

Annual Internal Audit Report & Opinion

2017 - 18

West Sussex County Council



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

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

2. Internal Audit Approach

To enable effective outcomes, internal audit provide 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 organisations 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.



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 West Sussex County Council's audit need that has been covered within the period

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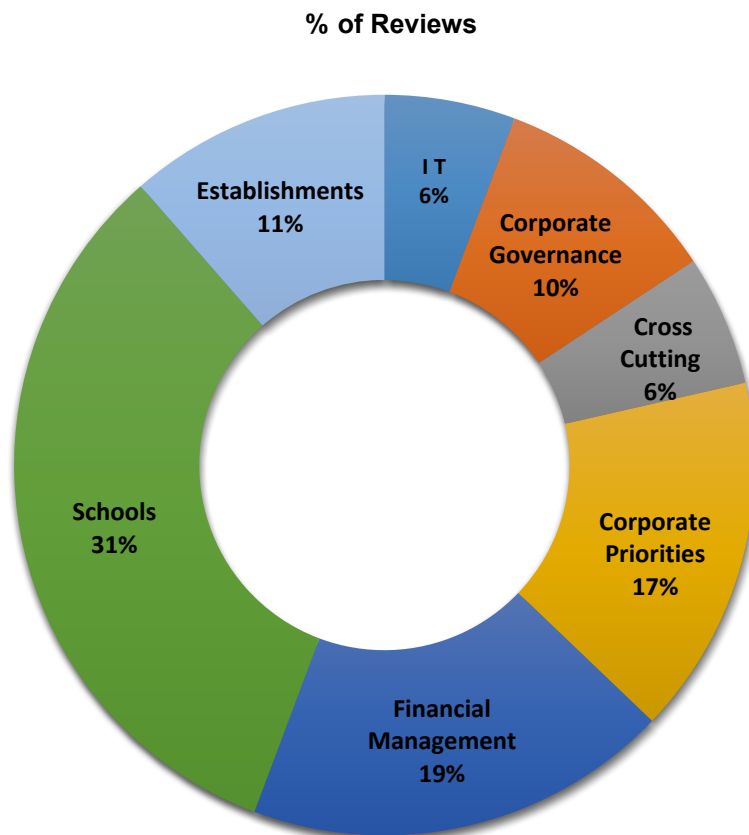
"I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of West Sussex County Council's internal control environment.

In my opinion, West Sussex County Council's framework of governance, risk management and control is 'Satisfactory' 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 Council’s activities and to support the preparation of the Annual Governance Statement.



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 2017-18 Internal audit plan, approved by the Audit Committee in March 2017, 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.

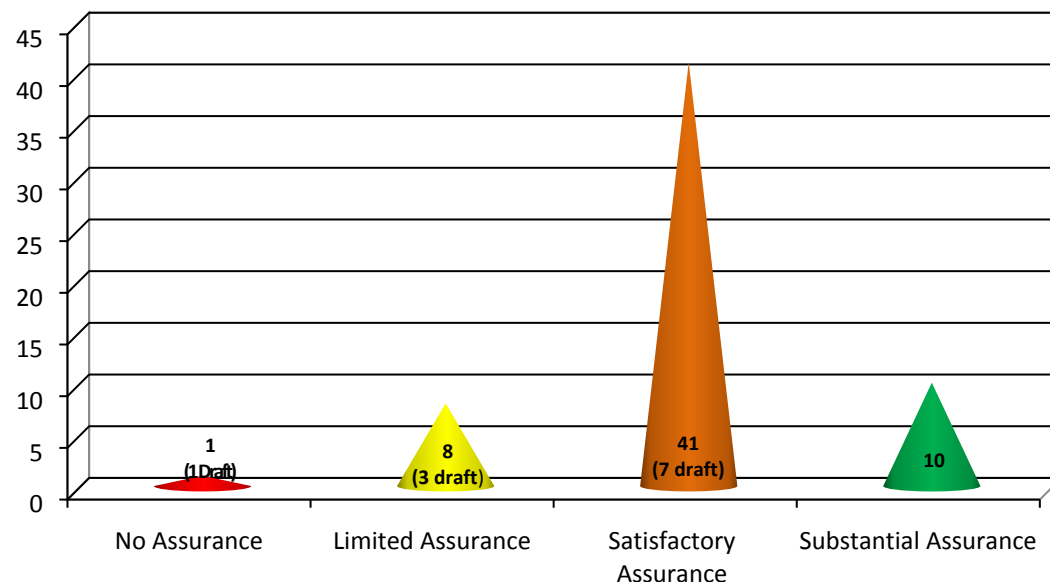
The plan has remained fluid throughout the year to maintain an effective focus.

In delivering the internal audit opinion internal audit have undertaken 71 reviews during the year ending 31 March 2018.

The revised 2017-18 internal audit plan has been delivered with the following exceptions:

- Work is substantially complete and an opinion has been formed for 11 reviews, however, final reports have not yet been agreed;
- Fieldwork remains in progress in respect of two reviews (Direct Payments; and Capital Project Management)

I do not consider these exceptions to have an adverse impact on the delivery of my overall opinion for the period. The opinion assigned to each internal audit review on issue (including draft reports) is defined as follows:



Substantial – There is a sound system of control designed to achieve the objectives. Compliance with the control process is considered to be of a high standard and few or no material errors or weaknesses were found;

Satisfactory - While there is a basically sound system, there are weaknesses, which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk;

Limited - Weaknesses in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk; or

No - Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

*nine reviews did not culminate in an audit opinion as they relate to work conducted in respect of consultancy, advice, assurance mapping, grant certification or concluded with a position statement

5. Key Observations

There was one ‘No Assurance’ opinion issued during the year relating to the Deprivation of Liberty Safeguards (DoLS).

Deprivation of Liberty Safeguards (DOLS) - are an important protection for people who are at risk of being deprived of their liberty in a hospital or a Care Quality Commission (CQC) registered care home, who lack capacity to consent to the arrangements and are not detained under the Mental Health Act 1983.

Registered homes and hospitals are ‘managing authorities’ for DOLS and they have the responsibility for preventing unnecessary deprivations of liberty and recognising when a deprivation of liberty is occurring or likely to occur. They are also responsible for referrals to the ‘Supervisory Body’ to grant ‘Authorisation’. West Sussex County Council is the supervisory body for those who may be deprived of their liberty in a hospital or care, lack capacity to consent to this and are ‘ordinarily resident’ in West Sussex.

Legislatively West Sussex County Council are required to assess ‘urgent’ request within 7 days and ‘standard’ requests within 21 days. However, as at the end of 2017/18 there were 3,468 incomplete requests (DOLS statutory sign-off presentation). NHS Digital data for the financial year 2017 identified West Sussex County Council as being in the top four local authorities where over 2,000 requests were outstanding, of which 52% were over 366 days old.

The internal audit review highlighted issues with regard; the absence of an overriding DOLS policy/ strategy; the effectiveness of the prioritisation toolkit and methodology for dealing with requests; the treatment of extended authorisation for existing cases; availability of information to the public in relation to ‘challenges’; adequacy of management information; and the ongoing effectiveness & resourcing of DOLS caseloads.

The Law Commission has made proposals to reform the Mental Capacity Act, which would see the Community and Locality teams undertaking DOLS as part of their core function. The authority needs to be mindful of this proposal to effectively align the service moving forward.

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 common themes identified that provide challenge to the organisations risk environment:

Adult Social Care – An LGA Peer Review was undertaken during May 2018 to provide an overview of Adult Social Care in West Sussex. One of the recommendations from the review was to implement a one hundred day plan to address care basics and ensure capacity and capability is in the right place, including integrated health & social care responsibilities. Planned internal audit reviews and those specifically commissioned during the year (DOLS, Direct Payments etc.) will feed into the one hundred day plan. Additionally internal audit have assisted in compiling an overview of prior internal audit reviews and other sources of assurance received by the Authority to further inform recurring themes and points of learning to feed into the process. The Director of Adult Service (Interim) initiated the one hundred day plan on 2nd July 2018.

Procurement - Spending public money requires high levels of probity and accountability, supported by an effective framework to ensure that legislative and local standards are maintained. Significant work has been on-going throughout 2017-18 to address known weaknesses in procurement practice and process.

Internal audit review during the year confirmed a number of exposures in the procurement framework remained evident either due to new processes having yet to be embedded or planned changes yet to be implemented. Such exposures included:

- Insufficient monitoring of procurement spend and readily available management information;
- Levels of non-contract spend and spend by vendor; and
- Lack of engagement with Procurement/ Legal in respect of contracts exceeding £100k leading to an incomplete and poorly maintained contract register.

Management maintain a good awareness of these issues and progress remains on-going to mitigate weaknesses. This has included the engagement of a third party to review the Council's corporate procurement approach including a review of the current organisational structures. A revised operating model is currently being implemented, which once fully embedded, will help mitigate highlighted issues.

Business Resilience – The Business Continuity and Resilience Policy outlines a commitment to ensure required plans are in place in the event of an emergency or disruptive event and identifies responsibilities and accountabilities in delivery, testing and review of the plans. At the time of the audit review, documentation to support the effective delivery of the policy and plans (i.e. Business Impact Analysis / Incident Plans etc.) were incomplete or required review, additionally only a minority had been exercised to ensure their effectiveness.

Action has been taken since the internal audit review to update incident plans, upgrade the business continuity management software, and enhance induction and training for existing staff. Additionally the water shortage incident was declared a multi-agency test. However, due to staffing changes which saw the Head of Resilience and Emergencies leave the organisation in April 2018, responsibilities for the team have now been reassigned and a revised date has been set to complete all Business Impact Analysis documents and test Service Plans by September 2018.

GDPR - A position statement was issued during the year providing limited assurance on the Council's progress to enable compliance with the requirements of the General Data Protection Regulation (GDPR) which were enacted on 25 May 2018.

The review was purposefully undertaken early in the process (October / November 2017) to maximize its value to support management in the implementation of the core aspects of legislative requirements.

In response to the position statement the Chief Information Officer attended the Regulation Audit & Accounts Committee on 26 March 2018 providing update and assurances with regard actions in place to meet GDPR requirements and key issues highlighted in the internal audit position statement. The committee noted the plans and actions underway to enable the County Council to meet its obligations arising from the GDPR.

Further reviews of GDPR, Business Resilience, Procurement and a range of Adult Services reviews are incorporated as part of the 2018/19 internal audit plan which will include a follow-up of issues raised as part of our 2017/18 work and reported accordingly to Senior Management and the Regulation, Audit & Accounts Committee.

6. Anti-Fraud and 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.

Policies and strategies are in place setting out the County Council's approach and commitment to the prevention and detection of fraud and corruption. An overview of Internal Audit activity is provided in the Annual Fraud Report 2017-18.

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 2015.

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

“It is our view that the Southern Internal Audit Partnership (SIAP) service generally conforms to all of the principles contained within the International Professional Practice Framework (IPPF); the Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).

There are no instances across these standards where we determined a standard below “generally conforms”, and 4 instances where the standard is assessed as “not applicable” due to the nature of SIAP’s remit.”

In accordance with PSIAS, annual self-assessments have been completed since the external inspection concluding that the Southern Internal Audit Partnership continues to comply with all aspects of the IPPF, PSIAS and LGAN.

8. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments] which requires ‘an external quality assessment to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside of the organisation’ I can confirm 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 County Council and maintains consistently high standards. In complementing the QAIP this was achieved in 2017-18 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;
- Registration under British Standard BS EN ISO 9001:2008, the international quality management standard complimented by a comprehensive set of audit and management procedures;
- Review and quality control of all internal audit work by professional qualified senior staff members; and
- A self-assessment against the Public Sector Internal Audit Standards.

10. Internal Audit Performance

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

Annual performance indicators			
Aspect of service	2016-17 Actual (%)		2017-18 Actual (%)
Revised plan delivered (including 2016/17 c/f)	-	-	97
Positive customer responses to quality appraisal questionnaire **	88		99
Compliant with the Public Sector Internal Audit Standards	Yes		Yes

**Customer satisfaction has been assessed through response to questionnaire issued to a wide range of stakeholders including senior officers and key contacts involved in the audit process throughout the year.

11. Acknowledgement

I would like to take this opportunity to thank all those staff throughout West Sussex County 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 2018

Internal Audit Reviews (Non Establishment) – Assurance Opinions

Substantial	Satisfactory
Treasury Management Externally Managed Investments	Cyber Security IT Capita Contract Management (Draft) IT Programme & Project Management (Draft) Accounts Payable Accounts Receivable Main Accounting System Capital Accounting & Monitoring Payments (Draft) Payroll (Draft) Pensions – External Bodies Pension Administration Internally Managed Investments Waste Strategy Public Transport Contracts Fleet Management Early Years Payments to Providers (Draft) Prevent Contract Management (Top 21) Scheme of Delegation (Draft) No Recourse to Public Funds (Draft)
Limited	No
Procurement Cards Procurement (Draft) Agency Staff Service Business Resilience Plans Beechfield CAMHS Processes (Draft) Fire Core Systems (Draft)	DoLs (Draft)

Internal Audit Reviews (Other)

Establishments - Schools	Establishment - Other
Singleton Primary Oathall Steyning Grammar Horsham Nursery School West Sussex Alternative Provision College Bersted Green Primary School London Meed Community Primary School Northchapel Primary School Amberley C.E. First School St James' C.E. Primary School Rogate C.E. Primary School Shipley C.E. Primary School Steyning Primary Easebourne C.E. Primary School The March C.E. Primary School, English Martyrs Catholic Primary School Oriol High School Millais School, Horsham Bourne Community College Ifield Community College, Crawley Felpham Community College St Andrews High School Littlegreen School	Woodlands Meed Cissbury Lodge Orchard House May House Hammonds Tozer House Strawford Centre New Tyne Resource Centre Positions Statements IT Needs Assessment School Fraud Health Check GDPR Compliance Consultancy/ Advisory Coroner Safe & Cash Handling – Thematic Health & Safety Grants Grants Think Family Work In Progress Capital Project Management Direct Payments