Report to Regulation, Audit and Accounts Committee

14 July 2023

Response To Annual Internal Audit Report and Opinion 2022/23

Report by Director of Finance and Support Services

Summary

This Committee has responsibility for oversight of the Council's Internal Audit Function. During the year, the committee receive quarterly update on progress with audit reviews undertaken in the year and at the end of the year an overall Annual Internal Audit Report and Opinion.

The full Annual Internal Audit Report and Opinion for 2022/23 is included as a separate report. Overall, the County Council has been given a 'reasonable' opinion for its frameworks of governance, risk management and management control. This recognises the good progress that has been made against the implementation of the outcome of the 'Good Governance Review' that took place in 2020/21.

However, during 2022/23, fifteen reviews received 'limited assurance'. Each year, some reviews would be expected to receive this assurance level and demonstrates that the audit plan is robust and investigating the areas where there are concerns and services are demonstrating openness and transparency on areas of concern and using the outcome of the internal audit reviews as a tool for improvements.

The focus of this report is to provide an update by the Director of Finance and Support Services on the reviews that received 'limited assurance' in the year and to report progress on addressing the findings of the audit reviews and an update on the management actions. Progress varies from fully implemented management actions to those where progress has been made but actions are partially achieved.

Recommendations

(1)   The Committee is asked to review the information detailed in the report and provide comment, as necessary.

Background and Context

1.1   Internal Audit is an assurance function whose primary purpose is to provide an independent and objective opinion to the organisation on the

control environment comprising of risk management, control and governance, in support of the objectives of the Council.

1.2 The annual audit plan is prepared to take into account key areas of risk and was approved by the Regulation, Audit & Accounts Committee (RAAC) and delivered in accordance with the Public Sector Internal Audit Standards (PSIAS).

1.3 Audit work has been undertaken to obtain all information and explanations considered necessary to provide sufficient assurance that the control environment is both reasonable and effective. Whilst no assurance can ever be absolute, on the basis of audit work completed, it is the Head of Internal Audit's opinion that the County Council's framework of governance, risk management and control is 'reasonable'.

1.4 However, there were fifteen reviews in the year which received 'limited assurance'. Progress against the recommendations is set out in this report which should be read alongside the separate report on the agenda – 'Annual Internal Audit Report and Opinion'.

Progress Against 'Limited Assurance' Reviews

2.1 A summary of the audit findings can be found in the Annual Internal Audit Report and Opinion (separate report on the agenda). Progress is set out in the following section.

HR Policy Decision Making

2.2 Two of the outstanding actions relate to the review of process and documentation of the employee loan scheme. The scheme as audited is no longer used and is in the process of being replaced by a scheme that provides loans only in cases of hardship. In the interim, a small number of hardship loans have been approved to support overseas recruitment and the form in use for these purposes accommodates the concerns raised by the audit. Once the new hardship loan scheme is finalised, the associated process and documentation will be further reviewed to ensure the audit recommendations are reflected.

2.3 There are three recommendations for the documentation and process relating to the relocation expenses which have been difficult to progress with other priorities of the service and are due to be completed by the end of July 2023.

Workforce Planning

2.4 There were two key management actions resulting from this audit review.

• Establish a WSCC-wide workforce plan identifying key priorities and challenges

2.5 This action is focused on the identification of internal and external (where known) factors that may have an impact on capacity and capability within the County Council. Activity to identify these issues is progressing

well. Some cross cutting factors and some less immediately clear drivers of change need further work to understand, valid and explore potential impacts and therefore the analysis has taken longer than initially anticipated. Some further work is also required on the workforce data that will enable validation of the priority issues. This work will be taking place during July 2023 and will include a review by ELT.

- Develop plans for other recruitment and retention priorities

2.6   The focus of this action is the use of forecasting approaches to identify potential capacity shortfalls to inform action planning for roles where recruitment and retention is particularly challenging. Progress is being made in this area however, further work is required on the supporting data to populate the model. It is anticipated that the model can be established for some hard to fill roles by 31 July 2023 and further roles by 31 August 2023.

Procurement (less than £100,000)

2.7   This audit covered the procurement activity undertaken by officers and managers within Directorates across the Council, as defined in 'WSCC Standing Orders on Procurement & Contracts'.

2.8   Good progress has been made against the findings of the audit review. There is now additional planned engagement with services (which includes at DLTs with Quarterly reporting of Contract non-compliance) to communicate and support with the County Council's procurement governance and awareness of Standing Orders and related processes. This is expected to be further strengthened through the implementation of Oracle Fusion which will enable the service to more specifically address and drive buying behaviours, authorisations and standardised controls.

2.9   Development of improved and targeted induction and Procurement and Contract Management awareness training materials are in progress and will be deployed for all staff involved in spending public money.

2.10   The current Procurement Strategy is for the period 2019 to 2021. A review is underway and the revised strategy will be published in Autumn/Winter 2023 and will reflect the changes to procurement business processes across the Council in line with the Procurement Reform and other Government guidance.

Capital Project Delivery (Education)

2.11   The education capital delivery is a significant programme of work which is crucial in supporting the mitigation of SEND High Needs Block spending. It is also the vehicle for the delivery of place planning and the provision of places based on both basic need in existing schools and the development of new schools. There are risks related to the timetabling of the programme and competing demands across the Council.

2.12   The benchmarking of the cost of new schools remains an issue for development to ensure value for money. In some cases, costs have risen in projects due to the current climate in the construction sector which is being seen across many capital projects and this is now taken into consideration at the start of the project and its costings.

2.13   The Education Programme Board will review and scrutinise all projects, their costs and scope and with the use of benchmarking.

Contract management

2.14   This audit covered the procurement activity undertaken by officers and managers within Directorates across the Council, as defined in 'WSCC Standing Orders on Procurement & Contracts'. Many of the actions following the Procurement (less than £100k) review are also relevant to this audit, including planned engagement with services, induction and training materials and awareness of procurement governance processes and requirements.

2.15   Work is also under way to develop a complete contracts register and strengthen the role of Procurement Board in the procurement governance process.

2.16   In relation to the contracts within Adult Social Care which were considered as part of this review, good progress is being made to address the findings of the audit review. The restructure of the commissioning team will support the focus on specific contract areas with clear lead officer accountability.

2.17   The new People and Communities Workforce Development Plan will support the development of a consistent approach to the management of contracts as part of the commissioning cycle.

Children's Care Placements

2.18   The internal audit report identified weaknesses in the contract management for Category 3 of the CPOSS DPS (Independent Fostering Agencies). The team responsible for the contract management of this DPS has been redesigned and a new service structure was implemented in January 2023. Practice and process has and continues to strengthen, and is monitored weekly by the newly appointed Head of Service. A new quality assurance framework is placing greater emphasis on contractual performance monitoring, reviews and due diligence checks with improvements to reporting. This includes exception reporting for the Children's Services management team from July 2023.

2.19   It was recognised in the audit report that where the council procures placements for our children outside of the established local, regional and national frameworks, that historically there has been limited use of formal contractual agreements and a lack of a standardised approach. This has been addressed and a new governance process designed with a planned

go live of the 1 July 2023. This will result in all off-list providers being required to accept and sign an individual placement agreement (IPA) which will clearly set out a formal agreement in relation to the outcomes expected for the child and associated expenditure.

2.20 In terms of entry to care, recent learning from audit activity has informed a series of remedial actions that have and continue to strengthen the practice and process when a child enters the care of the County Council. The process shortfalls and required recording practice around the authorisation and confirmation of placements, across commissioning and the operational teams has been addressed and is being monitored weekly by the respective Heads of Service and Assistant Directors to ensure compliance and sustained improvement.

Adults Income

2.21 Performance is currently below the expected levels for the processing of financial assessments and in 2022/23 the target processing time of 20 days was not met. Good progress is being made in addressing the current backlog with the support of a third party provider and it is expected that assessments overdue for 2022/23 will be completed by the Autumn. For new cases received after April 2023, performance on the timeliness of processing has improved.

2.22 Improvements to the system and access to management reporting is being addressed. A review of processes within financial operations is underway which will map processes from point of financial assessment to income collection and where appropriate debt recovery. The improvements needed are expected to improve the timeliness of processing financial assessments and customer experience of the process.

Direct Payments

2.23 Good progress is being made to address the findings of the audit review. The overall approach and improvements needed in direct payment processes will be delivered by both the improvements in the adult's income work (see above) and the adult social care improvement programme.

2.24 This is a priority area for improvement for adult social care and is a key element in the councils Adult Social Care Strategy.

CQC Preparedness

2.25 The audit reviews undertaken in this area have been a key part of the early preparedness of the council's self-assessment report for CQC assurance. The actions and recommendations have all been completed and will form part of the self-assessment due to be published from August 2023. A further discussion is planned at Health and Adult Social Care Scrutiny Committee and will be a topic of a future Member development session.

SureCloud Health Checks & Vulnerability Management Group

2.26   The introduction of a Vulnerability Management Group within IT Services was implemented in 2022, acting as an additional facet in the Council's wider multi-tiered approach to Cyber Security.

2.27   The audit observations demonstrated some process weaknesses that have since been rectified through a review and update of process, documentation, and routine meeting scheduling.

2.28   Additionally, the service has instigated a review of resourcing in this area with the intent to revise the operating model and increase capacity.

SEND Strategy (Draft)

2.29   The internal audit review highlighted the risks relating to the system issues supporting this service and in particular the alignment between systems - mosaic and synergy. The delay in payments has been under review and is being actively addressed through the Better Use of Technology Board within the Department.

2.30   To maintain the system for the medium term the service has adopted the mosaic system which is now being implemented by the service and processes are being put in place to manage the payments issues to ensure that data held on Mosaic is aligned to the financial data systems. Any risks related to this are monitored regularly within the Better use of Technology Board on a bi-monthly basis and mitigated as appropriate.

3   Risk Implications and Mitigations

Risk	Mitigating Action
Services not addressing key management actions arising from the audit findings	Good progress has been made but follow up will be undertaken to ensure that agreed management actions from the audit reviews have been implemented. A report detailing progress will be presented to RAAC by the Director of Finance and Support Services at each meeting.

Taryn Eves
Director of Finance and Support Services

Background Papers

None