Southern Internal Audit Partnership

Assurance through excellence and innovation

WEST SUSSEX COUNTY COUNCIL

Annual Internal Audit Report & Opinion 2022-2023

Prepared by: Neil Pitman, Head of Partnership

June 2023

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.

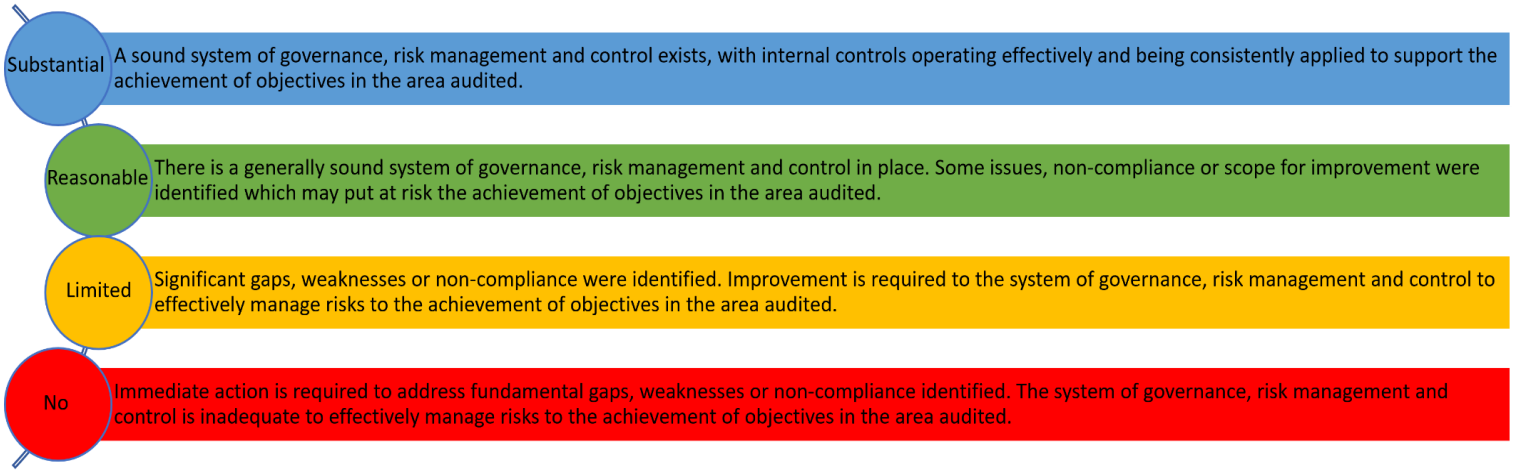
Working practices have been reviewed, modified and agreed with all partners and we have sought to optimise the use of virtual technologies to communicate with key contacts and in completion of our fieldwork. However, the need for site visits to complete elements of testing continues to be assessed and 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 2022-23 internal audit plan was considered by the Regulation, Audit and Accounts Committee periodically throughout 2022/23 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.

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.

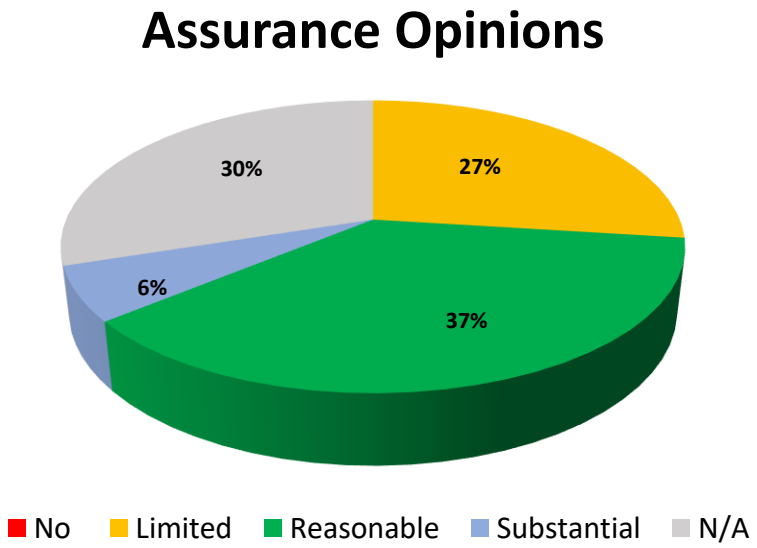
We enjoy an open and honest working relationship with the Council. Our planning discussions and risk-based approach to internal audit ensure that the internal audit plan includes areas of significance raised by management to ensure that ongoing organisational improvements can be achieved. I feel that 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 2022-23 financial year.

Annual Internal Audit Opinion 2022-23
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 2022-23 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.



**None of our audit reviews culminated in a 'No Assurance' opinion*

**N/A relates to mandatory reviews such as grant certifications and those areas were outcomes resulted in a Position Statement*

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 2022-23 we undertook reviews of Company Governance Framework and the Council's compliance with the requirements of the Regulation of Investigatory Powers Act 2000 (RIPA) both of which concluded in reasonable assurance opinions.

The review of the Company Governance Framework sought assurance that the setup of the joint venture partnership (West Sussex Property Development LLP) between WSCC through Ede's Estates Limited and Lovell Partnerships Ltd was supported by a robust governance framework. This was found to be well progressed with observations raised around the consolidation and completion of risk registers and the production of written financial and procurement procedures for Edes Estates.

The RIPA regulates the powers of public bodies to carry out surveillance and investigation and covers the interception of communications. The internal audit review of RIPA was commissioned in response to the findings within the Investigatory Powers Commissioner's Office (IPCO) inspection report, the outcomes of which were reported to the Regulation Audit & Accounts Committee on 18th July 2022.

Generally, the internal audit review found there to be well established process and compliance with the Act, however, observations were raised in respect of the maintenance and upkeep of training records and the transparency and regularity of policy review and reporting on the usage of RIPA powers to elected members in accordance with the Home Office Guidance on Covert Surveillance & Property Interference – Code of Practice.

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. A further review is being undertaken in Q1 of the 2023/24 internal audit plan.

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 through the Committees overview of the Risk Management Strategy and of the Risk Register which has featured 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. 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 2022-23 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 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:

HR Policy Decision Making - **Limited**

This review focused on the processes in place for the authorisation and calculation of one-off payments such as settlement agreements, resettlement/removal expenses, mutual termination agreements, retention payments and loans to employees.

An absence of documentation inhibited our ability to provide assurance across a range of approval and settlement agreements requested in addition to signed declarations from employees accepting the terms and conditions associated with relocation expenses along with required receipts of expenditure incurred. The employee loans scheme requires loans to be approved by the Director of HR&OD and the relevant service director, however all five loans in the sample tested had been approved by an alternative officer.

Workforce Planning - **Limited**

Strategic Workforce Planning is the process of analysing, forecasting, and planning workforce supply and demand, assessing gaps, and determining interventions to ensure that the Council has the right people with the right skills in the right places at the right time to fulfil its strategic objectives. The Local Government Association has identified that over half of Councils report having workforce capacity issues that are likely to affect their ability to deliver services.

It was positive to observe that the HR function reports workforce recruitment pressures monthly to Directorates and to the management team quarterly and there is also evidence of reporting to members in discreet areas, as part of specific committee responsibilities. There was however no corporate Workforce Strategy in place. Additionally, with the exception of the Children Young People and Learning we found limited evidence of strategic workforce planning at a directorate level.

The Peoples Framework sign posted an action to develop a Workforce Planning Toolkit to provide a consistent and corporate direction for Strategic Planning and to provide additional assurance that organisational responses are consistently considered and documented. This has yet to be realised.

The risks associated with recruitment and retention are well documented in the Council's risk management system, however there is currently no corporate reporting in place to establish whether mitigations are effective in managing / reducing the risk to the Council.

Procurement Sub £100k - **Limited**

It was reassuring to observe that corporate guidance, such as 'Standing Orders on Procurement and Contracts' and the accompanying 'Guide to the County Council's Standing Orders on Procurement and Contracts' were up to date and available on the Authority webpages.

It was also positive to note a high level of compliance for those areas where contracts were in place with regard the completion and authorisation of waivers, evaluation of tenders, and retention and storage of contracts.

However, the current financial system (SAP) does not easily associate external third party spend with a specific contract, and therefore establish accurate compliance with the Council's rules. This deficiency in the current system is planned to be addressed with the implementation of the new financial system.

Data analytics was used to assess 2021 purchase order (PO) expenditure data held within the Council's financial system. Analysis established that £26m of spend (992 suppliers) related to expenditure with a supplier between the values of £5k to £100k. Of that total £11.1m (515 suppliers) could not be aligned to a known contract where a contract could reasonably be expected based on the services provided.

The officers responsible for the procurements across the Council were sought for 295 (57%) of the 515 suppliers. From this we established 206 (70%) with a total value of £4.1m did not have a valid current contract for the services / products provided.

The WSCC Procurement Strategy sets the framework in which the Council will work to ensure that procurement delivers value for money across all services and directly contributes to the achievement of its strategic goals. This strategy ran for a three-year period between 2019-21 and contains key performance indicator information for 2019/20 and 2020/21. It has not been updated since. The Strategy also states that Category (Resources, Places, etc.) strategies were aimed to be launched in 2019/20 and monitored / evaluated (through benefit realisation) from 2020/21. We were unable to evidence any current Category Strategies being in place.

Capital Project Delivery (Education) - **Limited**

Education projects contribute towards many of the broader strategic objectives outlined in the Council Plan. The internal audit review during the year covered projects from their inception through to the early stages of the projects' delivery phase.

Whilst there were clear expectations with regard documentation required to be completed to support projects, including Strategic Outline Cases, Benefits Maps, Change Request Forms etc. these were not routinely evident for the sample of projects reviewed.

There was no universally agreed method for benchmarking project costs when the business cases were being scrutinised at Asset & Investment Hub (HUB)/ Education Capital Programme Board (EPB)/ Capital Asset Board (CAB). One method being used suggests higher cost to comparable projects and we could not obtain evidential challenge to these benchmarks as part of the minuted review of business cases, despite these projects being recommended for delivery.

There was confusion between stakeholders as to what works were expected to be included in some projects reviewed, and a lack of early liaison between key internal departments at the Council.

Children's Care Placements - **Limited**

The purpose of the audit was to review the arrangements for commissioning of residential places for children under 16, including guidance and processes in place to ensure suitable compliant provision and value for money. There was a total of 862 children looked after, including 'Asylum' and 'Child Disability' at the time of our review.

The Council's Corporate Risk Register recognised the risk of governments stipulation that from 9 September 2021 children in care under 16 will not be allowed to be accommodated in unregistered placements, which has strengthened existing regulations that stipulate that all children and young people who require foster or residential care must be placed within registered providers.

Positively, placements to unregistered providers require approval from the Director of Children Young People and Learning through completion of a 'Notice of Unregistered Placement' to Ofsted which was confirmed through testing.

However, there was some ambiguity and inconsistent practice in the use of 'Individual Placement Agreements' between the Council and the Provider for a number of placements reviewed.

The Entry to Care Panel Terms of Reference outline a range of expected processes regarding referrals and completion of both Mosaic and associated documentation. However, testing highlighted a high level of non-compliance within the sample tested. Additionally, from sample testing it was noted that the frequency of oversight, recording and content of case notes was inconsistent.

Review of Care Referral UNDER 16 Forms and Child Looked After Plans highlighted forms to be incomplete and documentation or supporting evidence could not be located in Mosaic.

Contract Management (Advocacy Services, Essex Carers, Contract Management Thematic) - Limited

We reviewed a range of contract management arrangements over the course of the year with mixed outcomes.

Review of the XMA Contract (provision of front-line IT Service desk, device build and desktop support for users), NEC4 Term Service Contract (Highways Professional Consultancy Services), Provision of Cleaning Materials and Equipment, and the Recycling Waste Handling Contract provided assurance to support a reasonable framework of governance, risk, and control.

However, reviews of contract arrangements for Advocacy Services, Reablement Services, Care Home Framework Agreement within Adults, and the Children's Placements & Other Support Services (CPOSS) Category 3 contract for Independent Foster Homes Agency (IFA) Dynamic Purchasing System (DPS) within Children's highlighted a number of weaknesses in the following areas:

- Performance measurement is not in accordance with the contractual expectations / requirements.
- Incompleteness and retention of documentation to support effective management of the contract.
- Variations to the contract unsupported by necessary documentation or evidence of appropriate authorisation.
- Management and awareness of contract variations or clauses to optimise value for money for the Council or clients / residents.
- Absence of contract risk logs.
- On-going due diligence of the provider to ensure continued financial strength, insurance certifications, employee checks etc.
- gaps identified with the processes the service-based contract management teams are following to obtain assurance from other departments within their directorates that the services are being provided in line with contractual expectations.

It is important to note that this list is a combination of issues identified and not all relate to each contract reviewed.

Adults Income - Limited

The review sought assurance of the end-to-end process for financial assessments from identifying user needs through to management reporting.

Delays above the 20 day threshold to complete the financial assessment process were evident for the majority of cases sampled a contributory factor being the difficulty of obtaining information from customers or their representatives. Additionally, there were several examples where the customer or their representative had not returned the documentation required to acknowledge and confirm they may be liable for a charge toward the cost of care provision.

Quality assurance checking has been implemented within financial assessments team from late 2021. However, there were several gaps present with some of the required checks not being completed. Additional focus was placed on assessments where Disability Related Expenditure (DRE) was a consideration, this was related to the outcome of 'SH v Norfolk County Council 2020 (CO/1640/2020)', however, in-depth analysis was not possible due to reporting limitations from the MOSAIC system.

Direct Payments (Adults) - Limited

Direct Payments enable clients to arrange and pay for their own social care support and can be made either by prepaid cards or directly to a bank account. There are approximately 1,500 Adult Services clients receiving a direct payment.

It was found that six-month reviews following a Direct Payment Agreement and subsequent annual review of the client's needs and payment calculation had been delayed or had not taken place for many clients. This is an arrears situation that has been recognised by the service and dedicated teams have been assigned to address this. At the time of testing (October 2022), performance data identified 140 long term direct payment clients of which an annual review was overdue for 60. An assessment of the performance reporting data available revealed that the Authority is not able to quantify the number of Direct Payment clients that are overdue for the six-monthly initial review.

For clients that receive a payment direct to their bank account, there were a number not submitting bank account statements on a monthly basis in accordance with the Direct Payment Agreement. Analysis of the bank statements (April 2022) confirmed they had not been received for 319 clients. Therefore, the Authority is unable to monitor client bank accounts to ensure that a surplus of Direct Payment has not accumulated.

A process to contact the client requesting bank statements that have not been submitted has been implemented, however there remains a high percentage (43%) that have yet to be contacted.

Analysis highlighted that for 36 clients that had a calculated surplus of over £10,000, evidence of notifications informing Adults Services had been recorded in MOSAIC, however the surplus balance has remained.

Adults – CQC Readiness - Limited

In preparation for CQC inspection in 2023/24 the service has undertaken a range of self-assessments to determine their compliance with the 22 Chapters of Part 1 of the Care Act 2014. The task to map and assess service compliance was extensive, resource intensive and was being undertaken alongside business-as-usual operations. Whilst staff across the directorate were working incredibly hard to complete the project, capacity has been a limiting factor in providing the required level of assurance.

During the year internal audit reviewed five of the self-assessments completed (Care and Support Planning, Information & Advice, Promoting Wellbeing, Advocacy, Transitions) to constructively challenge assumptions of assurance and compliance.

From our review we provided a limited assurance in three of those five areas (Care and Support Planning, Advocacy, and Transitions). Common themes from our reviews included:

- Numerous occasions where information documented did not provide the levels of assurance required to demonstrate the service met the Care Act requirements significantly impacting the perceived position from the self-assessment exercise.
- There were further occasions where some of the instructive and directive 'musts' and 'shoulds' were not captured in the self-assessment.
- Updates were provided to the heads of service who attend the Performance, Quality and Practice (PQP) Board on a bi-monthly basis, however, there was no regular reporting to members on the position regarding the authority's preparedness for CQC inspection.

In addition, internal audit also undertook a review of the governance framework to support CQC Action and Improvement Plan developed to address actions derived from the self-assessment process. Whilst a reasonable assurance opinion was provided on the framework in place this should not be interpreted as an assurance that all actions within the improvement plan had been addressed.

SureCloud Health Checks & Vulnerability Management Group – Limited (Draft)

The purpose of the audit was to assess the effectiveness of SureCloud Health Checks and the Vulnerability Management Group's ability to effectively identify and remediate IT security vulnerabilities. The Vulnerability Management Group were found to include a well informed membership with effective networks and access to cyber security intelligence from multiple sources.

Of twenty-two new servers built within the previous twelve months a sample of twelve were selected for the purposes of audit testing. From those selected, eight were subject to Nessus vulnerability scans however four were not scanned before go-live. Of the eight scanned servers, four were found to have vulnerabilities with a score of 8.4 (High) or above and had gone live without the vulnerabilities being addressed. There was no formalised process in place to ensure the scanning of servers for vulnerabilities before go live, to record the scanning of new build servers or to track and ensure that any identified vulnerabilities are remediated before servers are commissioned.

The Vulnerability Management Group (VMG) terms of reference document does not record who chairs the groups, does not include any escalation paths and does not state how frequently the group meets. Review of the Vulnerability Management Group minutes showed that during the seven-month period between May to November 2022 only three meetings took place.

SEND Strategy - Limited (Draft)

The WSCC SEND and Inclusion Strategy 2019-2024 was approved by the Cabinet Member for Education & Skills in December 2019. The Area SEND inspections: framework and handbook - GOV.UK was published on 29th November 2022. There is an expectation that WSCC will be inspected in the near future. The Assistant Director for Education commissioned this review to gain assurance that there was a clear understanding within WSCC as to where the West Sussex Partnership is positioned with reference to the criteria set out in the framework.

Although at the time the Strategy was approved in 2019 there was a high-level implementation plan to show how key actions supporting the three priorities would be progressed, there is no current up to date resourced plan in place to implement the strategy/achieve the targets set.

The terms of reference that underpin the forum/ board to support the lived experience of children/young people and their families had not been reviewed since 2019.

Accurate and complete data to confirm the number of children/students with EHCPs or the number of EHCPs the Council is financially responsible for is not available from Mosaic. It was noted that EHCNA data and mitigating actions are regularly discussed by the Strategy Board and this continues to be an area of significant challenge. The ongoing action for a SEND place planning and forecasting model and resource has yet to be realised.

Although performance monitoring arrangements and key performance indicators for independent SEND providers are included in the dynamic purchasing system agreement there is no regular reporting of performance against KPIs. The invitation to participate in the Children's Placement & Other Support Services Agreement includes due diligence checks including GDPR, Financial and Economic Standing and Insurance. There has been no ongoing financial due diligence although annual financial checks are planned from this year.

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 / Irregularity 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 seven reactive fraud & irregularity investigations relating to use of procurement cards (1), school mandate fraud (3), grants (1) and care providers (2), however, none were of a material nature (< £12k).

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.

Data was uploaded in October 2022 and match reports across pensions, payroll, blue badges, concessionary travel, creditors, VAT, and Companies House were released from January 2023 onwards. All high priority matches have been risk assessed and action taken to commence investigation where appropriate.

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. 60 enquiries. The common themes continue to relate to email scams (mandate fraud, malware, impersonation and spoof emails), with schools being particularly targeted.
- We have issued a number of fraud awareness bulletins during the course of the year. Key themes covered have included mandate fraud, social engineering and procurement cards.
- Two themed proactive review were undertaken during the year in relation to procurement cards and payroll expenses. The results of each review are collated into summary reports identifying any potential exposure to fraud risks. The procurement card report has been issued and the payroll expenses report is being prepared.

Procurement Cards (Pcards)

Pcards provide a convenient and cost-effective option for low value transactions, however, the increasing number of pcards in circulation coupled with the value and volume of spend also presents an increased risk of fraud and misuse.

Audit analysis covered the use of purchasing cards (pcards) by West Sussex County Council employees between July 2019 and June 2022 during which time spend totalled £11.3M over 104,000 pcard transactions across 1,172 pcards.

There were found to be controls in place which, if operating would reduce the risk of fraud or identify where fraud may have occurred, however, most of the controls were detective rather than preventative. It is therefore key that these retrospective checks are as comprehensive, informed and timely as possible.

The Council has been focusing on a compliance regime relating to pcards with mechanisms in place to chase reviewers and approvers to ensure transactions go through the due process. Whilst this has seen card holder review rates remain high, the manager approval rates are a significant area of concern with analytics confirming that £1,630,901 (14.45%) of the spend during the period of review (in excess of 14,000 transactions) were not approved by a manger.

Further, there are examples within the analytics that show key expectations of the approvers oversight have not been in accordance with the policy (for example poor / generic descriptions and no receipts uploaded), however, the spend has been approved. Of the £9,647,830 that had been approved £1,385,443 over 7,821 transactions were done so in the absence of any uploaded receipts to enable due diligence over spend.

There are fraud risks linked with the set up and removal of cardholders. Our analytics identified there were 15 active pcards where the employee has left their role at the Council. It also identified 10 card holders where they have changed role in the period reviewed, the application form suggests the card is assigned to a specific role and should be surrendered if this role changes.

There are 11 approvers that oversee 10-25 card holders. The spend across these cards totalled £641,000 across 7,343 transactions. This span of control for approvers would make robust oversight of transactions difficult to maintain.

There were examples where card holders had continued to use their pcards whilst absent from work (sickness etc) or on annual leave. Where an employee uses their card whilst they are not working there is an increased fraud risk that it has been used for personal use rather than work related purposes. It could also mean that the card has been shared with colleagues in their absence, which would be in contravention of the pcard scheme.

Over £159,000 were transactions via PayPal or other third-party payment providers spread across 971 transactions. These types of payments have been the subject to fraud investigations and are a mechanism where the payment can be disguised to appear like it is work related but offer limited visibility on what or who received the payment unless the receipt is provided. For over half (54%) of the transactions through these payment providers, a receipt had not been uploaded to the RBS system and therefore the approver would not have had sufficient details to be able scrutinise the transaction.

There was a significant amount of spend through suppliers where there are corporate contracts in place and where the guidance says spend is not permitted. This includes spend on IT equipment, agency staff, stationery, travel / accommodation, and consultancy services.

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 2022-23 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 internal quality assessment against the IPPF, PSIAS & LGAN to support the 2020 independent external assessment.

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%	95%
Positive customer survey response		
○ West Sussex County Council	90%	97%
○ 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 2023).

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 2022-23

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.

- Capita Contract
- XMA Contract Delivery
- Smarter Working – Programme & Project 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.

- Accounts Receivable
- Payment to Providers (Hospital Discharge Pathway)
- Local Energy Communities for the 2 Seas Region
- Company Governance Framework
- Use of Agency Staff
- RIPA
- Unaccompanied Asylum-Seeking Children (Draft)
- Information & Advice - CQC
- Promoting Wellbeing - CQC
- Medicine Control – Adults Thematic
- Grenfell Tower – Action Plan
- Assurance Mapping – Adult Services
- WSFRS – Safe & Well – Follow Up (Draft)
- Software Development & Management (Draft)
- CQC Action / Improvement Plan
- Foster Care Payments
- Payroll
- WSFRS - Overtime & TOIL
- Accounts Payable
- School Building Upkeep & Maintenance (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.

- Adults Income
- Capital Project Delivery (Education)
- HR Policy Decision Making
- Advocacy (Contract Management)
- Direct Payments
- Workforce Planning
- Procurement ((Sub £100k)
- Care & Support Planning – CQC
- Advocacy – CQC
- Transitions – CQC
- Assurance Mapping – Adult Services
- Children's Care Placements
- SEND Strategy (Draft)
- SureCloud Health Checks & Vulnerability Management (Draft)
- Contract Management (Draft)

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.

None

*Two reviews (SmartCore and Joint Fire Control) have been drafted; however, we are awaiting factual accuracy prior to reporting, and three reviews (Pension Fund Processes, Children's Transitions and Homes for Ukraine) remain work in progress. All will be reported as part of the next progress report to the Regulation Audit & Accounts Committee. The status of these reviews has not inhibited my ability to provide an overall opinion on the County Council's framework of governance, risk and control.