

# Internal Audit Progress Report

October 2018

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

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

## 2. Purpose of report

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

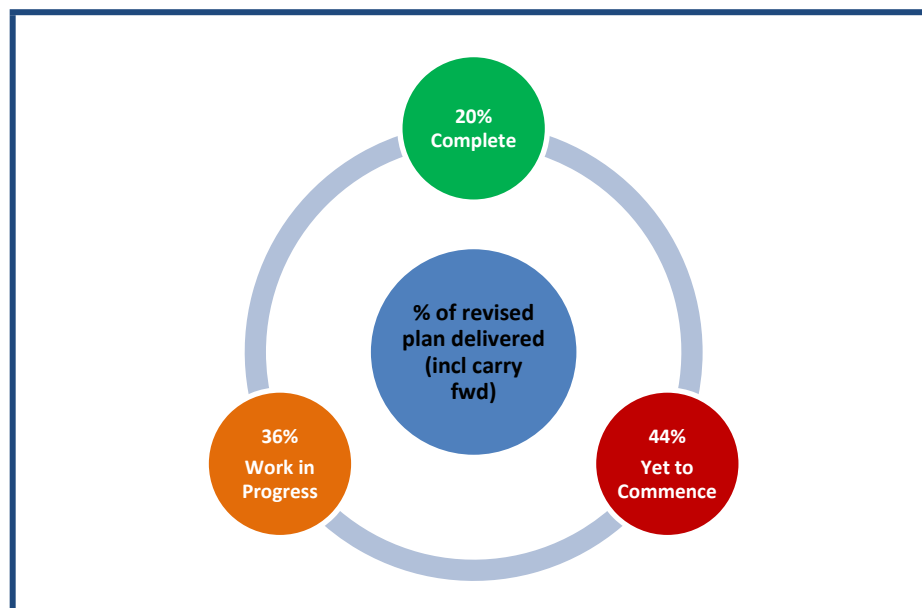
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

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. Assurance opinions are categorised as follows:

<b>Substantial</b>	A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.
<b>Adequate</b>	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified.
<b>Limited</b>	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.
<b>No</b>	Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives.

*\*Assurance opinions are those used by the SIAP. Some reports listed within this progress report (pre 2018-19 audit plan) refer to categorisations used prior to SIAP engagement, reference is provided at Annexe 2*

### 3. Performance dashboard



#### Compliance with Public Sector Internal Audit Standards



An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015. The report concluded:

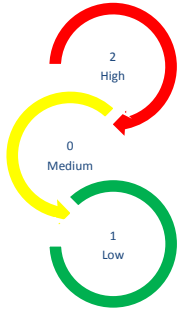
*'It is our view that the Southern Internal Audit Partnership 'generally conforms' to all of the principles contained within the International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).'*

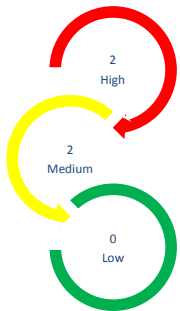
#### 4. Analysis of 'Live' audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions						
				Total Rec's Reported	Not Accepted	Not Yet Due	Complete	Overdue		
								Priority		
								L	M	H
Ethical Governance	Apr 2017	L&A	Limited	9			8		1	
Payroll	Jun 2017	HR&OD	Satisfactory	5			4		1	
Cyber Security	July 2017	FP&P	Satisfactory	11	2		8		1	
Prevent	Dec 2017	CAFH&E	Satisfactory	10		1	7		2	
GDPR Compliance	Jan 2018	L&A	Limited	9			7		2	
Agency Staff	April 2018	Corp	Limited	7		1	5		1	
Procurement	Jun 2018	FP&P	Limited	10		4	5		1	
Fleet Management	Jun 2018	C&PP	Satisfactory	9		4	2	2	1	
Early Years Provider Payments	Jun 2018	CAFH&E	Satisfactory	4		2	1		1	
Scheme of Delegation	July 2018	L&A	Satisfactory	1				1		
Pension Administration	July 2018	FP&P	Satisfactory	5		1	3			1
Payroll and Employment Administration	July 2018	FP&P	Satisfactory	8		4	2	1	1	
Fire Core Systems	Aug 2018	C&PP	Limited	3		1	2			
Health & Safety	Oct 2018	HR&OD	Limited	4		4				
<b>Total</b>				<b>95</b>	<b>2</b>	<b>22</b>	<b>54</b>	<b>4</b>	<b>12</b>	<b>1</b>

Audit Sponsor				
FP&P	Director of Finance, Performance & Procurement (s151)		C&PP	Executive Director of Communities & Public Protection
HR&OD	Director of Human Resources & Organisational		EIE	Executive Director of Economy, Infrastructure & Environment
L&A	Director of Law & Assurance		CAFH&E	Executive Director of Children's, Adults, Families, Health & Education

## 5. Executive Summaries of reports published concluding a 'Limited' or 'No' assurance opinion

Fire - Core Systems		
<b>Directorate Sponsor:</b>  Director of Communities and Public Protection  <b>Final Report Issued:</b> 8 <sup>th</sup> August 2018	<b>Assurance opinion:</b>  Limited	<b>Management Actions:</b>  
<b>Summary of key observations:</b> <p>Due to organisational changes and the absence of key personnel it was not possible to assess or evaluate the control framework for ordering, requisition and the raising of invoices. The future process and set up was also unclear.</p> <p>A review of the discretionary fees and charges for WSFRS Commercial Training for the financial year 2018/2019 were found to have been agreed by the Cabinet Member for Finance and Resources in February 2018 (Amended March 2018), however, the fees shown on the website in April 2018 were higher than those agreed (variances range from 1% - 8% against the agreed fee).</p> <p>Payroll monitor pay exceptions including for example net pay variances over 25% and reports relating to payroll are available to managers in MSS enabling review of payments made against their budget. Paper exception reports are not provided as a matter of course to managers without access to ESS/MSS. Reports showing payments made to staff against budgets are a key enabler in effective budgetary control.</p>		
<b>Management Response / Update:</b> <p>A review and gap analysis has been undertaken by the Area Manager and a means of securing financial provision moving forward has been agreed.</p> <p>The Commercial Business &amp; Marketing Manager now has ownership of the fee setting process for WSFRS commercial training and will ensure that the commercial marketing pricing review takes place prior to the agreement of fees and charges for 2019/2020 by the Cabinet Member. Target date will be 31/3/2019.</p> <p>The HR Business Partner – West Sussex Fire &amp; Rescue Service and Trading Standards will arrange a meeting with the Payroll Team Leader to look at exception reports and how People Support could use them.</p>		

Health & Safety		
<b>Directorate Sponsor:</b>  Director of Human Resources & Organisational Development  <b>Final Report Issued:</b> 2 <sup>nd</sup> October 2018	<b>Assurance opinion:</b>  Limited	<b>Management Actions:</b>  
<b>Summary of key observations:</b> <p>The Health and Safety Policy requires an annual performance report of health and safety management to be produced and reported to ELT. An interim report was prepared in December 2016 before the Health, Safety and Workforce Wellbeing lead left the authority. An end of year report has not been issued for the financial years 2016/17 or 2017/18. The report requirements and format are currently being reviewed as part of the action plan by the Acting Health and Safety Manager who has provided a situation report to the Chief Executive.</p> <p>All Directors participated in an exercise to identify how they are getting assurance that health and safety is being discussed at their management meetings and how they ensure that health and safety risks are being reported, monitored and managed. There were three areas where assurance could not be given as there were insufficient mechanisms in place. There is no regular reporting from the Director of Human Resource and Organisational Change on Health and Safety to ELT.</p> <p>Access to training has been reviewed and is deemed insufficient to ensure all staff are aware of the mandatory health and safety requirements for undertaking their role. Once this is in place the next step is for training monitoring information to be developed to ensure where there are gaps in employees training, in particular for the mandatory training; these are identified and reported to Directors on a regular basis.</p> <p>The Scheme of Delegation was discussed with the Director of Law and Assurance, where it was identified the current iteration does not identify Executive Director and Directors responsibilities as per the Health and Safety Policy..</p>		
<b>Management Response / Update:</b> <p>Whilst there is no legislative requirement for an organisation to cover occupational safety and health (OSH) in their published annual reports, the law requires employers to monitor and review arrangements for managing OSH risks. The government recommends that public bodies report internally on OSH by providing statistics on accidents, incidents and ill health. At their meeting on 11th July 2018, the Executive Leadership Team (ELT) agreed that the corporate structure for HSW should be tightened up and strengthened by creating a new HSW Governance Board to deal with strategic matters. Given that an annual report has not been produced for the last two years, it is proposed to bridge the gap in the current year by producing a pro forma set of statistics quarterly for the HSW Representatives Committee. This will be reported to the Governance Board and ELT as appropriate and will cover accidents, incidents and ill health and will then be cumulated into an annual report at the end of the financial year.</p>		



One of the short term outcomes proposed in the Health, Safety and Wellbeing interventions and outcomes strategy is to have ‘regular and relevant training in place specific to role and environment’. The intervention to deliver this is the undertaking of a training needs analysis and initial work has already started to deliver this, supported by colleagues in Learning and Development. The first step will be to identify the gaps in the current delivery model. The second stage will be to identify what training needs to be taken forward as mandatory training in the organisation and clear pathways put in place to access the training available with role specific mandatory training identified. Additional evidence of course completion can be provided by reports generated from the Learning and Development Gateway. This will enable Directors to be made aware of outstanding mandatory HSW training within their Directorates. Statistics on training completed will then form part of the quarterly pro forma set of statistics produced for the HSW Representatives Committee.

The scheme of delegation and the Health and Safety Policy will be revised.

As noted in the section ‘annual performance for health and safety’ it is proposed that a pro forma set of statistics is produced quarterly for the HSW Representatives Committee. This will be reported to the Governance Board and ELT as appropriate and will cover accidents, incidents and ill health. If agreed there could be a quarterly standing item on the ELT agenda on Health and Safety to coincide with the production of these statistics and the Director of HR and OC could attend to discuss these and Health and Safety issues in general. The new HSW Governance Board which will be chaired by the Director of HR and OC will also be reporting to ELT bi-annually and these meetings will coincide with the quarterly meetings. One of the interventions proposed in the Health, Safety and Wellbeing Interventions and Outcomes Strategy is to ensure legislative compliance. Another of the interventions proposed is to have a framework in place for managing directorate risks. This includes reactivating common plans, which is already underway. It is proposed that common plans will be used to identify risks specific to directorates and plans put in place to address those risks. In the terms of reference for the new HSW Representatives Committee members are tasked with reviewing and monitoring action taken to meet Directorates’ common plans and business unit special plan objectives.

## **6. Planning & Resourcing**

The internal audit plan for 2018-19 was approved by the County Council’s Executive Leadership Team and the Regulation, Audit & Accounts Committee in March 2018.

To complement the internal audit plan a comprehensive IT audit needs assessment was undertaken to ensure adequacy of coverage over the period 2018/19 – 2020/21. The outcomes of the IT audit needs assessment are detailed at Annexe 3

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the County Council. Progress against the plan is detailed within section 7.

## 7. Rolling Work Programme

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
IT Capita Contract Management	FP&P	✓	✓	✓	Aug 18			
IT Programme & Project Management	FP&P	✓	✓	✓	Jul 18			
Health & Safety	L&A	✓	✓	✓	Sep 18	Oct 18	Limited	
Governance compliance	L&A	✓						Q3
PSIAS Self-assessment	HIA	✓	✓	✓	n/a	n/a	n/a	Self-assessment
Annual Governance Statement	L&A	n/a	n/a	n/a	n/a	n/a	n/a	Advisory
Risk Management	FP&P							Q4
Information Governance	L&A							Q4
Compliments & Complaints	C&PP	✓	✓	✓	Oct 18	Oct 18	Adequate	
Business Continuity	C&PP							Q3
IR35	HR&OC							Q4
MSS (self Service Compliance)	Corporate							Q4

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
Commissioning	FP&P							Q4
Procurement	FP&P							Q3
Contract Management	FP&P							Q3-4
Accounts Receivable & Debt Recovery	FP&P							Q4
Treasury Management	FP&P							Q3
E-Income	FP&P							Q4
Accounts Payable	FP&P							Q3-4
Prepayment Cards	FP&P							Q4
Payroll	FP&P							Q3
Budgetary Control	FP&P							Q4
IT Asset management	FP&P	✓	✓					
Software licencing	FP&P	✓	✓	✓				
Capacity planning and monitoring	FP&P							Q3

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
Cyber security	FP&P							Q4
Application reviews	FP&P							Q3
System resilience	FP&P							Q3
Access control	FP&P	✓	✓	✓				
Virtualisation	FP&P	✓	✓	✓				
Cloud	FP&P							Q4
External Placements	CAFH&E							Q3
Think Family	CAFH&E	✓	✓	✓	n/a	n/a	n/a	On-going
Supervised Contact	CAFH&E	✓						
Special Guardianship Orders	CAFH&E	✓						
Home to School Transport	H&T							Q3
School Thematic - Pupil Premium	CAFH&E	✓	✓	✓				
School Thematic - 6th Form Funding Assurance and Bursary Fund	CAFH&E	✓						
SFVS	CAFH&E	n/a	n/a	n/a	n/a	n/a	n/a	Facilitation

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
Retained Firefighters	C&PP							Q4
FRS Workforce Development	C&PP	✓	✓	✓				
FRS Risk Management	C&PP	✓	✓	✓				
Fire Core Financial Systems 18/19	C&PP							Q4
Sustainability	EIE	✓	✓	✓	Aug 18			Q1/2
Adults Desktop Review	CAFH&E	n/a	n/a	n/a	n/a	Jul 18	Consultancy	Q2
Shared Lives	CAFH&E							Q4
FAS Team	CAFH&E	✓	✓	✓				
Deprivation of Liberty Safeguards	CAFH&E	✓	✓	✓	May 18	June 18	No	
Residential Care Payments	CAFH&E							Q3
Disabled Facilities Grant	CAFH&E	n/a	n/a	n/a	n/a	n/a	n/a	Grant certification
Acquisition and disposal of assets	EIE							Q4
SEND (Special Educational Needs & Disability)	CAFH&E							Q4
Section 106 / Community Infrastructure Levy / Commuted sums	EIE	✓	✓	✓				

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
Local Enterprise Partnership	EIE	✓	✓	✓				
Alternative Delivery Models	Corporate							Q3-4
Civil Parking Arrangements	EIE							Q3
Public Health Contracts	PH	✓	✓	✓	Sep 18			Q2
Grant Certification(s)	Corporate	n/a	n/a	n/a	n/a	n/a	n/a	On-going
Durrington Infants School	CAFH&E	✓	✓	✓	Oct 18			
Field Place Infant School	CAFH&E	✓	✓	✓	Jun 18	Jul 18	Adequate	
Colgate Primary School	CAFH&E	✓	✓	✓	May 18	Jul 18	Adequate	
Lyndhurst Infants	CAFH&E	✓	✓	✓	Jul 18	Sep 18	Adequate	
Petworth CE Primary School	CAFH&E	✓	✓					
St Andrew's C.E. Primary, Furnace Green, Crawley	CAFH&E	✓	✓					
St John's Catholic Primary Horsham	CAFH&E	✓	✓	✓	Jul 18	Jul 18	Adequate	
St Joseph's Catholic Primary School Haywards Heath	CAFH&E	✓	✓	✓	Jul 18	Jul 18	Adequate	
St Wilfrid's C.E. Primary School, Haywards Heath	CAFH&E	✓	✓	✓	Jun 18	Jul 18	Substantial	

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
Yapton C.E. Primary School	CAFH&E	✓	✓	✓	Jun 18	Jun 18	Adequate	
Downlands Community	CAFH&E	✓	✓	✓	Sep 18	Oct 18	Adequate	
Sackville Community College	CAFH&E	✓	✓	✓	Oct 18			
Littlegreen (Follow Up)	CAFH&E	✓	✓	✓	May 18	May 18	Satisfactory	
High Trees	CAFH&E							Q3
Maidenbower Day Centre	CAFH&E	✓	✓	✓	Sep 18			
Rowans Day Centre	CAFH&E	✓	✓					
Stanhope Lodge + ISU	CAFH&E							Q3

## 8. Adjustment to the Internal Audit Plan

Audit reviews removed from the plan		
Beechfield follow up	Removed	Beechfield not currently open
MASH (Compliance audit)	Removed	Exec. Director, no longer required. More pressing work from 100 day plan implementation.

Audit reviews added to the plan (included in Rolling work programme above)	
Adults Desktop Review	Assurance mapping to contribute toward the 100 day plan
Health & Safety	Follow up of 17-18 fieldwork
Cloud (IT review)	To align resources to complement organisational objectives



## Annexe 1

## Overdue 'High Priority' Management Actions

Recommendation	Management Action(s)	Due Date	Comments
<b>Pensions Administration – July 2018</b>			
Pension Administration should ensure that all outstanding transfer in payments are correctly recorded on Hartlink promptly and in accordance with West Sussex Pension Scheme regulations and that any historical cases identified in the financial reconciliations are actioned appropriately.	A list of all outstanding cases as at the last reconciliation has been distributed to the Admin Team Leaders to ensure the cases are processed	<del>Aug 2018</del> Oct 2018	The majority of updates have been made to the system to bring this up to date. Due to resource constraints, not all cases have been processed but following the addition of further resources into the team this exercise will be completed in October 2018

**Annexe 2****West Sussex County Council Assurance Opinions (Pre 2018-19)**

<b>Substantial Assurance</b>	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.
<b>Satisfactory Assurance</b>	While there is a basically sound system, there are weaknesses, which put some of the 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.
<b>Limited Assurance</b>	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.
<b>No Assurance</b>	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.

## Annexe 3

## IT Audit Needs Assessment

Auditable area	Risk	2018/19	2019/20	2020/21
<b>IT GOVERNANCE</b>				
IT strategy and planning	M		✓	
Asset management	M	✓		
Change management	H		✓	
Software licencing	M	✓		
Capita contract management	M			✓
Problem and incident management	L			✓
<b>DATA MANAGEMENT</b>				
Data storage and data backup	M		✓	
Data centre facilities and security	L		✓	
Capacity planning and monitoring	H	✓		
Data classification and data ownership	M			✓
<b>INFORMATION SECURITY</b>				
Remote access	M			
Public facing internet security	L			✓

Auditable area	Risk	2018/19	2019/20	2020/21
Cyber security	H	✓		
Cloud	H	✓		
<b>SYSTEM DEVELOPMENT &amp; IMPLEMENTATION</b>				
Application reviews	M		✓	
Programme and project management	L		✓	
<b>BUSINESS CONTINUITY</b>				
Business Continuity Planning	H		✓	
System resilience	H	✓		
Disaster recovery	M			✓
<b>NETWORKING AND COMMUNICATIONS</b>				
Firewalls and malware protection	M	✓		
Network security and access control (incl. wireless network security & network infrastructure management & monitoring)	H	✓	✓	✓
Virtualisation	M	✓		
Operating system management, patch management	H		✓	
Telecoms / VOIP	H			✓