Southern Internal Audit Partnership

Assurance through excellence and innovation

WEST SUSSEX COUNTY COUNCIL

Annual Internal Audit Report & Opinion 2021-2022

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June 2022

Contents

1. Role of Internal Audit

The Council is required by the Accounts and Audit (England) Regulations 2015, to

'undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'

In fulfilling this requirement, the Council should have regard to the Public Sector Internal Audit Standards (PSIAS), as the internal audit standards set for local government. In addition, the Statement on the Role of the Head of Internal Audit in Public Service Organisations issued by CIPFA sets out best practice and should be used to assess arrangements to drive up audit quality and governance arrangements.

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 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 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.

As the Chief Internal Auditor, I review the approach to each audit, considering the following key points:

- Level of assurance required.
- Significance of the objectives under review to the organisations' success.
- Risks inherent in the achievement of objectives.
- 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 Council on the framework of internal control, risk management and governance in operation and to stimulate improvement.

The Southern Internal Audit Partnership (SIAP) maintain an agile approach to audit, seeking to maximise efficiencies and effectiveness in balancing the time and resource commitments of our clients, with the necessity to provide comprehensive, compliant and value adding assurance.

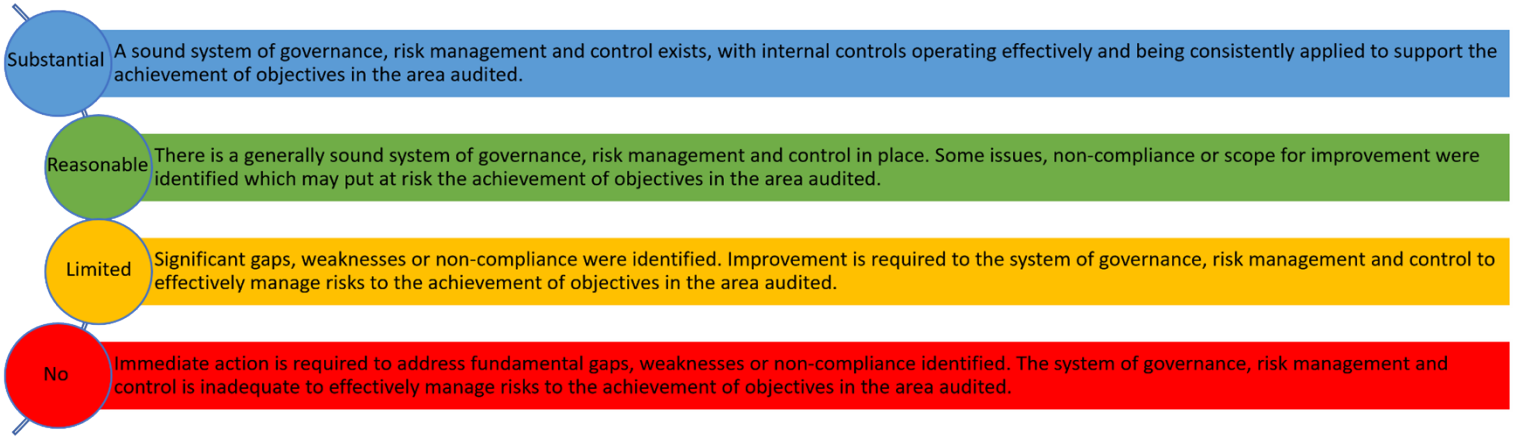
Working practices have been reviewed, modified and agreed with all partners following the impact and lessons learned from the COVID-19 pandemic and as a result we have sought to optimise the use of virtual technologies to communicate with key contacts and in completion of our fieldwork. However, the need for site visits to complete elements of testing continues to be assessed and agreed on a case-by-case basis.

3. Internal Audit Coverage

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Council activities and to support the preparation of the Annual Governance Statement. Work has been planned and performed to obtain sufficient evidence to provide reasonable assurance that the internal control system is operating effectively.

The 2021-22 internal audit plan was considered by the Regulation, Audit and Accounts Committee periodically throughout 2021/22 to complement our approach to quarterly planning. It was informed by internal audit's 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 and ensure that it continues to provide assurance, as required, over new or emerging challenges and risks that management need to consider, manage, and mitigate. Changes made to the plan were reported to the Regulation, Audit and Accounts Committee in the internal audit progress report(s) which were reviewed at each meeting.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as follows:



4. Internal Audit Opinion

As Chief Internal Auditor, I am responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform their annual governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisations' 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 Council's audit need that has been covered within the period.

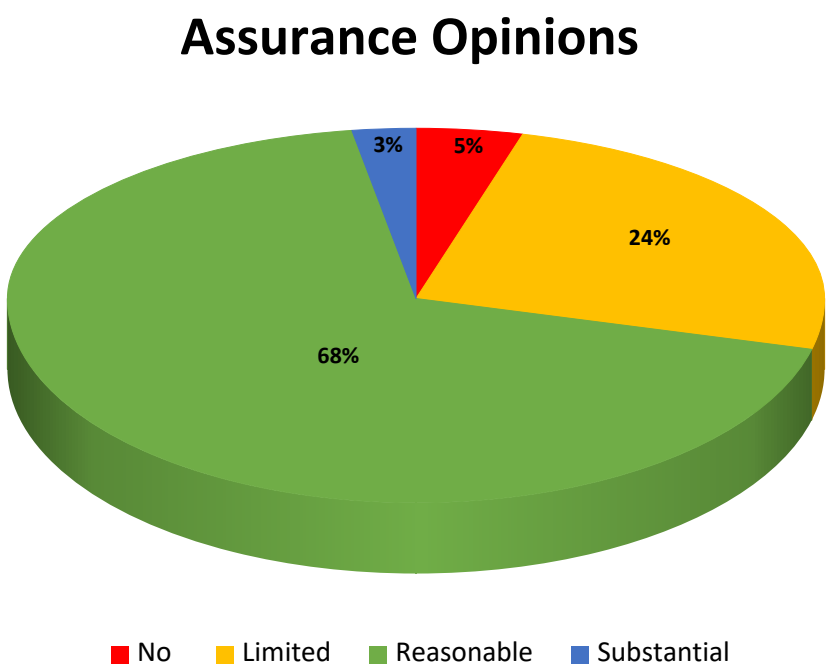
We enjoy an open and honest working relationship with the Council. Our planning discussions and risk-based approach to internal audit ensure that the internal audit plan includes areas of significance raised by management to ensure that ongoing organisational improvements can be achieved. I feel that the maturity of this relationship and the Council's effective use of internal audit has assisted in identifying and putting in place action to mitigate weaknesses impacting on organisational governance, risk, and control over the 2021-22 financial year.

Annual Internal Audit Opinion 2021-22
I am satisfied that sufficient assurance work has been carried out to allow me to form a conclusion on the adequacy and effectiveness of the internal control environment. In my opinion frameworks of governance, risk management and management control are **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.

5. Governance, Risk Management & Control – Overview & Key Observations

Assurance opinions for 2021-22 reviews

Significant findings from our reviews have been reported to the Regulation, Audit and Accounts Committee throughout the year and a summary of the assurance opinions is outlined below.



Governance

Governance arrangements are considered during the planning and scoping of each review and in most cases, the scope of our work includes overview of:

- the governance structure in place, including respective roles, responsibilities, and reporting arrangements
- relevant policies and procedures to ensure that they are in line with requirements, regularly reviewed, approved, and appropriately publicised and accessible to officers and staff.

In addition, during 2021-22 we undertook reviews of the Annual Governance Statement and Our Council (Performance), both of which concluded with a Reasonable assurance opinion and Information Governance (GDPR) which concluded with a limited assurance opinion.

Our review of information governance (GDPR) focused on compliance with the operational controls and processes to provide assurance effective information governance was in place. It was confirmed that comprehensive policies and procedures/guidance were available and accessible to staff, however, a number did not contain sufficient version control, ownership, or review dates.

Training is a mandatory requirement as part of officer induction and by way of periodic refresher. Whilst completion rates at induction were found to be high, those for refresher training were significantly lower. For members, whilst not mandatory, but still deemed important, not all members had completed the IT Security & Data Protection training.

Requirement and expectations of the ICO include an Information Asset Register and data protection KPIs to help provide assurance on information governance activities/processes. Examination of the IAR highlighted significant gaps in the information recorded and the template currently being used does not record the expected information to comply with ICO expectations. Although the IGG contribute to the compliance programme, identify, and share areas of good practice, report areas of concern/risk and agree actions with relevant directorates, the IGG do not maintain any KPIs or refer to any held, monitored or maintained by other sources.

Based on the work completed during the year and observations through our attendance at a variety of management and governance meetings, in our opinion the governance frameworks in place across the Council are robust, fit for purpose and subject to regular review. There is also appropriate reporting to the Regulation, Audit & Accounts Committee to provide the opportunity for independent consideration and challenge including the in-year update and review of the Annual Governance Statement.

Risk management

We last reviewed risk management arrangements in the Council in 2020/21 which resulted in a reasonable assurance opinion. The evidence obtained during the review demonstrated that risk management arrangements were sound, documented and embedded within the Council.

In accordance with the constitution, the Regulation Audit & Accounts Committee play a key role 'to monitor the effective development of risk management, including annually agreeing the Council's risk approach as detailed in the Risk Management Strategy'. This has been supported throughout the year through the Committees overview of the Risk Management Strategy and overview of the Risk Register which has features as a regular agenda item throughout the year.

The risk register is a key document that is taken into account during the development of our risk based internal audit plan, with the planned reviews mapped to the risk register. The information in the risk register is taken into account when scoping each review in detail to ensure that our work is appropriately focussed.

Control

In general, internal audit work found there to be a sound control environment in place across the majority of review areas included in the 2021-22 plan that were working effectively to support the delivery of corporate objectives.

We generally found officers and staff to be aware of the importance of effective control frameworks and compliance, and also open to our suggestion for improvements or enhancements where needed. Management actions agreed as a result of each review are monitored to completion to ensure that the identified risks and issues are addressed. The key areas of challenge identified or confirmed through our work are outlined below:

IR35 (Limited Assurance) - observations highlighted instances where Check Employment Status for Tax (CESTs) were absent or out of date, further, information documented within the Status Determination Statements was found on occasions, to be inaccurate or incomplete.

Policy, procedure, and guidance documents had not been routinely updated to reflect organisational change and did not include a document date, version control or future review date.

A review of consultancy suppliers revealed half of those reviewed had the employment status of "not an individual" incorrectly selected on the Supplier Approval Form.

Hammonds (Residential Care Home) (No Assurance) - in June 2021 there was a recorded variance of £9,760.39 between value of individual client accounts and the total of the balance in bank and cash in hand. Although regular reconciliations had been completed, discrepancies had not been resolved leading to an accumulation of errors over the past four years.
An overall lack of understanding of the reconciliation process and management oversight has meant that any discrepancies have not been investigated and dealt with promptly and as a result client account balances were not accurate.

Testing established that cash advances were made to clients who were in arrears and did not have funds to subsidise such advances. Conversely there were clients with balances in excess of £1,000 (although it should be noted that there is doubt over the accuracy of the client balances due to the issues highlighted above).

Whilst audit testing did not evidence any fraudulent activity / transactions, the lack of transparency and incompleteness of record keeping cannot provide absolute assurance.

Equality Impact Assessments (Highways, Transport and Planning Directorate) (Limited Assurance) - whilst there was an awareness within the Directorate of the Equality Act 2010 and the requirement that an Equality Impact Assessment (EIA) is required to support decision reports, there was a lack of understanding of the needs and issues of some groups with protected characteristics.

Corporate guidance is available detailing the processes for the completion and sign-off of EIAs and voluntary on-line training in respect of some of the protected characteristics, however, there is no comprehensive corporate training in respect of the Equality Act 2010 and the needs of all protected characteristics.

Decision reports (for executive decisions) should be supported by a completed EIA with reference to the outcome of the EIA process. Only 40% of decision reports reviewed had EIAs available to confirm the EIA process had been followed.

EIAs were not completed in respect of highways works that do not require an executive decision. Such operational works are subject to National Standards (GG101 - Design Manual for Roads and Bridges) requiring “an initial EIA screening should be carried out to determine if a full EIA process should be undertaken”. However, these are not being undertaken.

West Sussex Fire & Rescue Service

- **Working Time Directive (No Assurance)** - following the HMICFRS report published in June 2019, which highlighted the monitoring of working hours as an area for improvement there is a draft project mandate which is going through the WSFRS governance process to develop a system in line with the appropriate organisational policies/procedures for monitoring the working hours of employees to ensure compliance with the Working Time Regulations, Grey Book, WSCC constitution and associated FR Service SOPs. This audit was requested to help inform this project through identifying current issues and gaps in the control framework.

  The WSFRS Working Hours Policy details how WSFRS ensure compliance with Working Time Regulations, however, there have been numerous amendments to the legislation referenced in the policy since the last review date in 2010. The Working Hours SOP was also found to be out of date and had not been updated since 2015.

  Testing of records found that signed 'opt out' forms were not consistently held on employee files for those choosing to work more than 48 hours a week (on average) or, where held, forms were out of date, with inconsistencies to what was recorded in FireWatch.

  There was no overall record of the number of hours an employee had worked. Information from different systems used for recording overall working hours was not readily available to allow active monitoring. In addition, records of other employment for Wholetime, Retained and Support Staff were not up to date.

  The Group Crewing SOP states that Station Managers will audit records, including the accuracy of FireWatch, for their station and send quarterly audit reports to Operational Group Managers however, we were advised that no reports are received. It was further apparent that the IT Infrastructure does not support overall monitoring of hours across multiple contracts or report accurately on shifts worked or owed.

- **Firewatch (Limited Assurance)** - key observations highlighted inconsistency in the monitoring and recording of training records within Firewatch to ensure the correct competencies had been assigned both initially and following contract changes.

  Recruitment of green book Fire Service staff is managed by WSCC Resourcing and notification should be passed to People Support to enable data to be recorded within Firewatch, however, there was no formalised or documented process and therefore information was often found to be untimely and incomplete.

- **Operational Training Delivery (Limited Assurance)** - testing of operational staff completion of compulsory training courses found that in terms of their annual Physical Fitness Assessments (after allowing for staff on modified duties), around 15% of the workforce were not "in ticket" as at the time of the audit. Accuracy of system records retained in Learning Pool and FireWatch found a number of discrepancies between the systems.

  Furthermore, the training policy which underpins the strategy, covers essential information required at policy level and aligns with national training guidelines at a high level had not been reviewed since 2011.

  Whilst we were advised that trainers had attended qualification courses for the training they deliver, complete certification had not been retained by WSFRS and we were not able to evidence full certifications for all courses which are delivered by training staff.

- **Safe and Well Visits (Limited Assurance)** - the audit focused on the recommendations within the 2018/19 HMICRFS inspection report aimed at ensuring WSFRS prioritise home fire safety check activity to target those most at risk, with visits being carried out in a timely manner.
  An initial risk rating was found to be assigned to each referral received based on various risk factors, and timescales are in place for the completion of a visit depending upon the risk rating. Following the completion of the Safe and Well Visit, a final risk rating was assigned to the individual on the system providing valuable management information about the most vulnerable residents.

  Testing found however, that overall performance targets for completion of Safe and Well visits were not being met. We acknowledge that COVID-19 has had a significant impact on referrals received, and therefore, visits undertaken, however there remains a significant gap between the target and actual figures.

  As a result of the monitoring that has been taking place since January 2022, the Service has met with a number of key partners to increase awareness of safe and well visits with the aim of increasing referrals and, as a result, visits undertaken. This work is ongoing and will play a vital role in aiding the Service to meet targets moving forward.

  We also identified some issues around completion of the visit records on the system and a number of historic cases where it was unclear whether the visit had taken place.

Management actions

Where our work identified risks that we considered fell outside the parameters acceptable to the Council, we agreed appropriate corrective actions and a timescale for improvement with the responsible managers.

Progress is reported to the Regulation Audit & Accounts Committee throughout the year through the quarterly internal audit progress reports.

6. Anti-Fraud and anti-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.

Reactive Fraud Activity - The Southern Internal Audit Partnership work with West Sussex County Council in the effective review and investigation of any reported incidents of fraud and irregularity. All such reviews are undertaken by professionally accredited (CIPFA CCIP) staff, in accordance with the Council's Anti-Fraud & Corruption Strategy & Response Plan. During the year the Southern Internal Audit Partnership were engaged in three reactive fraud & irregularity investigations relating to use of P Cards, social care payments and unauthorised access, however, none were of a material nature.

National Fraud Initiative (NFI) - The NFI is a statutory exercise facilitated by the Cabinet Office that matches electronic data within and between public and private sector bodies to prevent and detect fraud.

Match reports across pensions, payroll, blue badges, concessionary travel, creditors, VAT, and Companies House were released in January 2021. All high priority matches have been risk assessed and action taken to investigate where appropriate.

Whilst there was no fraudulent activity identified from review of the matches in a majority of areas the analysis of concessionary travel data resulted in 4,423 concessionary passes being cancelled. Whilst no fraud was identified and there are no direct cash saving to the organisation, the Cabinet Office does assign a notional value of £24 per pass as a saving to the public purse based on the cost of reimbursement to bus operators for journeys made under the confessionary fares scheme.

We are continuing to review Company House matches in line with our proactive review of business declarations.

Proactive Approach - Whilst our reactive fraud work assists the Council in responding to notified incidents or suspicions of fraud and irregularity, it is equally important to ensure proactive initiatives are appropriately explored to understand, prevent and detect fraud risks across the organisation. Initiatives and subsequent outcomes during the year included:

- Advice and guidance were provided across approx. 100 enquiries. The common themes continue to relate to email scams (mandate fraud, malware, and spoof emails), with schools being particularly targeted.
- A 'General Fraud Awareness' eLearning course was rolled out in the early part of the year.
- We have issued a number of fraud awareness bulletins during the course of the year. Key themes covered have included mandate fraud (including the risk to employee payroll information) and social engineering.
- Two themed proactive review were undertaken during the year in relation to direct payments and business interests. The results of each review were collated into summary reports identifying any potential exposure to fraud risks.

7. Quality Assurance and Improvement

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a Quality Assurance and Improvement Programme (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 provision for 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

There are no disclosures of Non-Conformance to report. 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'.

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 2021-22 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.
- 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%	91%
Positive customer survey response		
- West Sussex County Council	90%	99%
- SIAP – all Partners	90%	99%
Public Sector Internal Audit Standards	Compliant	Compliant

Customer satisfaction 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 April 2022).

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

Summary of Assurance Reviews Completed 2021-22

Annex 1

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.

- Treasury Management

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.

- Central Government Grants (allocation)
- Cyber Security (Risk Treatment)
- Cloud Service Provisioning
- School Thematic Review(s)
- Ash Dieback
- Our Council Plan - Performance
- Home to School Transport
- Highways Maintenance
- School Thematic – HT Pay
- People Framework
- Annual Governance Statement
- Payroll
- Mortuary Services Contract Management
- IT Assurance Mapping
- ITIL Process Transition
- AMHPS
- WSFRS Risk & Business Continuity
- Health & Safety
- Budgetary Control
- WSFRS Fleet Management
- Climate Change Strategy
- Savings Realisation Framework
- Financial Resilience
- Business Continuity
- School Thematic – Summer School Funding
- LECSEA (DRAFT)

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.

- WSFRS Firewatch
- Adults Income (DRAFT)
- Capital Project Delivery (Education) (DRAFT)
- WSFRS Operational Training Delivery
- IR35
- Information Governance - GDPR
- Equality Impact Assessments
- Assurance Mapping (Adults) (DRAFT)
- WSFRS Safe and Well Visits

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.

- Hammonds-Residential Care Home
- WSFRS Working Time Directive