

Internal Audit Progress Report (August 2021)

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

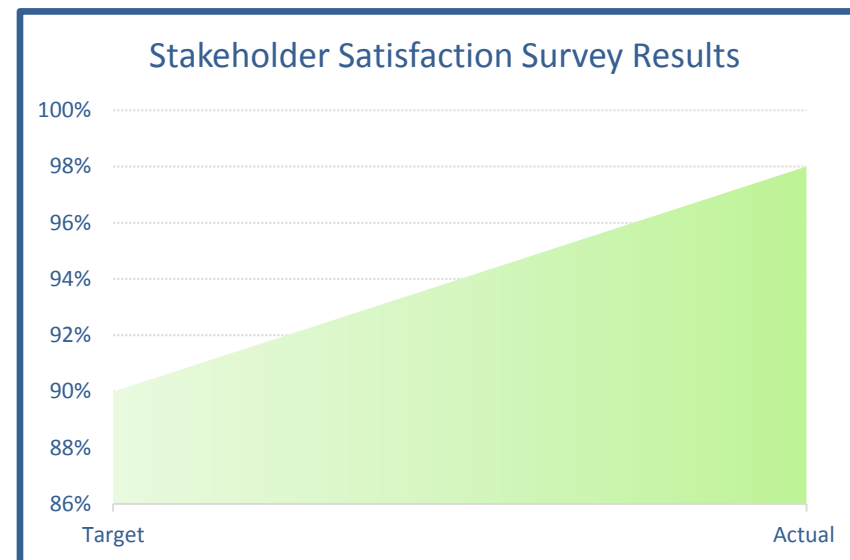
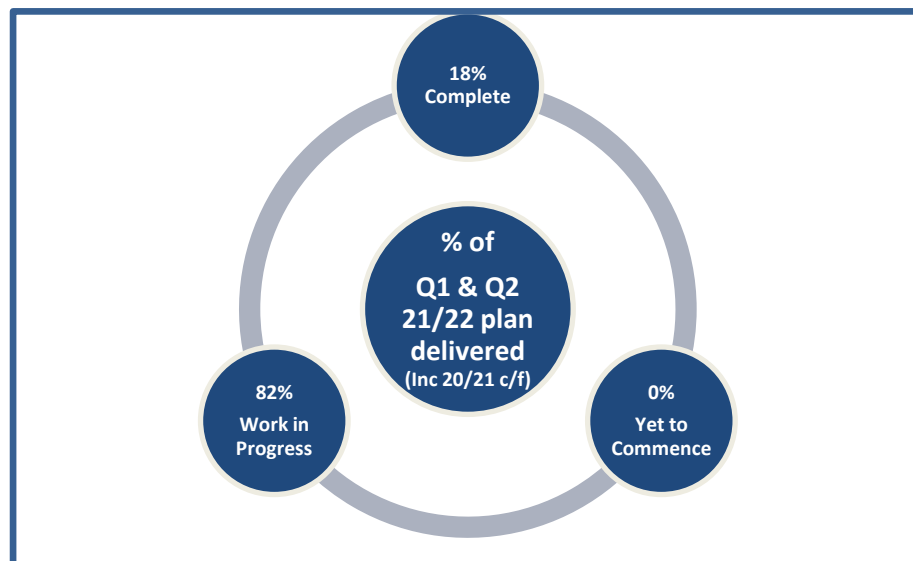
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- 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:

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.
Reasonable (Adequate)	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.
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.
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.

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 2020. The report 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.'

4. Analysis of 'Live' audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)	Not Accepted	Not Yet Due	Complete	Overdue		
								L	M	H
Home to School Transport	Mar 2019	DH&T	Limited	4	0	0	3	1		
E-Income	Jun 2019	F&SS	Adequate	1	0	0	0	1		
Retained Firefighters	Sep 2019	CFO	Adequate	12	0	0	11		1	
Document Management & Retention	May 2020	DC	Adequate	8	0	0	7		1	
Companies House – NFI (Proactive Fraud)	Sep 2020	L&A	Limited	9	0	0	4		5	
Special Educational Needs	Oct 2020	EDCYP&L	Limited	7	0	0	6		1	
Employers Contributions / Relationships	Dec 2020	F&SS	Reasonable	8	0	0	7		1	
School Traded Services	Mar 2021	EDCYP&L	Reasonable	7	0	1	3		1	2
Adult Establishments – Money Handling	Mar 2021	EDA&H	Limited	11	0	0	8		2	1
Risk Management	Mar 2021	DFSS	Reasonable	10	0	5	5			
S75 Governance	Apr 2021	JSDC	Limited	12	0	5	6		1	
Debt Recovery	Apr 2021	DFSS/DL&A	Reasonable	4	0	1	1	1	1	
Children Safeguarding (QAF)	May 2021	EDCYP&L	Reasonable	13	0	2	8		3	
Management of Restructures	May 2021	DHR&OD	Limited	7	0	0	6		1	
Climate Change Strategy	May 2021	DE&PP	Reasonable	7	0	4	3			
Contract Management (GrassTex)	Jun 2021	DH&T	Reasonable	1	0	0	0	1		
Children's Services P-Cards	Jun 2021	EDCYP&L	Limited	17	0	17	0			
Cyber Security (Risk Treatment)	Jul 2021	DFSS	Reasonable	3	0	3	0			
Cloud Service Provisioning	Jun 2021	DFSS	Reasonable	5	0	5	0			
Total								4	18	3
Overdue Management Actions - Direction of travel since January 2021 progress report								-3	-7	-5

Audit Sponsor	
Chief Executive Chief Fire Officer (CFO) Director of Human Resources and Organisational Development (HR&OD) Director of Law and Assurance (DL&A) Director of Finance and Support Services (DF&SS)	Executive Director Place Services Director of Highways and Transport (DH&T) Director of Environment and Public Protection (DE&PP) Director of Property and Assets (DP&A) Director of Communities (DC)
Executive Director, Adults & Health Director of Public Health (DPH) Joint Strategic Director of Commissioning (JSDC)	Executive Director of Children, Young People and Learning Director of Education and Skills (DE&S)

5. Executive Summaries of reports published concluding a ‘Limited’ or ‘No’ assurance opinion

There have been no new reports published concluding a “limited” assurance opinion, since our last progress report.

6. Planning & Resourcing

Due to the continued challenges and uncertainties presented by COVID-19 initial internal audit planning for 2021-22 focused on activity during the quarter 1 which was approved by the County Council’s Executive Leadership Team and the Regulation, Audit & Accounts Committee in March 2021.

It was agreed that to ensure internal audit focus remained timely and relevant to the changing needs and requirements of the organisation that SIAP would continue to liaise with key stakeholders over the remainder of the year to develop ongoing quarterly plans.

The rolling work programme (section 7 below) outlines audit activity during Q1 and Q2. The proposed Q3 plan is detailed for agreement by the Regulation, Audit & Accounts Committee as a separate agenda item and will be incorporated into the rolling work programme following formal approval.

7. Rolling Work Programme

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
2020/21								
Dual Use Agreements	P&A	✓	✓	✓				
Central Government Grants (allocation)	Corporate	✓	✓	✓				
Corporate Governance (including COVID)	DL&A	✓	✓	✓				
Procurement (sub £100k)	DFSS	✓	✓	✓	Jun 21			
Cyber Security (Risk Treatment)	DFSS	✓	✓	✓	Jun 21	Jul 21	Reasonable	
Cloud Service Provisioning	DFSS	✓	✓	✓	Jun 21	Jun 21	Reasonable	
School Thematic Review(s)	EDCYP&L	✓	✓	✓	Jun 21			
2021/22 (Q1 & Q2)								
Our Council Plan (Reset) - Performance	CE/DF&SS	✓	✓	✓				
Think Family claims	EDCYP&L	✓	n/a	✓	n/a	n/a	n/a	Complete(Q1)
Firewatch	CFO	✓	✓	✓	Aug 21			
Home to School Transport	EDPS	✓	✓	✓				
Highways Maintenance	EDPS	✓	✓	✓	Jul 21	Aug 21	Reasonable	
School Thematic – HT Pay	EDCYP&L	✓	✓	✓				Deferred to Q2/Q3
SFVS	EDCYP&L	✓	n/a	✓	n/a	n/a	n/a	Complete
Hammonds (Residential Care Home)	EDA&H	✓	✓	✓				
People Framework	HR&OD	✓	✓	✓	Aug 21			
SmartCore (Oracle Fusion)	DF&SS	✓	✓	✓				
Annual Governance Statement		✓	✓	✓				
Payroll	DF&SS	✓	✓	✓	Jul 21			
Mortuary Services Contract Management	EDPS	✓	✓	✓				
IT Transition Programme	DF&SS	✓	✓	✓	Jul 21			
Adults Income	EDA&H	✓	✓					
AMHPS	EDA&H	✓	✓					
WSFRS Risk and Business Continuity	CFO	✓						
Financial Resilience	DF&SS	✓	✓	✓				
Health & Safety	DHR&OD	✓						

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Capital Project Delivery (Education)	EDCYP&L / EDPS	✓	✓					
Accounts Receivable	DF&SS	✓						
Budgetary Control	DF&SS	✓	✓	✓	Sep 21			
WSFRS Operational Training Delivery	CFO	✓						
WSFRS Fleet Management	CFO	✓	✓					
IR35	DHR&OD	✓	✓	✓	Aug 21			
Grants								
Highways Maintenance Block Grant	DHTP	✓	n/a	✓				
HIV PrEP	PH	✓	n/a	✓	n/a	n/a	n/a	Complete

Annexe 1

Overdue 'High Priority' Management Actions

School Traded Services - Reasonable			
Observation: There is no agreed strategy in place on how to grow School Traded Services income and reach the set income target within 3 years.			
Management Action	Original Due Date	Revised Due Date	Latest Service Update
Strategy to be formed & communicated	31.07.2021	30.11.2021	The development of a traded strategy for working with educational settings has started to be mapped out. It has been mapped from the CYPL & Council Plans to identify the support/tools and processes frontline provider teams will require to trade effectively and efficiently. The draft is expected to be ready for review by the CYPL Executive Director & E&S Director by November.
Observation: There is a pipeline report in place which plans when products / school services will go through the scrutiny process via the QA Board. Whilst plans include all Education & Skills school services, it does not include all school services delivered throughout the wider Council.			
Management Action	Original Due Date	Revised Due Date	Latest Service Update
Consider next steps following the LGA review outcomes.	31.05.2021	30.11.2021	The LGA review identified that a strategy for how we trade with schools is required. In drafting the strategy, it is clear that formalising the governance arrangements around our products/services and processes is key. A project will be set up to work through this using the strategy and target operating model as a framework. For the interim the existing QA board will continue to function as is.
Establishment Thematic (Adults) Money Handling - Limited			

Observation:

Within three of the establishments visited, review of resident folio balances highlighted 11% to be in deficit (overdrawn). Existing procedures (Provider Services Financial Administration) state that '*folios must not be overdrawn*'. As the custodians of client monies, it is not appropriate for establishments to subsidise expenditure of those with overdrawn folios from the funds of other residents.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Obtain information from audit to identify the services that have deficit balance and discuss with the direct managers to resolve this.	01.04.2021	30.09.2021	<p>New system has been developed.</p> <p>Moving towards all Res Property Accounts having individual wallets, so each balance and cash is within each wallet.</p> <p>Each person will have an individual easy read balance of accounts – this has taken longer as we engaged people within the service 'coproduction' this is being rolled out and fully embedded by mid-August – annual leave and C19 pressures has impacted upon this action.</p>

Annexe 2

Overdue 'Low & Medium Priority' Management Actions

Audit Review	Report Date	Opinion	Priority	Due Date	Revise Due Date
Home to School Transport	Mar 2019	Limited	Low	30.04.20	30.06.21
E-Income	June 2019	Adequate	Low	31.12.19	30.09.21
Retained Firefighters	Sept 2019	Adequate	Medium	31.10.19	31.11.21
Document Management & Retention	May 2020	Adequate	Medium	31.07.20	30.06.21
Companies House – NFI (Proactive Fraud)	Sep 2020	Limited	Medium	30.11.20	31.03.21
			Medium	30.11.20	31.03.21
			Medium	30.11.20	31.03.21
			Medium	31.12.20	31.03.21
			Medium	31.12.20	31.03.21
Special Educational Needs	Oct 2020	Limited	Medium	31.12.20	31.12.21
Employers Contributions / Relationships	Dec 2020	Reasonable	Medium	31.03.21	30.06.21
School Traded Services	Mar 2021	Reasonable	Medium	30.06.21	30.11.21
Adult Establishments – Money Handling	Mar 2021	Limited	Medium	01.06.21	31.08.21
			Medium	01.04.21	31.08.21
S75 Governance	Apr 2021	Limited	Medium	30.06.21	30.06.22
Debt Recovery	Apr 2021	Reasonable	Medium	30.06.21	30.06.22
			Low	30.05.21	31.10.21
Children Safeguarding (QAF)	May 2021	Reasonable	Medium	30.06.21	30.09.21
			Medium	30.06.21	30.09.21
			Medium	30.06.21	30.09.21
Management of Restructures	May 2021	Limited	Medium	31.07.21	31.10.21
Contract Management (GrassTex)	Jun 2021	Reasonable	Low	30.06.21	30.09.21