monitoring or reporting on the operation or overall effectiveness of the arrangements against Joint Commissioning Intentions.

At the time of the audit the pooled/non pooled budget had not been formally agreed for 2020/21 due to the exceptional circumstances of COVID 19, however, it was noted that the 2019/20 budget was not formally approved until 28 February 2020.

### **Establishment Thematic Review**

This review focused on money handling at adult establishments. Six residential homes that hold an active resident's property and active amenity account formed the sample. Each residential home manager was supported by CAPITA employed administrators to undertake administrative tasks including reconciliations of the various accounts which should be overseen and agreed by the establishment manager.

Whilst it was found that a majority of residential homes followed similar procedures in relation to administering service user monies, the processes notes were not standardised across the residential homes and not routinely kept up to date. Residential homes were not always aware of corporate policies and procedures and formal records of staff training was not always held.

For one residential home, the reconciliation(s) highlighted a large discrepancy between the folios of individual service users and the bank balance, and cash held. Additionally, there were instances where individual service users accounts were in a deficit balance.

For two of the residential homes sampled, there was no evidence of an appropriate sign off from the manager to achieve effective segregation of duties between the reconciliation preparer and authoriser.

## Health and Safety (COVID)

This review focussed on the governance arrangements and the processes in place regarding health and safety to help ensure the physical and mental wellbeing of staff during the Covid-19 pandemic.

There was found to be robust governance structures in place to direct and control activities related to Covid-19 staff health and safety with risk registers detailing remedial actions and responsibilities to reflect the latest staff H&S COVID-19 risks and a suite of risk assessment templates to facilitate homeworking and returning to workplaces. Building Covid-19 risk assessments for all Council hub buildings had also been undertaken and deemed compliant with the latest guidelines.

There have also been comprehensive corporate communications and signposting towards support facilities available to managers and staff during the pandemic.

Since the first lockdown there has been a reliance on line managers to carry out many vital health and safety activities towards staff on behalf of the Council. However, there was no further mandatory health and safety training for line managers to aid them in delivering these obligations.

Line managers were responsible for the completion of staff risk assessments for both home working and returning to the workplace. These assessments were not being carried out as per guidelines in many cases. In some cases, an outdated version of the risk assessment form was being used which did not take account of the latest government guidelines.

None of the home workers sampled had carried out a separate Homeworking Health and Safety Self-Assessment as required by the Council's Corporate Guidance for Working at Home.

Additionally, employee return-to-work risk assessments were not independently reconciled to those individuals returning to work, therefore increasing the risk that staff return to the workplace when it is unsuitable for them to do so.

## Children's – P-Cards

This review focussed on the use of P-cards within Children's Services. Whilst currently conforming to corporate process, a number of areas were highlighted where the Service could strengthen their control framework to improve their oversight and management of P-card spend.

There was no formal process in place to ensure P-card holders who leave the department have had their P-cards cancelled or to ensure substitutes or permanent replacements have been arranged for any reviewing managers no longer employed. Additionally, there was no regular review to confirm whether P-cards with low value or volume of spend were still required. Whilst an exercise was commenced to identify and close P-cards determined as no longer required, the closure of the cards had yet to be completed at the time of the audit.

There were no controls in place to demonstrate a clear business need for a new P-cards prior to issue or that the reviewing manager and default cost centre were appropriate. Additionally, there was no monitoring of the number of P-cards or volume of transactions a manager is responsible for reviewing to ensure effective review remains feasible, or a process to follow if that is not the case.

There was a disconnect between P-card spend and client identification in the main client system (MOSAIC).

P-card holders are required to scan and upload receipts in support of P-card transactions and confirm they have reviewed their own transactions ahead of subsequent management review and approval. Corporate Finance e-mail non-complying staff and produce the monthly P-Card Report tracking compliance, however, no one within Children's Services was on the distribution list for the management information and there was no officer within Children's Services assigned responsibility to work with Corporate Finance and ensure persistent non-compliance is addressed and escalated, as necessary.

With any form of off-contract, high volume transactional spend, there is potential for targeted fraudulent activity, however, there was no assigned responsibility within Children's Services for an officer with specialist knowledge of the service's needs and associated risks to review transactions for potential fraud or be a liaison point for the Corporate Finance team who centrally monitor fraudulent flags.

It should be noted that as a result of an inspection by Ofsted in 2019, West Sussex Children's Services was found to be inadequate, and is subject to intervention. The issues found are not solely financial but are also linked to social work practice. There is now a permanent senior leadership team in place who are driving an improvement journey. There has been senior management engagement throughout the audit process and they have developed a series of robust actions which are covered in the report below.

## **6. Anti-Fraud & Corruption**

The County Council is committed to the highest possible standards of openness, probity and accountability and recognises that the electorate need to have confidence in those that are responsible for the delivery of services. A fraudulent or corrupt act can impact on public confidence in the County Council and damage both its reputation and image.

The Council maintains a suite of strategies and policies to support the effective management of the prevention, detection and investigation of fraud and corruption (Anti-Fraud & Corruption Strategy and Response Plan; Whistleblowing Policy and Anti Bribery Policy).

Counter-fraud activity during the year has delivered a programme of proactive and reactive work to complement the internal audit strategy and annual plan focusing resource against assessed fraud risks in addition to new and emerging threats.

A copy of the Annual Fraud Report is attached as an addendum to this report.

## **7. Quality Assurance and Improvement**

The Quality Assurance and Improvement Programme (QAIP) is a requirement within 'the Standards'.

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a QAIP to enable the internal audit service to be assessed against the Standards and the Local Government Application Note (LGAN) for conformance.

The QAIP must include both internal and external assessments: internal assessments are both on-going and periodical and external assessment must be undertaken at least once every five years. In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020.

In considering all sources of evidence the external assessment team concluded:

***‘The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.’***

## **8. Disclosure of Non-Conformance**

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments], I can confirm through endorsement from the Institute of Internal Auditors that:

**‘the Southern Internal Audit Partnership conforms to the, Definition of Internal Auditing; the Code of Ethics; and the Standards’**

There are no disclosures of Non-Conformance to report.

## **9. Quality control**

Our aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. In complementing the QAIP this was achieved in 2020-21 through the following internal processes:

- On-going liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success;
- On-going development of a constructive working relationship with the External Auditors to maintain a cooperative assurance approach;
- A tailored audit approach using a defined methodology and assignment control documentation;
- Review and quality control of all internal audit work by professional qualified senior staff members; and
- An independent external quality assessment against the IPPF, PSIAS & LGAN.

## 10. Internal Audit Performance

The following performance indicators are maintained to monitor effective service delivery:

Performance Indicator	Target	Actual
Percentage of internal audit plan delivered (to draft report)	95%	97%
Positive customer survey response		
<ul style="list-style-type: none"> <li>West Sussex County Council</li> </ul>	90%	96%
<ul style="list-style-type: none"> <li>SIAP – all Partners</li> </ul>	90%	98%
Public Sector Internal Audit Standards	Compliant	Compliant

*Customer satisfaction was collated for SIAPs EQA and is an assessment of responses to questionnaires issued to a wide range of stakeholders including members, senior officers and key contacts involved in the audit process (survey date May 2020).*

## 11. Acknowledgement

I would like to take this opportunity to thank all those staff throughout the Council with whom we have made contact in the year. Our relationship has been positive, and management were responsive to the comments we made both informally and through our formal reporting.

Neil Pitman  
 Head of Southern Internal Audit Partnership  
 June 2021

## 2020-21 Audit Reviews and Opinions

Substantial Assurance	Reasonable Assurance	Limited Assurance	No Assurance
	Market Underwriting PPE Cell Risk Management Debt Recovery / Write off Pensions (Employer Contributions) Highways Statutory Inspections Climate Change Strategy Children, Young People and Learning Transformation Programme (Governance) Special Guardianship Allowances School Traded Services Approved Mental Health Professionals Adults Safeguarding Post COVID19 Recruitment of Interims Health and Safety - FRS Children Safeguarding (QAF) Contract Management Cyber Security (risk treatment) Organisational Assurance & Governance (FRS)	Health and Safety (COVID) Establishment Thematic Review S75 Governance Management of restructures Children's – P-Cards	

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