

## Regulation, Audit & Accounts Committee

28 November 2016

### Internal Audit Report

#### Report by Director of Finance and Head of Internal Audit

##### **Executive Summary**

The Committee is asked to consider key internal audit findings for the year to date and review progress being made by services to implement high priority internal audit recommendations.

##### **Recommendation**

That the report is noted and the Committee obtain assurance that high priority recommendations are being actively resolved.

#### **1. Introduction**

- 1.1 This report sets out key audit findings since the last meeting of RAAC and progress made by services in implementing high priority Internal Audit recommendations.

#### **2. Limited Assurance Opinions Issued**

- 2.1 Since the meeting of this committee in September 2016 there has been one audit review that has received a limited assurance opinion.

##### **Beechfield Secure Children's Home**

Following a critical Ofsted report, Internal Audit was asked by Director of Family Operations to carry out a review of financial controls at Beechfield Secure Children's Home. This forms part of a wider series of reviews involving Beechfield.

The outcome of the audit review is Limited Assurance, with a number of weaknesses identified. There appears to be a general culture of poor financial management involving insufficient scrutiny and challenge at several levels. Concerns have been found with

- Procurement and purchasing practices
- Procurement card use
- Prepaid card use
- Asset security covering both Authority and residents' property
- Staffing and resourcing
- Questionable use of the wider site by external parties
- Overall record-keeping

A draft report has been issued which makes 35 recommendations for remedial action. The findings will feed into the conclusions from other reviews that are currently being undertaken.

### 3. Other significant issues

#### 3.1 SAP Optimisation

The SAP Optimisation project has had to be paused due to significant issues within our technical infrastructure relating to the commissioning of Oracle Private Cloud Appliance (PCA) servers which are preventing a number of the projects from progressing, including SAP Optimisation workstreams.

A full review is being undertaken by Capita to clarify the technical issues that they are responsible for and then liaise with the IT Client team, Director of Transformation, Customer & Support Services and the relevant Councils' business functions and agree a revised re-start date for SAP related activities, an activity plan and resource plans alongside the Capita costs to complete their elements of work.

The significant issues included a number of technical issues as well as planning and licencing problems. One aspect of these problems is to ensure that as they are solved for the systems installed in the Chichester data centre, then those solutions are also able to be implemented on the disaster recovery equipment installed at the Horsham Disaster Recovery site. This is required so that we can be assured that in the event of a business continuity issue in Chichester; the service can continue to be run from the Horsham site.

It is anticipated that the technical, licencing and planning issues will be resolved so that the SAP Optimisation programme can be re-started in May 2017. This will be followed by the final phases of build, testing and roll out, including the development of the updated SAP disaster recovery facilities. Final completion is now anticipated for July 2017 though is dependent on progress with the commissioning of the PCA.

### 4. Follow up work

4.1 High and medium priority recommendations are monitored for each directorate. The latest information on implementation % rate of high & medium priority recommendations accepted and due from 2014/15 onwards is as follows:

Directorate	High		Medium	
	%'age	Number	%'age	Number
Corporate Resources & Services	62	8	73	106
Care, Wellbeing & Education	100	5	73	40
Residents' Services	77	10	76	41
Communities & Public Protection	100	2	100	2

4.2 There are no new high priority recommendations to report, in addition to 8 outstanding high recommendations. These are detailed in Appendix C. The appendices include comments from officers in respect of status/action taken.

Not all completed actions as described by officers have been verified by Internal Audit. Where actions have been verified this has been stated on the table. All key recommendations will be checked by Internal Audit during the year and any outstanding or not satisfactorily completed will continue to be reported to this committee. High priority recommendations that have been actioned since the last meeting of RAAC are shown in Appendix D.

## **5. Audit Performance**

- 5.1 Appendix A summarises audit performance and resource allocation for the first quarter. From the end of June to the start of September the section had. This is will reduce planned coverage on compliance/establishment audits.
- 5.2 Appendix B summarises opinions issued for non-establishment reviews and lists the establishment visits completed.

## **6. Resource Implications and Value for Money**

- 6.1 None arising directly from this report

## **7. Equality Duty.**

- 7.1 An Equality Impact Report is not required for this decision as report dealing with internal or procedural matters only.

## **8. Risk Management Implications**

- 8.1 There are risks associated with services not addressing key recommendations arising from the audit findings. Follow up audit review will be undertaken to ensure that agreed actions have been implemented. A report detailing the status of high priority Internal Audit recommendations will be presented to each meeting of this Committee for monitoring to ensure that key risks are addressed on a timely basis.

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Director of Finance

**Gavin Jones**  
Head of Internal Audit

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### **Appendices**

<b>Appendix A</b>	Internal Audit Performance & Resource Allocation
<b>Appendix B</b>	Summary of audit opinions issued since September 2016
<b>Appendix C</b>	New and outstanding high priority internal audit recommendations
<b>Appendix D</b>	Cleared high priority recommendations

## Appendix A

### Internal Audit performance

Performance Indicator	What does it tell us?	Measure	Target	Actual
% medium & high priority recommendations implemented	Effectiveness of IA & compliance by services	Recommendations implemented by services & signed off by audit.	>90%	73%
% recommendations agreed by services	Effectiveness & Quality of IA	Recommendations agreed in Final reports	>95%	98%
% productive audit days delivered against plan days (Includes detailed breakdown against actual profile)	Productivity & efficiency of IA	Productive days are chargeable days excluding management time, planning, leave & training etc. Plan days are profiled by quarter	>100%	101%
Composite daily rate against market rate for general auditor	Comparative cost of audit function	Daily rate as % against regional audit framework daily rate (total cost of audit function against productive days delivered)	<100%	90%
Customer satisfaction	Customer satisfaction with IA process over various categories	% responses to questionnaires received (better than satisfactory)	>90%	83%

### Allocation of Resources – Quarter 2

RESOURCES AVAILABLE	Plan Days	Actual Days	Gain (+) against
Internal Audit Staff	1,170	1,163	-7
External Staff	40	27	-13
<b>Total Days Available</b>	<b>1,210</b>	<b>1,190</b>	<b>-20</b>
Public Holidays	27	26	1
Annual/Other Leave	180	150	30
Sickness	15	1	-14
Vacancies	0	46	-46
Training/seminars etc.	40	39	1
Audit Management, Planning & Committee	210	179	31
External Clients	130	102	28
<b>Total non-audit overhead</b>	<b>602</b>	<b>543</b>	<b>59</b>
<b>Net days available</b>	<b>608</b>	<b>647</b>	<b>39</b>
RESOURCES USED	Plan Days	Actual Days	Variation Days
Audit Reviews	322	357	35
Establishment Visits	90	102	12
Development	46	11	-35
Consultancy	85	101	16
Anti-Fraud	65	76	11
<b>Total</b>	<b>608</b>	<b>647</b>	<b>39</b>
<b>JOBS COMPLETED/IN PROGRESS (internal &amp; external)</b>			
	Plan	Actual	Variation No.
Audit Reviews	25	23	-2
Computer Audit Reviews	3	4	1
Establishment Visits	14	12	-2

## **Appendix B**

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**Audit opinions provided on non-establishment audit reports issued since September 2016.**

### **Satisfactory Assurance Audit Reviews**

- S75 Better Care Fund
- Care Market Capacity
- Street Lighting (draft)
- Savings Programme Delivery (draft)
- Care Act Implementation (draft)
- Adult Community Care Contract
- Children Leaving Care
- Health Partnerships Information Governance

### **Compliance Testing**

Routine testing has been undertaken in the following areas:

- Payroll
- Accounts Payable
- Accounts Receivable
- Treasury Management
- Frameworki

No opinions are provided until the year end statements are produced for compliance testing.

### **Establishment Visits Completed**

- Ashurst Primary School
- Warnham Primary School
- West Hoathly Primary School
- The Weald Secondary School
- Ball Tree Croft
- The Chestnuts

<b>SAP Starters &amp; Leavers – audit report issued February 2015</b>				
	<b>Recommendation</b>	<b>Action Proposed</b>	<b>Target date</b>	<b>Responsible Officer/Action Taken</b>
1.	<p><b>SAP User Access Reviews</b></p> <p>The Council should implement a process to carry out periodic reviews of SAP user access to ensure that staff have the correct access permissions and staff that no longer require access to SAP are identified and their access suspended.</p>	There will be a review of SAP Financials and SAP HR solutions as part of a SAP optimisation project.	<p><del>April 2016</del></p> <p><del>Aug 2016</del></p> <p><del>Oct 2016</del></p> <p>July 2017</p>	<p><b>Executive-Director Corporate Resources &amp; Services, the Director of Workforce, OD and Delivery Support and the Deputy Director of Finance.</b></p> <p>There will be a review of SAP Financials and SAP HR solutions as part of a SAP optimisation project. A parallel project reviewing the procure-to-pay process will also be instigated.</p> <p>Work was carried out to review SAP user access requirements in line with the scheme of delegation.</p> <p>Due to the complexities of the project and some serious hardware and software issues the project has been delayed. It is anticipated that implementation of this recommendation be reset to July 2017.</p>
2.	<p><b>SAP Changes to Staff Roles</b></p> <p>Sap access should be defined by the role covering the job a user is in. When a user changes roles they should be provided with SAP access that is specific for that role rather than being provided with additional access rights.</p>	There will be a review of SAP Financials and SAP HR solutions as part of a SAP optimisation project.	<p><del>April 2016</del></p> <p><del>Aug 2016</del></p> <p><del>Oct 2016</del></p> <p>July 2017</p>	<p><b>Executive-Director Corporate Resources &amp; Services, the Director of Workforce, OD and Delivery Support and the Deputy Director of Finance.</b></p> <p>See above</p>

**Audit Summary of outcomes:** Implementation of effective SAP role management including assignment to the post rather than the individual will improve both control in terms of ensuring appropriate access levels are granted and efficiency in starter set up processes.

<b>Risk Management – audit report issued November 2014</b>				
	<b>Recommendation</b>	<b>Action Proposed</b>	<b>Target date</b>	<b>Responsible Officer/Action Taken</b>
3.	<p><b>Effective Strategy/Policy</b></p> <p>The Authority's approach to risk management needs to be reviewed and a policy written to reflect the approach incorporating risk appetite, escalation procedures with clear links to the Authorities objectives.</p>	<p>Engagement of consultants to support fundamental review of risk management arrangements, to include:</p> <ul style="list-style-type: none"> <li>workshops with Corporate Leadership Team (CLT)</li> <li>development of a methodology for capturing and managing risk</li> <li>provision of a proven risk management tool</li> </ul> <p>This work stream recognises that cultural change is needed including active support from Executive Directors, and also for short-term additional support to "kick start" the process.</p>	<p><del>April 2015</del></p> <p><del>Nov 2015</del></p> <p><del>Dec 2015</del></p> <p><del>March 2016</del></p> <p><del>July 2016</del></p> <p><del>Sept 2016</del></p> <p><del>Oct 2016</del></p> <p>Nov 2016</p>	<p><b>Executive Director CRS &amp; Head of Performance &amp; Intelligence</b></p> <p>Work continues to ensure that Risk Management is recognised and used as an essential tool of successful management of the Council in the achievement of its priorities. Particularly the Risk Working Group is undertaking additional work to ensure that RM becomes part of the way that we do things and not just a mechanical process of updating a risk register or action plans. There are key activities on this during November 2016. While the timetable is extended, this is to recognise that we need key milestones on a longer journey to successful implementation.</p> <p>A draft policy, strategy and guidance notes have now been written. These should be finalised by the end of November.</p>

## Appendix C

## New & Outstanding High Priority Internal Audit Recommendations

Risk Management – audit report issued November 2014				
	Recommendation	Action Proposed	Target date	Responsible Officer/Action Taken
4.	<p><b>Embedded Process</b></p> <p>There needs to be a re-launch once the approach and policy for Risk Management is approved, ensuring the approach is communicated across the Authority with guidance and training available at the appropriate levels to all employees.</p>	To be addressed as part of methodology development outlined above.	<p><del>Jan-2015</del></p> <p><del>Nov-2015</del></p> <p><del>Dec-2015</del></p> <p><del>March-2016</del></p> <p><del>June-2016</del></p> <p><del>Sept-2016</del></p> <p>Sept 2017</p>	<p><b>Director of WODDS</b></p> <p>4Risk Training rolled out and risk management group has made progress on tackling the various issues. SharePoint site with guidance created and links to 4risk.</p> <p>In order to ensure that vital work on developing our approach and implementing a Corporate Risk policy progresses, agreement has been reached with the Head of Internal Audit to share resource to carry out key tasks over the next 12 months.</p> <p>A full relaunch of the new policy and associated guidance can then take place.</p>
5.	<p><b>Monitoring and review of strategic and directorate risk registers</b></p> <p>All directorates need to ensure teams / services are considering risk as part of their business planning process, with a corporate approach to consistently recording and capturing all risks in an appropriate format.</p>	To be addressed as part of methodology development outlined above.	<p><del>March-2015</del></p> <p><del>April-2016</del></p> <p><del>June-2016</del></p> <p><del>Sept-2016</del></p> <p>Nov 2016</p>	<p><b>Head of Performance &amp; Intelligence</b></p> <p>Risk Management procedures have not worked properly. Processes are still not fully understood and applied. The corporate PMO team has now taken on the ownership of developing process guidance, risk management policy and further training and development for risk updaters in each directorate. This is expected to be fully functioning by end of Nov 2016 and will be regularly reviewed by the PMO team and a dedicated Risk Management group.</p>

**Audit Summary of outcomes:** Risk management is embedded in the normal governance and management process of the organisation.

Estates Management – audit report issued March 2016				
	Recommendation	Action Proposed	Target date	Responsible Officer/Action Taken
6.	<p><b>Monitoring of statutory compliance</b> Assurance that the contractor has provided all the statutory requirements across all authority properties should be sought whilst the reporting arrangements for compliance are progressed</p>	<p>SSE have been tasked with providing the raw data that advises the service dates due for statutory inspection +30 days contractual slippage (need to check and statutory variance to this) SSE need to provide rolling 12 month service plan by end of each month SSE to provide three month detailed program of statutory works. SSE to provide details against each work order when site tests/inspections have been completed and the date/time measure against the due date (+30 days) to give an accurate report of works completed on time and those not. Measure days late and report as average. SSE to provide RAG report, showing work orders complete on time (green) those completed but out of time (orange) and those not completed (red) FM manager to provide back-up data to support internally delivered services using same mechanism as above. FM manager to provide back-up data from all other contractors to support any statutory duties in same format as above. FM manager to report statutory compliance figures to Exec Director Resident Services by 15th each month on previous calendar months performance. SSE to highlight customer bases that persistently change planned statutory works appointments and escalate to Exec Director Resident Services.</p>	<p>May-2016 <del>Oct-2016</del> Dec 2016</p>	<p><b>Principal Facilities Manager</b></p> <p>For the SSE Contract the monitoring of statutory compliance has developed from the previous performance reporting. There is an issue with the current database in reporting individual elements completion within a large programme. To address this, a separate compliance report has been developed with SSE to help provide more accurate feedback.</p> <p>Monthly compliance reports are reviewed at monthly contract meetings between the Principal Facilities Manager and the SSE Contracts Manager.</p> <p>Parallel to the SSE compliance reporting a similar system of reporting has been developed and implemented across all the five main WSCC admin hubs. This captures the tasks undertaken by the local Area Facilities Management teams and provides a dashboard report with supporting detail.</p> <p>Internal Audit comment: To enable this to fully implemented the October compliance report along with the supporting contract management meeting minutes have been requested. These should highlight the areas where compliance is below the required performance level and that these issues are being discussed with the contractors.</p>
7.	<p><b>Strategic Direction</b> A clear estate / asset management strategy needs to be formally adopted to clarify the authority's objectives in terms of the estate.</p>	<p>The Programme Director has been assigned the preparation, development and writing the Strategic Asset Management Plan. It is anticipated this will be complete by September 2016. The Corporate Asset Management Group has been established, chaired by the Executive Director Resident Services to review all assets and identify service requirements, additional requirement (acquisitions) and surplus assets which can be either redeveloped via PropCo or disposed.</p>	<p>Sept-2016 <del>Nov-2016</del> Mar 2017</p>	<p><b>Programme Director</b></p> <p>A single asset register has now been compiled with all PropCo and potential growth developments highlighted.</p> <p>The Asset Strategy remains in development. The programme director's placement with the Council terminated on 21st October 2016 and a replacement owner has been appointed and will start on 7th November. The asset register will be verified and interrogated so that assets can be categorised by group and discussions with service departments progressed.</p>
8.	<p><b>Contract management</b> Contract management should be commensurate to the risk and value of the associated contract.</p>	<p>All KPI's to be agreed  Rent arrears report to be provided to Exec Director Resident Services monthly and process for collection of arrears.</p>	<p><del>June-2016</del> Oct-2016 Dec 2016</p>	<p><b>Principal Facilities Manager</b></p> <p>Nov 16 update – recommendation reassigned to Director of Economy Planning and Place to include Valuation and Estates contracts as well as Facilities Management.</p>

**Audit Summary of outcomes:** A clear strategic plan for the management of the estate and improved contract monitoring arrangements that ensure or statutory obligations are met.



Section 106 – audit report issued February 2016				
	Recommendation	Action Proposed	Target date	Responsible Officer/Action Taken
9.	<p><b>Securing of contributions to support the county councils other strategic objectives</b></p> <p>Once responsibilities within each service have been clearly assigned, then the possibility of securing contributions through the planning system needs to be explored and, if it is possible, formal planning mechanisms need to be designed by the service leads to ensure that all section 106 contributions are identified and collected. These will be aligned to the council's priorities and strategic objects.</p>	<p>The possibility of securing s106 contributions for other services (including early years services, older people services, etc.) through the planning system will be explored by senior responsible officers for those service areas (supported, as necessary, by planning officers and legal services).</p> <p>Progress on this action will be monitored by the officer S106 Liaison Group.</p>	<p><del>June 2016</del> Sept 2016</p>	<p><b>Executive Director Residents' Services</b></p> <p>Further work is being undertaken to identify how the housing and infrastructure needs of older people across the County can be met, in what location and to what cost. However, at this stage, formally identifying the infrastructure need, putting forward proposals and developing schemes is not as robust as may be required and the County Council is currently unable to clearly identify specific projects that could secure contributions for these types of proposals under the CIL Regulations. It is hoped that in the near future West Sussex County Council may be able to specify specific projects that could secure developer contributions. Therefore the Council is not currently requesting CIL to support the needs of older persons but would be looking at this in the near future.</p> <p>Recommendation closed</p>

**Audit Summary of outcomes:** To have a clear strategy for service planning which supports the objectives of the authority. This will involve clearly identifying the roles and responsibilities of key officers in the planning process and developing formal mechanisms for identifying all section 106 contributions and spend requests.

Learning Difficulties Payments to Providers– audit report issued February 2016				
	Recommendation	Action Proposed	Target date	Responsible Officer/Action Taken
10.	<p><b>Off Contract expenditure</b></p> <p>Customers are placed with providers on the LD Open Framework unless there is an approved business case made for choosing a provider outside of the framework.</p> <p>All off contract drivers should receive appropriate training to ensure the safeguarding of all customers in all aspects of our care.</p> <p>If a customer is placed with an off-contract provider then a formal service provision contract stating terms and conditions of the service provided and at an agreed rate should be created to ensure that the customer receives the correct service. Uplift rates should be included in the contract to assist in projecting future expenditure, any uplift outside this range should be approved before implementing the new rate to ensure value for money is obtained.</p>	<p>Ensure that where arrangements are made with non-contracted providers a clear rationale is recorded. This would not be a business case as such but an explanation based on alternatives available. This would be recorded on Risk and Resource Panel sheets and uploaded to FWi.</p> <p>Where off contract taxis are used, ensure that arrangements are in place for taxi drivers to receive information and training to cope with customer need. To start immediately for new arrangements and considered as customers are reviewed.</p>	<p><del>June 2016</del> Aug 2016 Sept 2016 Oct 2016</p>	<p><b>Operations Manager-Learning Disabilities</b></p> <p>Team Managers informed via meeting in September of the requirement to:</p> <ol style="list-style-type: none"> <li>1. Use Transport Coordination Group (TCG) arranged transport as default</li> <li>2. Set out rationale when using TCG is not possible and record in FWi</li> <li>3. Ensure information re customer need, via an individual transport plan, is passed to the taxi company.</li> </ol>

**Audit Summary of outcomes:** Ensuring all taxi drivers are equipped with information and training relevant to their customers' needs will reduce the risk of any incident developing into a serious issue including safeguarding concerns.