



Audit and Standards Committee Report

REPORT OF	Senior Finance Manager (Internal Audit)	DATE 15 th Sept 2016
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SUBJECT	Internal Audit Annual Report 2015/16
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SUMMARY	The purpose of this annual Internal Audit report to Members is to highlight the work that has been undertaken by Internal Audit during the year and supports the Council's Annual Governance Statement (AGS).
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RECOMMENDATIONS

That the Audit and Standards Committee notes the content of the report and the opinion of the Chief Audit Executive (Senior Finance Manager).

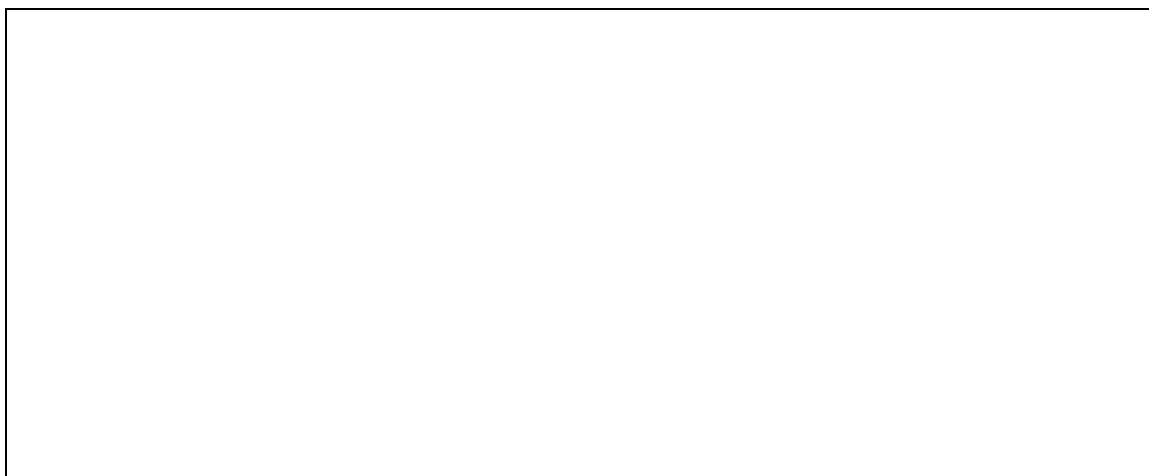
That members approve the Internal Audit Charter.

That members consider whether the level of detail for medium-high opinion reports is still required.

FINANCIAL IMPLICATIONS CLEARED BY	No K Inman	PARAGRAPHS
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BACKGROUND PAPERS

CONTACT POINT FOR ACCESS	Kayleigh Inman	TEL NO. 273 4435
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**CATEGORY OF
REPORT**

Open

Statutory and Council Policy Checklist

Financial implications
YES /NO Cleared by: K Inman
Legal implications
YES /NO
Equality of Opportunity implications
YES /NO
Tackling Health Inequalities implications
YES /NO
Human rights implications
YES /NO
Environmental and Sustainability implications
YES /NO
Economic impact
YES /NO
Community safety implications
YES /NO
Human resources implications
YES /NO
Property implications
YES /NO
Area(s) affected
Relevant Scrutiny Committee if decision called in
Not applicable
Is the item a matter which is reserved for approval by the City Council? YES/NO
Press release
YES /NO

REPORT TO SHEFFIELD CITY COUNCIL AUDIT & STANDARDS COMMITTEE

15th September 2016

Purpose of the Report

1. The purpose of this annual report to Members is to highlight the work that has been undertaken by Internal Audit during the year and supports the Council's Annual Governance Statement (AGS). The report provides a review of the performance of Internal Audit for the year 2015/16 and gives an opinion on the adequacy of the Council's system of internal control.

Introduction

2. It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that an annual report is produced on the work undertaken by the Internal Audit section. This report has been prepared by the Council's Senior Finance Manager (Internal Audit).
3. It is not the intention of this report to give a detailed summary of every audit that has been undertaken during the previous year, rather to give a broad review of the control arrangements.
4. The Executive Directors are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their Services and Internal Audit assesses the adequacy of these arrangements. Internal Audit provides analyses, appraisals, recommendations, and advice concerning the activities reviewed.

Executive Summary of Audit Opinion

5. From the work undertaken by Internal Audit during the year (2015/16), as Senior Finance Manager, I am satisfied that the core systems include control arrangements which are currently adequate to allow the council to conduct its business appropriately.
6. The Council's Annual Governance Statement (AGS) previously circulated to the audit committee (July 2016) includes no areas of significant control weakness.
7. Internal Audit no longer undertakes any counter fraud investigations involving the housing/council tax benefit claims following the introduction of the DWP Single Fraud Investigation Service in February 2015. Internal Audit has investigated or assisted service managers to investigate other allegations of irregularity and associated disciplinary procedures throughout council services (refer to para 41-42 for further details).
8. Internal Audit carried out planned pro-active initiatives in areas of perceived high fraud risk to seek assurance that the selected processes contained robust counter fraud controls and made recommendations where vulnerability was identified.

9. The internal audit service co-ordinated the data review of data matches received from the Cabinet Office as part of the biennial National Fraud Initiative (NFI).
10. A detailed annual report on fraud and investigations was presented to the Audit Committee in April 2016.
11. A total of 13 audit assignments (compared to 6 for 2014/15) were given an audit opinion of high risk of failing to deliver objectives, and these have been reported to the Audit Committee. These audits will/have been subject to follow-up reviews to assess progress implementing agreed recommendations, and the outcomes of follow-up work are also reported to the Audit Committee via the high opinion recommendation tracker.
12. From the routine planned internal audit work undertaken and reported upon during 2015/16, management's response to control issues arising from individual reviews has been very positive overall, with actions to further enhance controls being agreed and formally accepted.
13. Implementation of agreed recommendations has generally been good, however follow-up work undertaken as part of progress monitoring for the audit committee highlighted that 10% of recommendations followed up at July 2016 were still outstanding, and had therefore not been completed by the agreed implementation date. Internal Audit is developing a mechanism to further highlight these areas to both EMT and the Audit Committee.
14. Assurance has been taken from the certification of internal control completed by Directors of Service under the AGS arrangements. Legal Services co-ordinated the compilation of the AGS on behalf of the Council whilst ensuring that responsibility for items included within the statement lies with the senior management of the Council.
15. As the Senior Finance Manager (Internal Audit) I am not aware of any other significant control weaknesses that have not been included within the Council's Annual Governance Statement.

Legislation Surrounding Internal Audit

16. Internal Audit is an independent appraisal function within the Council. The Internal Audit section is an integral part of the Finance Service, which contributes to satisfying the Executive Director – Resources' statutory responsibilities. There are two principal pieces of legislation that impact upon Internal Audit in local authorities, these are:
 - Section 151 of the Local Government Act 1972 requires that "every local authority ... make arrangements for the proper administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs". The Council has designated the Acting

Executive Director - Resources as the Responsible Financial Officer in relation to this section and one of the ways he exercises responsibility for financial administration is through the work of Internal Audit.

- Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2006 (last updated 2011), which state in respect of Internal Audit that:

“A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices”.

Professional Requirements

17. In addition to legislation, Internal Audit is governed by policies, procedures, rules and regulations established by Sheffield City Council (the council). These include the Council's constitution, financial regulations, standing orders, and conditions of service, codes of conduct for members and officers and other procedural rules.
18. The Internal Audit section also has to meet the standards laid down by professional bodies such as the CIPFA and Chartered Institute of Internal Auditors (CIIA).
19. The PSIAS came into force on 1 April 2013, and replaced the CIPFA *Code of Practice for Internal Audit in Local Government in the United Kingdom, 2006*. The PSIAS include key principles that public sector internal audit functions must follow and cover a range of areas including governance, performance standards and reporting requirements. As part of the standards, Internal Audit is required to undertake annual self-assessments. For the financial year 2015/16 Sheffield City Councils' Internal Audit service complied with the majority of the requirements of the PSIAS.
20. The only areas where Internal Audit differs from the PSIAS is that there is an expectation that the 'chief audit executive' (CAE) will report directly to a member of the management board (EMT).
21. At present the Senior Finance Manager (SFM) reports to the Interim Head of Finance, who reports to the Interim Director of Finance and Commercial Services, who subsequently reports to the S151 Officer (Acting Executive Director – Resources). This point has previously been brought to the attention of the Audit Committee. The SFM does have unrestricted access to other senior officers, including the Chief Executive and to the Chair of the Audit Committee, where required.
22. The reporting arrangements for Internal Audit are in line with those operated in most other local authorities, including all of the core cities.

23. The PSIAS also introduced a requirement for an external assessment of an organisation's Internal Audit function, which must be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation. We have agreed to undertake 'peer reviews' within the core cities chief auditors group for independent external assessments, and are looking to conduct these in 2016/17. The terms of reference for the external assessment were agreed at the Audit Committee in April 2016. The Quality Assurance and Improvement Programme is included at Appendix A.
24. On an annual basis, members are asked to approve an Internal Audit charter. The charter for 2016/17 is attached at Appendix B. It sets out the objectives, framework and services delivered by SCC Internal Audit and details the relationship with the Audit Committee, our objectives and the statutory requirements.

Review by External Audit

25. External Audit continues to place some reliance on the work of Internal Audit for the purpose of certifying the Council's published financial statement. External audit assesses the adequacy of any work undertaken by Internal Audit on which they place reliance.
26. Internal Audit have quarterly 'liaison' meetings with external audit representatives to discuss and share work programmes, progress of work and key findings and recommendations.

Internal Audit Resources

27. Internal Audit had an agreed budget for 2015/16 as outlined in the table below, which also summarises the end of year budget position.

2015/16	£	£	£
	Outturn	Budget	Variance
Total	470,995	499,400	(28,405)

28. Comparative statistics collated from the core cities' local authorities in the past, showed that for the relative size of the council, the cost of the audit function in Sheffield is one of the lowest.
29. The core cities comparison has also identified that the coverage per auditor within Sheffield City Council is amongst the highest, with only Liverpool and Glasgow auditors covering more per person (refer to table below).

Core City	£m Net Revenue Costs (NRC) per Full Time Equivalent (FTE)
Liverpool	96
Glasgow	87
Sheffield	75
Cardiff	72
Birmingham	71
Nottingham	64
Newcastle	55
Leeds	55
Bristol	30
Average	67.2

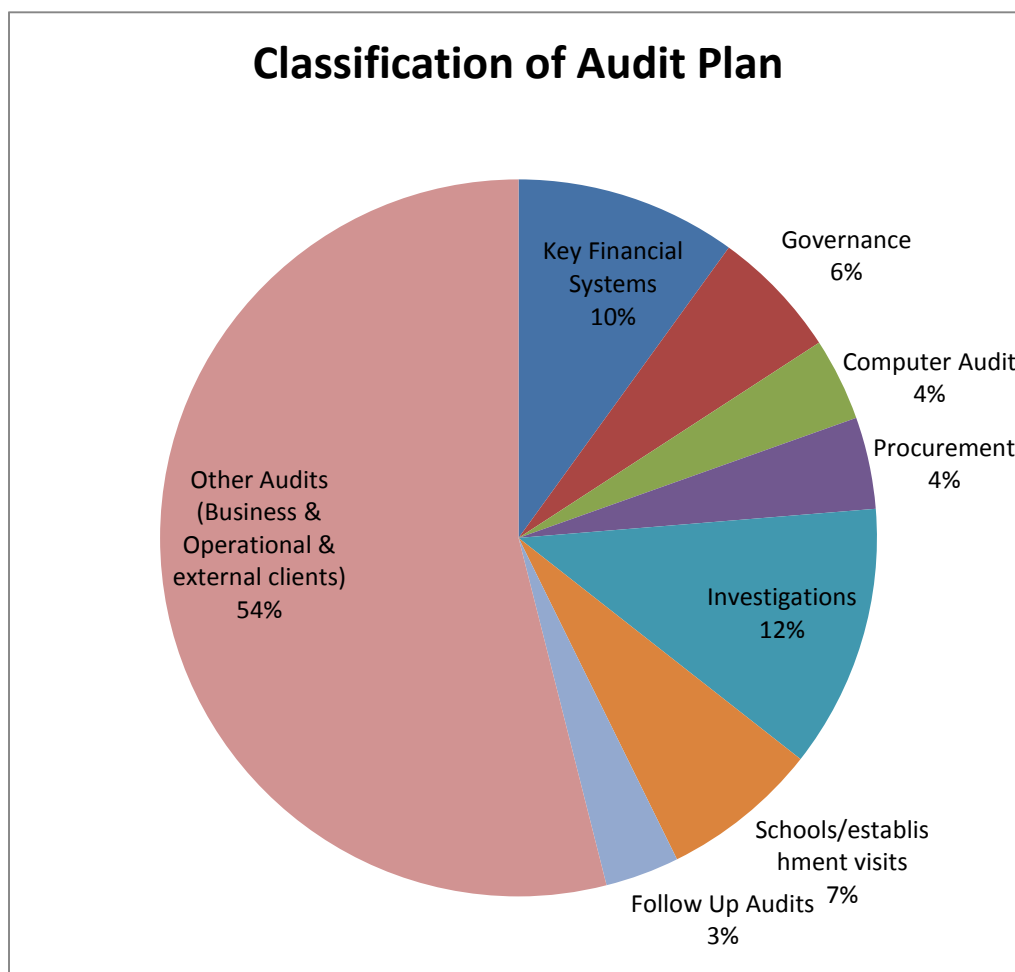
Structure

30. The Internal Audit structure has reduced significantly over the last 5 years to its current level of 11.82 FTE. This is slightly lower than the 14/15 resource, largely caused by staff making use of flexible employee led schemes (such as reduced hours). This is considered to be the minimum level the authority can operate with in order to maintain an 'adequate service'.
31. The current structure of the section is shown in appendix C to this report. It should be noted that within the first quarter of 2015/16, 2.5 FTE officers had been promoted, either permanently or temporarily to other sections within finance. Recruitment was undertaken in August 2015 and the section appointed a full-time trainee accountant, along with 2 new finance officers (FTE 1.4). A further temporary (full time) finance officer was recruited until 20.9.16. An agency member of staff was also appointed for 3 months (full time) from February 2016 to help deliver the main financial systems audits.
32. The Internal Audit section strives to maintain high professional standards by employing and training appropriately qualified staff who are members of or actively studying for professional qualifications. The majority of internal audit staff are either professionally qualified, or are actively studying for relevant qualifications. The section includes members of the Chartered Institute of Public Finance and Accountancy (CIPFA), Chartered Institute of Management Accountants (CIMA), Association of Chartered Certified Accountants (ACCA), Chartered Institute of Internal Auditors (CIIA), and Association of Accounting Technicians (AAT).

Planning Processes and Performance Monitoring

33. A report is submitted to the Audit Committee in April each year to outline how the annual plan is devised. The strategy for Internal Audit work is to focus on areas of high-risk activity in order to provide assurance that risk and internal control systems are being properly managed by Directors in service areas.

34. The basis of the planning process was not a fully risk scored audit universe but is more reliant on perceived areas of risk and emerging issues. Management are asked to contribute to the planning process, however the plan and its contents are entirely the responsibility of Internal Audit.
35. The audit plan is discussed with senior managers and ultimately agreed with the Acting Executive Director - Resources.
36. It is anticipated that with a reduction in resources and an increase in demand in some service areas, that the risks faced by the council in providing its services are likely to rise over the next few years. The plan is therefore subject to review and amendment during the year to allow the inclusion of any emerging relevant risk issues.
37. The 2015/16 original plan contained 139 reviews. At the mid-year point, 30 reviews were deferred or deleted due to timing issues and/or other priority reviews being identified within portfolios. A further 17 new areas were added to the original plan during the year. The chart below illustrates the type and spread of audit work for 15/16 as classified by the core cities benchmarking.



38. The Internal Audit service uses a risk based approach to audit; this is now used almost exclusively for our reviews. This requires closer working with management to identify the risks inherent in the council's activities and then to test the controls that are in place to mitigate these.
39. Internal Audit moved to a 15 month model to measure the completion of the audit plan. This model assumes the completion of some audits in quarter 1 of the following year to allow for full coverage of the year being tested. The audit plan delivery for 2015/16 is as follows:

Audit Area	Original plan	Revised plan	Completed
Corporate	23	15	13
CYPF	29	24	22
Place	17	15	13
Communities	29	29	21
Resources & ICT	24	22	22
Main Financial Systems	7	6	6
Benefits	1	1	1
Pro-active Work & Reviews	9	14	13
Total (Planned Reviews)	139	126	111
Investigations			15
Total			126

40. A total of 111 reviews were completed out of a revised plan of 126 or 88%. Some reviews were deferred/deleted due to issues that only became apparent towards the end of the year after the plan had been agreed.
41. In addition, Internal Audit conducted 15 re-active investigations and assisted managers with a further 20 re-active investigations. These cases covered all areas of the Council from these false claims for services/benefits (blue badge applications) to theft and falsification of mileage claims. This led to a number of dismissals and other appropriate sanctions. The Police were notified and involved where appropriate.
42. Internal Audit also co-ordinated the review and investigation of the data matches received from the Cabinet Office as part of the statutory biennial NFI (National Fraud Initiative). 15,666 potential matches were received including 6,148 more significant recommended matches these were prioritised and 5,085 were processed. The result of this work was as follows:
- 168 errors were identified.
 - 23 frauds/ fraud referrals were made.
 - 7 Blue Badges holders were confirmed as deceased.
 - 1 taxi driver licence was revoked
 - 49 National Insurance Numbers (NINO) were corrected.

The total value of the errors identified was £155,174.18 (including £134,731 housing benefits overpayments in recovery).

43. As the Senior Finance Manager, I am satisfied that the coverage undertaken of the Council's activity by Internal Audit in the past year has been sufficient for me to be able to give an overall opinion on the Council's internal control system/environment.

Audit Reporting

44. Internal Audit reports are typically made up of a number of findings and recommendations. Dependent upon the nature of these findings, the recommendations are given one of four categories – critical, high, medium or efficiency/effectiveness.

45. All Internal Audit reports are then given an overall opinion as to the likelihood of the service/system under review being able to meet its objectives. There are four categories of opinion. These are:

- The risk of the activity not achieving its objectives is **high**. Internal Audit's overall opinion is that controls to manage the operational risks are not present or ineffective.
- The risk of the activity not achieving its objectives is **medium – high**. Internal Audit's overall opinion is that controls to manage the operational risks are inadequate or operating poorly.
- The risk of the activity not achieving its objectives is **medium – low**. Internal Audit's overall opinion is that the controls to manage the operational risks are mostly in place but there are some weaknesses in their operation.
- The risk of the activity not achieving its objectives is **low**. Internal Audit's overall opinion is that controls to manage the operational risks are in place and operating effectively.

46. The opinions relate to the system at the time of the review and do not take into account the effects of the agreed recommendations. Internal Audit follow-up on the recommendations made, in a process that increases in relation to the significance of the opinion.

47. To give an indication of the risk profile, for audits carried out following the standard risk based approach, results were:

High	13 reports
Medium High	27 reports
Medium Low	15 reports
Low	4 reports

48. In addition, Internal Audit undertook 28 pieces of productive work across the council that did not generate an opinion therefore do not appear in the breakdown above – for example grant work and archives and archaeology accounts work. Furthermore, 24 pieces of follow-up work were completed during 2015/16, which did not generate a revised audit opinion.

49. A summary of the key actions arising from the medium-high opinion audit reports are included in appendix E, as requested by members last year. Internal Audit ask that members consider whether this level of detail is still required.
50. It should be noted that although the vast majority of recommendations made by Internal Audit are agreed by management, there are occasions where recommendations are not agreed. In such instances Internal Audit outline the potential risks. A judgement is drawn by management in Internal Audit and where the risk is significant this will always be escalated to senior management to ensure that they are aware of the decisions made. Ultimately non-agreement of recommendations can be reported to the audit committee to enable managers to justify their actions.

Reviewing the Service

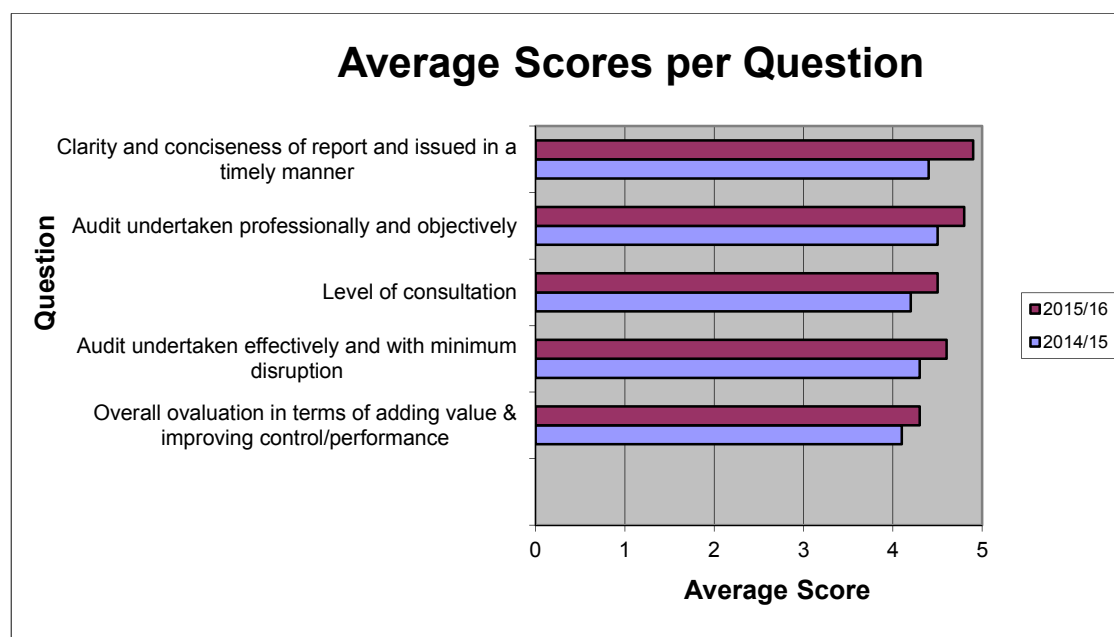
51. Internal Audit is constantly striving to improve the service that it provides to the council. Listed below are the processes that the service undertakes to encourage improvement:

- Internal Audit work on the main financial systems is subject to some level of examination by the council’s external auditors. They need to be assured that the service meets the standards required in order that they may place reliance on the work of Internal Audit for the final accounts audit.
- Internal Audit has a number of performance indicators which it uses to improve performance. The key targets are highlighted within the annual finance service plan and are shown below.
- All audit reports are issued with a standard questionnaire which requests client feedback on a number of aspects of the audit process including usefulness and conduct of the audit (see graph at para 56). The questions are analysed and submitted and used as part of the core cities comparisons.

52. The achievement of the performance targets is shown in the table below:

	2015/16 Target	2015/16 Achievement	2014/15 Achievement
PERFORMANCE TARGETS			
▪ Progress work to agreed work programme	90%	88%	91%
▪ Conduct a minimum of 4 pro-active fraud reviews	4	5	4
▪ Quality measures – average >85% scoring good or better on customer questionnaire (for details see graph overleaf).	85%	100%	100%

53. The figures above show we have sustained our 100% positive customer feedback questionnaires. However, the performance figure for progressing work to the agreed work programme has reduced by 3% largely as a result of the staff turnover in 15/16.
54. Customer satisfaction questionnaires scores are seen to be excellent. Any low scores are followed up with the individual service managers and action is taken where appropriate to constantly strive to improve these. A blank copy of the full audit questionnaire is shown at Appendix D.



55. The individual scores for questions when compared with the previous year are higher and show improvements made by the section. In addition, the overall score is above target and Internal Audit will strive to maintain this position.
56. Internal Audit managers review the performance indicators on a quarterly basis and determine what action can be taken. The performance indicators are also discussed with all audit staff at service planning meetings, to help identify ways of improving service delivery and performance targets. They are also discussed during the Performance Development Reviews (PDR's) with individuals.

Chief Audit Executive's (Senior Finance Manager's) Opinion

57. The Council has a system of internal control designed to manage risk to a reasonable level. Internal controls cannot eliminate the risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

58. With an organisation as large and complex as the Council, some controls will inevitably fail or some risk will materialise which could not reasonably be foreseen.
59. From the work undertaken by Internal Audit during the year however, I am satisfied that the core systems include control arrangements which are adequate to allow the Council to conduct its business appropriately.

FINANCIAL IMPLICATIONS

60. There are no direct financial implications arising from the report.

EQUAL OPPORTUNITIES IMPLICATIONS

61. There are no equal opportunities implications arising from the report.

RECOMMENDATIONS

62. That the Audit and Standards Committee notes the content of the report and the opinion of the Senior Finance Manager.
63. That the Audit and Standards Committee approve the Internal Audit charter for 2016/17.
64. Members consider whether the level of detail requested on audits assigned a medium-high opinion is still required.

Kayleigh Inman
Senior Finance Manager

**Sheffield City Council
Internal Audit
Quality Assurance and Improvement Programme**

Introduction

Internal Audits Quality Assurance and Improvement Programme (QAIP) is designed to provide reasonable assurance to the various stakeholders of the service that Internal Audit:

- Performs its work in accordance with its Charter, which is consistent with the Public Sector Internal Audit Standards (PSIAS), definition of internal auditing and code of ethics;
- Operates in an efficient and effective manner;
- Is adding value and continually improving internal audits' operation.

The Senior Finance Manager, Internal Audit, is ultimately responsible for the QAIP, which covers all types of internal audit activities. The QAIP must include both internal and external assessments. Internal assessments are both ongoing and periodical and external assessments must be undertaken at least every 5 years.

Internal Assessments

Internal assessments are made up of both ongoing reviews and periodic reviews.

Ongoing Reviews

Ongoing assessments are conducted through:

- Supervision of each audit assignment
- Regular, documented review of working papers during assignments by appropriate internal audit staff;
- Review of procedures used for each assignment to ensure compliance with the applicable planning, fieldwork and reporting standards as outlined in the quality procedures manual;
- Feedback from customer surveys on individual assignments;
- Analysis of key KPI's established to improve internal audit effectiveness and efficiency;
- Review and approval of all high opinion draft and final reports by the Senior Finance Manager;
- Review and approval of all medium-high, medium-low and low opinion draft reports by the Finance Managers.

Periodic Reviews

Periodic assessments are designed to assess conformance with Internal Audit's Charter, the Standards, the Definition of Internal Auditing, the Code of Ethics and the efficiency and effectiveness of internal audit in meeting the needs of its various stakeholders. Period assessments will be conducted through:

- Quality audits undertaken on a scheduled basis for performance in accordance with Internal Audit's Quality Procedures Manual;
- Review of internal audit performance KPI's by the Audit Management Team on a quarterly basis;
- Quarterly performance reporting to the Director of Finance and Commercial Services and annual reporting to the Audit Committee;
- Annual benchmarking exercise with core city authorities on cost and productivity.
- Annual self-reviews of conformance with the Public Sector Internal Auditing Standards.

Any resultant action plans will be monitored by the Senior Finance Manager (Internal Audit) on a quarterly basis.

External Assessment

External assessments will appraise and express a judgement about Internal Audits' conformance with the standards, definition of internal auditing and include action for improvement, as appropriate.

An external assessment will be conducted every 5 years by a qualified, independent assessor from outside the council. The assessment will be in the form of a self-assessment with independent external validation. The format of the external assessment will be discussed with the Audit Committee.

Reporting

Internal assessments – reports on performance will be made to the audit committee on an annual basis.

External assessments – results of external assessments will be reported to the audit committee and section 151 officer at the earliest opportunity following receipt of the external assessors report. The external assessment report will be accompanied by an action plan in response to any significant findings and recommendations contained in the report.

Follow-up – the Senior Finance Manager, Internal Audit will implement appropriate follow-up actions to ensure that recommendations made in the report and actions plans developed are implemented in a reasonable timeframe.

Updated July 2016

SHEFFIELD CITY COUNCIL

INTERNAL AUDIT CHARTER

Definition and Objectives

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operation. 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.

Purpose, Authority and Responsibility

Internal Audit forms part of the Resources Portfolio. The Senior Finance Manager (Internal Audit) reports to the Interim Head of Finance, who in turn reports to the Interim Director of Finance and Commercial Services, who in turn reports to the Acting Executive Director of Resources.

The Senior Finance Manager (SFM) is the designated 'Chief Audit Executive', as defined in the Public Sector Internal Auditing Standards. 'The Board' is defined as the Audit Committee and 'Senior Management' is defined as the Executive Management Team.

The Interim Head of Finance and Senior Finance Manager report to the Audit Committee on a quarterly basis. There are a number of standard items reported including the annual audit plan, an annual opinion on the standard of internal control within the authority and regular updates on the implementation of high opinion audit report recommendations.

Independence and Objectivity

Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner that facilitates impartial and effective professional judgements and recommendations. The Senior Finance Manager, finance managers (Internal Audit) and internal auditors have no operational responsibilities.

Should the need arise the SFM can report directly to the Executive Director Resources, or the Chief Executive. Reports can also be made to the Chair of the Audit Committee if required.

The SFM will confirm to the Audit Committee on an annual basis, within the Annual Report, the organisational independence of the Internal Audit Service.

Internal Audit is involved in the determination of its priorities in consultation with those charged with governance.

The scope for Internal Audit is the control environment comprising risk management, control and governance. This effectively includes all of the council's operations, resources, services and responsibilities in relation to other bodies. This description shows the very wide potential scope of Internal Audit. In order to turn this generic description into actual subjects for audit, a risk assessment methodology is applied that allows all high-risk subjects to be identified. The council's fundamental financial systems are subject to a degree of inspection on an annual basis, whilst Internal Audit also identifies other financial and non-financial systems and functions as important areas for review.

Internal auditors will maintain an impartial, unbiased attitude and avoid any conflicts of interest in the performance of audit assignments.

Accountability for the implementation of recommendations made by Internal Audit lies with management, who either accept and implement the advice or formally reject it. A report is made to the Audit Committee of any 'high priority' recommendations that have been rejected by management.

Code of Ethics

All our internal auditors must conform to the Code of Ethics (see Appendix B.1). The code promotes an ethical culture in a profession founded on the trust placed in its objective assurance about risk management, control and governance.

The Code of Ethics includes 2 essential components – The Principles and Rules of Conduct (which are an aid to interpreting the principles into practical applications).

Statutory Role

Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2003, which state in respect of Internal Audit that:

“ A relevant body shall maintain an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with the proper internal audit practices, and any officer or member of that body shall, if the body require:

- Make available such documents of the body which relate to its accounting and other records as appear to be necessary for the purpose of the audit; and
- Supply the body with such information and explanation as the body considers necessary for that purpose.”

The statutory role is recognised and endorsed within the council's Financial Regulations, which provides the authority for access to officers, members, documents and records and to require information and explanation as necessary.

Internal Audit Standards

With effect from 1st April 2013, the CIPFA Code of Practice for Internal Audit was subsumed into the new Public Sector Internal Auditing Standards (PSIAS). SCC is working towards compliance with this new standard. Any non-compliance will be reported to the Audit Committee in the Annual Report.

Internal Audit Resources

Internal Audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and to the standards. Internal auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme.

The Senior Finance Manager and Interim Head of Finance are responsible for appointing the staff of the Internal Audit section and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills.

The Interim Head of Finance is responsible for ensuring that the resources of the Internal Audit section are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby he concluded that resources were insufficient, he must formally report to the Section 151 Officer.

Engagement Planning

For each audit assignment, internal auditors will develop and document a plan including the objectives of the review, the scope, timing and resource allocations. In planning the assignment, auditors will consider, in conjunction with auditees, the objectives of the activity being reviewed, significant risks to the activity and the adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model.

Reporting Accountabilities

A written report will be prepared by the appropriate auditor for every internal audit review. The report includes an opinion on the adequacy of controls in the area that has been audited.

The draft report will be discussed with the auditees and a response obtained for each recommendation stating their agreement/ non agreement to each recommendation and timeframe for implementation. The draft final report will include these management responses and acceptance to the audit recommendations and will be issued to the auditee and relevant Director of Service for final agreement. The auditee and Director of Service have 7 days to reply to the draft final report before it is issued as final.

Internal Audit reports, assigned a high or medium-high opinion are subject to a follow-up, arranged in order to ascertain whether the action stated by management and their response to the report has been implemented.

Fraud and Corruption

Managing the risk of fraud and corruption is the responsibility of management. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal Audit does not have responsibility for the prevention or detection of fraud or corruption. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption. Arrangements are in place for Internal Audit to be informed of all suspected or detected fraud, corruption or improprieties. Internal Audit may be requested by management to assist with fraud related work.

Updated July 2016.

Code of Ethics

1) Integrity

Principle

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.

Rules of Conduct

Internal Auditors:

- 1.1 Shall perform their work with honesty, diligence and responsibility;
- 1.2 Shall observe the law and make disclosure expected by the law and the profession;
- 1.3 Shall not knowingly be a part to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation;
- 1.4 Shall respect and contribute to the legitimate and ethical objectives of the organisation.

2) Objectivity

Principle

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.

Internal auditors make a balance assessment of all the relevant circumstances and are not unduly influence by their own interest or by others in forming judgements.

Rules of Conduct

Internal Auditors;

- 2.1 Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation;
- 2.2 Shall not accept anything that may impair or be presumed to impair their professional judgement;
- 2.3 Shall disclose all material facts know to then that, if not disclosed, may distort the reporting of activities under review.

3) Confidentiality

Principle

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Rules of Conduct

Internal auditors;

3.1 shall be prudent in the use and protection of information acquired in the course of their duties;

3.2 shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation;

4) Competency

Principle

Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

Rules of Conduct

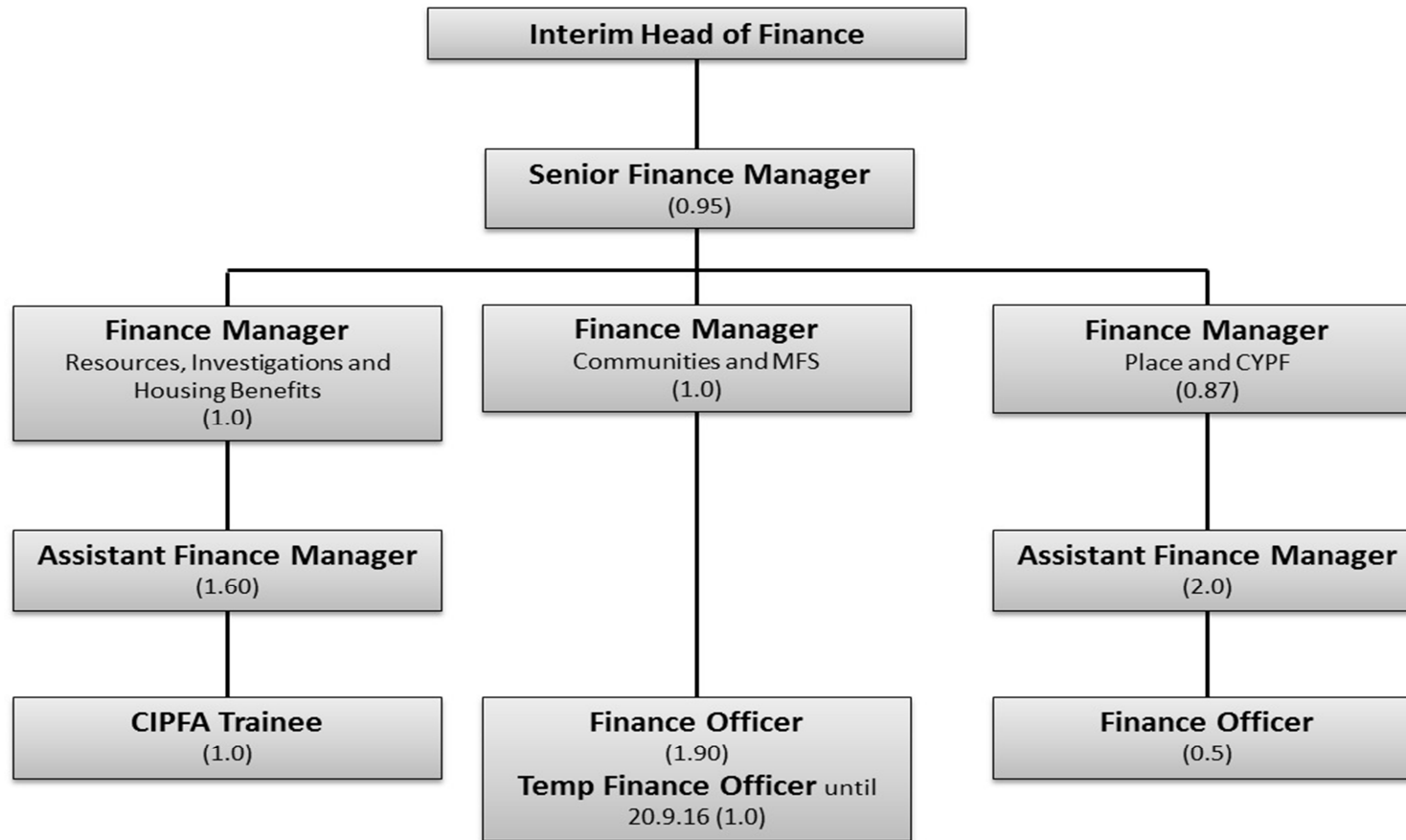
Internal auditors;

4.1 Shall engage only in those services for which they have the necessary knowledge, skills and experience;

4.2 Shall perform internal auditing services in accordance with the International Auditing Standards for the Professional Practice of Internal Auditing.

4.3 Shall continually improve their proficiency and effectiveness and quality of their service.

Internal Audit



**INTERNAL AUDIT
POST AUDIT QUESTIONNAIRE**

Audit:

Portfolio:

Date of Issue:

Internal Audit is continuously looking at ways of improving the quality of service that we provide. Please could you complete this questionnaire to help us ensure that the service we provide is of the highest possible standard.

Evaluation

Please indicate a score of 1 - 5, with 1 being poor and 5 being good.

1. Overall evaluation of the audit in terms of added value to your business area and improving control / performance.	<input type="checkbox"/>
2. The level of consultation during the audit.	<input type="checkbox"/>
3. The audit was carried out effectively with minimum disruption.	<input type="checkbox"/>
4. The auditors were professional, objective and worked well with your team.	<input type="checkbox"/>
5. The final report was clear, concise, addressed the key issues and was issued in a timely manner.	<input type="checkbox"/>

Comments:

Form completed by:

Name: _____ Designation: _____

Signature: _____ Date: _____

Thank you for completing this questionnaire. Please return to:

Kayleigh Inman
Senior Finance Manager
Sheffield City Council
PO Box 1283
Town Hall
Sheffield S1 1UJ
Or Email to: Kayleigh.inman@sheffield.gov.uk

APPENDIX E

Summary of the key recommendations made in the medium-high opinion audit reports issued by Internal Audit during the 2015/16 financial year as requested by Audit Committee Members.

Individual Electoral Registration (Resources)

Executive summary

Sheffield City Council's Electoral Services team have embraced Individual Electoral Registration (IER) and the challenges that this has posed. Extensive work was undertaken by the team to ensure that as many voters as possible were individually registered in time for the publication of the new electoral register (published on 1st December 2015).

This internal audit review has been attributed a 'medium-high' opinion primarily because of the on-going financial pressures that the electoral registration budget is subject to and the fact that these pressures will continue to increase in the years to come. Although work is on-going with the Finance Service to rectify this, a permanent solution must be found to ensure that the Service can continue to deliver its statutory duties within a suitable budget. Currently, this is not taking place.

High priority recommendations:

- Present the plan for individuals at 'Registration Review' status to the Elections Project Board.
- Undertake a short review evaluating the use of tablet technology in the 2015 canvassing activity.
- Seek a permanent solution to the significant budget pressures experienced by the Service.
- Complete a fraud risk assessment.
- Refer on-going IT issues to Capita.

Sickness Absence (Resources)

Executive summary

This Internal Audit review has been given a 'medium – high' opinion because of the issues that have arisen from the implementation of a new process and the outsourcing of Occupational Health. Internal Audit recognises that this is a consequence of the introduction of any new system, and that the new process is an improvement on what was in place previously, but there are a number of key issues to rectify.

High priority recommendations:

- Implement a required module for line management regarding sickness.
- The sickness policy should be reviewed

- Guidance to be published regarding planned surgery
- Health Management Ltd (HML) well-being information is going to be requested in electronic form for easier distribution
- There will be a discussion regarding the use of “other” when classifying sickness and the best way to overcome the issue associated with this.

Corporate Complaints (Resources)

Executive summary

This internal audit review has been given a ‘medium-high’ opinion because of the challenges faced in meeting the target timescales for responding to complaints in some areas of the Council. Although there are valid reasons why some complaints investigations do not meet the targets, the team have identified where the issues are and performance data is produced on a quarterly basis. The team are supporting managers across the Council and improvements in performance are anticipated in 2015/16. It is important that where the targets are not being met, the team continue to work with services to support them in meeting the targets.

High priority recommendations:

- Continue to keep response times and intervention under review.
- On a periodic basis, feed lessons learnt from quality assurance testing back to accountable managers.
- Consult with the Director of Legal & Governance regarding whether the Council’s complaints procedures can be applied to voluntary arrangements – and take the appropriate action in response to this.
- Work with Commercial Services to ensure that standard wording regarding complaints is included within contract documentation.
- Work with Amey to ensure that appropriate information is provided regarding complaints.

Payroll (MFS) 15/16

Executive summary

As part of the audit fieldwork, Internal Audit met with HR to discuss the incidents that occurred in the summer of 2015 and those that had been reported in December 2015. These ranged from employees being paid twice, incorrect deductions from employees, errors with employee led scheme deductions and errors arising from service restructures/MERs. Capita did acknowledge that the errors that occurred with the double payment of salaries in the summer of 2015 to finance staff was due to human error whilst processing a restructure of the finance service.

HR stated that they did expect approximately 3 ‘incidents’ in a 12 month period, but there had been 8 or 9 over a six month period. This is viewed by Internal Audit as an indicator of control failure.

With regard to audit sample testing, the numbers and percentages are as follows:

	New Starters	Leavers	Amendments
Total April to Sept 2015	346	394	
Sample taken	25	25	25
Sample %	7.23%	6.35%	25
Errors	6	7	2
Errors %	24%	28%	8%

To provide some context, the total number of transactions per month dealt with by Capita Payroll is as follows:

- Starters - 80
- Leavers - 70
- Amendments - 464
- Salary payments - £14.3m, for 8843 employees.

High priority recommendations:

- Improvement in the application of internal controls for payroll
- Use of payroll number, rather than name, when actioning amendments to pay
- Revision of exceptions reporting to aid usage

Gratuities (Payroll) (Resources)

Executive summary

It is acknowledged that gratuities payments make up a very small percentage of the overall payroll bill however payments should be made correctly and overpayments be recovered wherever possible. Documented processes to this end will ensure consistency and transparency.

It is understood that a recent review of gratuities undertaken by SCC and CAPITA management concluded to continue with monthly payments rather than annualised payments to ensure that overpayments are minimised.

It is noted that an error made by CAPITA payroll resulted in an overpayment of over £5,600 being paid following the notification that a gratuity recipient had passed away.

More frequent and timely review of deceased record data matches appears to be a way forward in reducing the amount of overpayments, as one case resulted in an overpayment of over £6,800 over a 19 month period. A documented process should assist staff in taking the correct action.

High priority recommendations

- The process for the review of gratuities should be documented.
- Management should consider the use of the Flexible Matching Service to undertake more frequent reviews to prevent large overpayments being created.
- Consideration should be given to CAPITA refunding the overpayment made due to not actioning deceased information received.
- A recovery process for gratuities overpayments should be considered and documented.

Vehicle Management (Resources)

Executive summary

The Mix Telematics system has a lot of useful tools that should help eradicate potential vehicle fraud. This is evident from the benefits Transport Services are gaining from using the system to its full potential. However, a lot of its users aren't doing this or even using it at all, meaning the investment in this system really isn't worthwhile.

High priority recommendations

- Implement new SLAs with the services and work with them to set up and use the Mix Telematics system
- Consult with Parks again regarding using the Mix Telematics on their fleet, especially given the nature and cost of their equipment/vehicles.

Petty Cash (Resources) (CRSA)

Executive summary

All nominated officers completed the returns as requested as part of this audit. No further testing was undertaken by Internal Audit and findings are based on the information provided by the nominated officers.

It should be noted that there are currently only three petty cash floats across Resources and only Transport Services undertake regularly cash handling.

It was identified during the audit that whilst management in Customer Services believed there was an active petty cash float in their service, it had actually been repaid and closed in December 2014.

It was also noted that Transport Services exceed the £25 transaction limit for driver medicals, however on consideration it would be very difficult to use another payment method and it would be unreasonable for drivers to be out of pocket whilst a claim was processed via expenses. Whilst outside the documented procedure there did not appear to be an appropriate alternative and hence no recommendation made for this finding in the report.

High priority recommendations:

- Consideration should be given to alternative purchase methods.
- Keys for petty cash tin should only be held by the nominated officer.

Positive Verification of ICT Assets (Resources)

Executive summary

Although a degree of assurance has been obtained from the Internal Audit testing undertaken, historical issues in this area dictate that the opinion remains medium-high. However if the recommendation regarding monthly monitoring is fully implemented, it is likely that this opinion will be reduced in future.

High priority recommendations

- Undertake monthly monitoring of assets not logging on to the Council's network.

Capita Single Person Discount review (Resources)

Executive summary

The audit was initially to review the CAPITA process for a SPD review and consider if it appeared to be a better approach than the National Fraud Initiative (NFI) SPD data match. In this respect the CAPITA process is considered to use a far wider range of data to match and an intelligence-led risk based scoring system to evaluate the priority of the matched data. As such the CAPITA SPD review process is considered to be more effective than the NFI approach.

During the audit CAPITA's inclusion of additional SPD removal savings of £2.5million came to Internal Audit's attention. This guarantee was then included in the scope of the audit and evaluated under the risk "Client Team fails to effectively monitor and challenge SPD review and results", which at the start of the audit had a medium inherent risk. However, due to the addition of the guaranteed savings the inherent risk was increased to high, a number of recommendations have been raised to correct the issue.

High priority recommendations

- Consideration should be given to the introduction of a penalty for service users who falsely declare their eligibility for SPD.
- SPD removal savings resulting from the review should be identifiable in the system and management information produced.
- A SPD removal savings baseline should be calculated and agreed.

- The calculation method for the SPD removal additional savings should be agreed and documented.

Risk Management in Schools (CYPF)

Executive summary

15 schools were originally selected to be tested for this audit, with all 15 schools providing a completed CRSA questionnaire as requested.

Internal Audit has based the majority of the findings on the written detail provided in the CRSA questionnaire. The responses recorded on eight CRSA questionnaires had no supporting evidence (Beighton N I, Limpsfield J, Norton Free Primary, Acres Hill Community, Phillimore Community, Lowfield Primary, High Green Primary, Norfolk Park and Mossbrook Primary).

It was also noted that three of the CRSA's were very poorly completed with very little narrative (Norton Free Primary, Lowfields Primary and Norfolk Park). Pipworth Community, St Thomas More Catholic, Lower Meadow Primary and Rainbow Forge provided very comprehensive returns, which were supported by numerous attachments/evidence.

The Director of Business Strategy and Corporate Risk Manager will need to ascertain if this is a representative sample for the schools in Sheffield as a whole and if extrapolated, whether a similar picture would be identified. The reasons for the level of non-compliance identified within the findings/ recommendations in this report also needs to be established, as it could indicate wider issues, for example, training issues, lack of expertise/ skills, reduced resources and increased workloads. To help raise awareness about adequate risk management processes within a school, guidance and sample documents (for example a Risk Management Policy) should be made available via School Point 365.

High priority recommendations

- The Head Teacher should ensure that there is a robust, up-to-date and detailed Risk Management Policy.
- The Head Teacher should ensure that the school has a risk management plan (risk register) which should include strategic and operational risks.

Deficit Recovery Process (CYPF)

High priority recommendations:

- The requirement to have a recovery plan in place needs to be consistently enforced;
- Applications for licenced deficits, without a recovery plan, should be acknowledged but not authorised;

- Cash flow loans should not be available to schools until they have a recovery plan.

Information Governance (data security) Schools (CYPF)

Executive summary

20 schools were originally selected to be tested for this audit, with 18 schools providing a completed CRSA questionnaire as requested. 2 schools did not engage with the audit, these being Stocksbridge High and Hunters Bar Junior School.

For the above 2 schools, which did not engage with the audit process and complete their respective CRSA questionnaire, Internal Audit can give no assurance as to their controls around information governance. These details have been provided to the Director of Business Strategy (CYPF) for follow up and action.

Internal Audit has based the majority of the findings on the written detail provided in the CRSA questionnaire. It should be noted that the responses recorded on five (Byron Wood Primary, Dore Primary, Westfield, Talbot Specialist School and Birley Community College) CRSA questionnaires had no supporting evidence. Carfield Primary, Nether Green J, Netherthorpe Primary and High Storrs, provided very comprehensive returns which were supported by numerous attachments/ evidence.

A number of Policy templates are available to assist with a number of the recommendations detailed in the following report and assistance is available from the Information Security & Management Traded Service.

The Director of Business Strategy will need to ascertain if this random sample of schools selected for this review is a representative sample of all LA schools in Sheffield, and if extrapolated, whether a similar picture would be identified. The reasons for this level of non-compliance identified within the findings/ recommendations in this report also needs to be established, as it could indicate wider issues, for example, training issues, lack of expertise/ skills in information governance & security, reduced resources and increased workloads.

High priority recommendations:

- The Head Teacher should ensure that there are comprehensive, up-to-date, monitored and documented policies and processes in relation to Information Governance and security.
- The Head Teacher should ensure that parents/ carers, pupils and staff are issued with a fair processing notice.

- The Head Teacher should ensure that a member of Senior Management Team and/ or the Governing Body is responsible for Data Protection.
- The Head Teacher should ensure that the School's Governing Body are fully aware that they are legally accountable as Data Controller.

Personalised Education Plans (PEP's) (CYPF)

The virtual school head (VSH) role has been a statutory responsibility since 2013. Since then the number of PEP's completed on time has increased from 30-93%. It should be noted that Internal Audit's opinion relates to an assessment of a random sample of 30 PEP's. It is acknowledged that the completion of these PEP's is the responsibility of the schools designated teacher and the child's social worker, however, the virtual school have agreed to take forward the recommendations contained within this report and therefore agreed actions and timeframes have been set with them. The virtual school will use this report to support further improvements in the quality of PEP's with schools designated teacher and social workers and help drive continued change and improvements. Positive steps and changes have already been made by the virtual school to improve the completion of the PEP's.

Key Actions

- Key critical fields, in particular the unique pupil number, pupil voice, targets and pupil premium details should be completed on all PEP's.
- PEP's should be completed on a timely basis and regularly monitored.

Care Leavers (CYPF)

Executive summary

Internal Audit acknowledge that changes are taking place with regard to care leavers, but the pace of this change has been slower than expected. Resource limitations on areas such as staffing and funding have had an impact on the pace of change, as well as difficulties encountered in gaining the support and engagement of care leavers themselves.

High priority recommendations

- Commissioning of an independent person to identify issues and drive forward change.
- Set realistic budgets for care leavers that are regularly monitored/reported against.
- Review and update - Guide to Financial Assistance for Young People Leaving Care, so that it accurately reflects agreed policy/practices.

Free Early Learning (FEL) administration and payments (CYPF)

Executive summary

The procedures and processes regarding the operation and administration of FEL have improved since the scheme began, and evidence has been seen that Management are aware of weaknesses and are continuing to change/adapt process to address these. Although the system is working (in that providers are able to submit claims, and are being paid), Internal Audit acknowledge that the current system is heavily reliant on spreadsheets and is labour intensive administratively – feedback from Management has indicated that this is partly due to the fact that the IT systems in use for FEL are not necessarily fit for purpose, and are in need of upgrading. The emphasis of work undertaken to date by the service has been on processing claims rather than testing compliance with procedures and checking the accuracy of claims, and Internal Audit have concerns that the current systems will be unable to cope with any significant expansion of the scheme.

This review was assigned a medium-high opinion due to the high number of medium priority recommendations.

High priority recommendations:

- Management need to review the Code of Practice to determine an alternative to the 'signature clause' for the acceptance of changes to terms and conditions.

The Renew Project (Place)

Executive Summary

The aim of the ReNew Sheffield Project is to enable start up, temporary, meanwhile and pop-up businesses to take up vacant units in Sheffield City Centre. The project is intended to improve the vibrancy of areas in transition and help businesses to grow. It can provide the funding to help businesses to get started in a city centre space. The purpose of the audit was to ensure that the funding allocated by the project is done so fairly, consistently and transparently, in line with associated policies and procedures. This was a proactive piece of internal audit work.

High priority recommendations

- Re-visit the objectives of the ReNew Sheffield Project for the next cycle of funding and firm up the criteria by which applications will be judged.
- Publish the new criteria on the ReNew Sheffield Project website.
- Include 'Conflicts of Interest to Declare' as a standard agenda item on the ReNew Sheffield Board agenda.

- Review and update the terms of reference for the ReNew Sheffield Advisory Group and send out copies to all members of the advisory group.

Capital Project Review – Bus Rapid Transport (BRT North) (Place)

Executive summary

Internal Audit's opinion is based entirely on the reported overspend arising from a series of exceptional circumstances impacting on the construction of the Tinsley link road resulting in a 56 week project delay. Internal Audit is satisfied that robust project management arrangements are now in place and that action is being taken to address any funding short fall and to manage financial risks that may impact on the potential overspend.

High priority recommendations

- Management will continue to identify and secure funding and other income sources.

Information Governance (physical security to buildings) Howden House (Place)

Executive summary

Further reviews of physical security, e.g. access to buildings, are planned to be undertaken in future years, across the estate. Internal Audit will expect the recommendations made in this report to be implemented, where appropriate, across the Council's estate.

A Facilities Manager did not engage with Internal Audit during this review and numerous requests and reminders from both Internal Audit and the Contract Manager were issued. The intention was to identify the controls in relation to confidential waste and what happens with the post within Howden House, i.e. handling, incoming and outgoing post.

Internal Audit had to bring this audit to a close, without any evidence provided from the Facilities Manager; therefore, no assurance could be given on these controls. These details will be provided to the Director of Business Strategy and Regulation for follow up and action.

A number of issues were identified and reported on in the initial Information Governance (Physical Security at Moorfoot (principally) and Town Hall) audit report issued in May 2015. Agreed action dates and owners were identified and rather than duplicate these issues in the body of this report, in summary, they are:

- Desktops are not encrypted in a timely manner. A Request for Change (RFC) has been raised to encrypt the desktops. This has been considered

by the Information Governance Board and if approved will remove this risk going forward (Action Owner - Ian Jellyman - Head of IS Strategy, Governance and Assurance (Actioned)).

- ID cards should not detail the location of where someone is based, only a PO Box, because if lost and not deactivated it could easily be used (Action Owner: James Henderson - Director of Policy, Performance and Communications).
- The Council's Information Governance Framework should be included as part of the Corporate Induction Pack, in addition to the Information Governance Security Policy. The ICT User Acceptable Policy should also be completed by all users of ICT Services (Action Owner: Sue Palfreyman - Head of Human Resources).

High priority recommendations

- Secure printing should be set up and used by all staff within Howden House.

Client Management in Learning Disabilities (Communities)

Executive summary

At the time of the audit, over 1550 adults with a learning disability aged 18-64 received adult social care arranged by the Council. There are two main strands to client management - assessments and care management and directly provided services. The audit focussed on client management within the remit of assessment and care management; looking at who the clients were, what services were provided and when, the costs involved and how future demand was assessed.

The audit was given a medium high opinion as the report contained ten recommendations, of which four were given a high priority, i.e.: those that were considered to be important and could have a significant impact on the service achieving its objectives.

High priority recommendations

- List of LD service users should be maintained and reviewed.
- Plans to clear the review and assessment backlog should continue.
- Organisational arrangements for financial management in LD should be reviewed.
- Forecasting for future client need should be implemented.

Social Housing Repairs and Maintenance (SHRM) contract – performance management (Communities)

Executive summary

Sheffield City Council SHRM contract is with Kier Group. This contract covers repairs and maintenance to approximately 41,000 Sheffield Council Houses. This audit looked at contract performance management arrangements in place to ensure the optimum balance between service, cost and quality.

High priority recommendations:

- To continue contract monitoring and liaison with Kier to help improve performance in the failing KPI's. This should include close monitoring if the overdue repairs are not being performed.

Council Housing Re- Roofing Programme (Communities)

Executive summary

Internal Audit acknowledged that the staffing resource available for this programme has been influenced by an ongoing MER. The recommendations made within this audit should strengthen the governance arrangements in place and enable the available staff to be deployed flexibly in order to address/mitigate risks/issues arising.

High priority recommendations:

- Quarterly Progress and Affordability reports should be provided routinely to the Homes Board, in order to accurately disclose the position of the programme in terms of outputs, cost and overall affordability. Where issues exist such as the non-availability of actual cost data, this should also be highlighted, along with any other key emerging risks/issues.
- Where financial reports are presented, disclosing the budget position of the programme, care should be taken to ensure that accompanying narrative is also provided which enables the reader to gain an accurate reflection of the programmes performance.
- The issue of obtaining 'final costs' for completed orders needs to be escalated and resolved as soon as possible. Reference to this issue should be recorded on the programme risk register, and noted within all reports presented to the Homes and HRA Boards.

European Services Directive (Resources)

High Priority Recommendations:

- The Head of Licensing should ensure all relevant SCC services comply with Article 7 of the European Services Directive and all required

headings are recorded on the Internet. Currently a number of services are non-compliant, which could result in high value financial penalties for SCC, from the clawback of Government funding.

Special Educational Needs or Disabilities (SEND) Programme Phase 2

Executive Summary:

The above Audit opinion is given on the basis that we recognise that action is being undertaken by Management to address ongoing issues and that some progress is being made. However, at the current time, there remains a backlog of transfers and underperformance in achieving the statutory timescales for EHC needs assessments - both new and historical cases. Until improvements are made and maintained, SCC remains vulnerable to legal challenge including ombudsman complaints and judicial review.

Context received from Programme Manager, SEN reforms.

Approximately 2,500 statements need to be transferred to EHC Plans by 2018, whilst at the same time, more than 50 new requests for EHC Plans are being received each month. This is a significant undertaking which requires difficult local decisions to be made about prioritisation of various aspects of the reforms.

At the same time, local authority resources are under pressure and there are significant change programmes taking place across related areas. Many of these intentionally overlap significantly with the SEND reforms and it is important that the interfaces between these programmes are considered carefully and resourced effectively.

Placement decisions often require careful thought to prevent negative impact on the individual, the institution or the education of other children or young people placed there. With the capacity of Sheffield's excellent Special School sector already stretched, it is increasingly difficult to find suitable places for children and young people with SEND within the statutory timescales.

The implementation of the SEND reforms is taking place in a highly challenging public services environment that necessitates a more agile approach to programme management. This is recognised by the Children, Young People and Families Portfolio Leadership Team and the more flexible, less centralised ways of managing such a significant and far reaching set of changes that are in place have been agreed by them and by the Inclusion Programme Board.

High priority recommendations:

- Management need to undertake a lessons learned exercise that formally details what action has been undertaken and when, in order to attempt to address the backlogs of EHC conversions, and then establish new proposals that can be implemented going forward.

- In view of the current backlog, and conversion cases yet to undertake, on a quarterly basis, management should review the actual time being taken to complete elements of the EHC conversion process and use this to recalculate staff resource/anticipated outputs.
- Management need to ensure that robust quality assurance processes are put in place to ensure that there is consistency between EHC's being produced internally and externally.
- Given the caseloads still required to be undertaken, management should undertake a detailed VFM review to assess whether external commissioning provides a cost effective solution going forward (and should continue until all of the conversions have been completed), or whether training and recruitment of additional internal staff would be more cost effective.

Racial Incident Monitoring in Schools (Themed Review)

Executive Summary:

15 schools were originally selected to be tested for this audit, with 12 schools providing a completed CRSA questionnaire as requested. 3 schools did not engage with the audit, following numerous reminders, these being Beck Primary, Nether Green Infants and Heritage Park Community.

For the above 3 schools, which did not engage with the audit process and complete their respective CRSA questionnaire, Internal Audit can give no assurance as to their controls around racial incident monitoring. These details will be provided to the Director of Business Strategy (CYPF) for follow up and action.

Internal Audit has based the majority of the findings on the written detail provided in the CRSA questionnaire. The responses recorded on five CRSA questionnaires had no supporting evidence (Angram Bank, Anns Grove, Bradfield Dungworth, Halfway NI and Woodthorpe Primary). It was also noted that three of the CRSA's were very poorly completed with very little narrative (Halfway NI, Sharrow Primary and Woodthorpe Primary).

The Director of Business Strategy will need to ascertain if this is a representative sample for the schools in Sheffield as a whole and if extrapolated, whether a similar picture would be identified. The reasons for the level of non-compliance identified within the findings/ recommendations in this report also needs to be established, as it could indicate wider issues, for example, training issues, lack of expertise/ skills, reduced resources and increased workloads.

High priority recommendations:

- The Head Teacher should ensure that there is a clear, robust, up-to-date and ratified policy for dealing with racist incidents.
- Equality Act 2010 Equality Statement/ Racial Incident policy should be in their schools brochure/ prospectus or on the website.

Health and Safety – School Themed Review

Executive Summary

15 schools were originally selected to be tested for this audit, with all 15 schools providing a completed CRSA questionnaire as requested.

Internal Audit has based the majority of the findings on the written detail provided in the CRSA questionnaire. The responses recorded on 11 CRSA questionnaires had no supporting evidence (Mundella Primary, Holgate Meadows, Brightside, Coit, Grey stones, Heritage Park, Hucklow, Owlerbrook, Parson cross, Shooters Grove, Shortbrook). Three of the CRSA's were completed with very limited detail/ explanation (Mundella, Shooters Grove and Coit). As a result, assurance at these schools is limited.

Waterthorpe NI, Reignhead, Marcliffe and Brookhouse provided comprehensive returns, which were supported by numerous attachments/ evidence.

Internal Audit identified that there is no consistency in recording accidents/ incidents across the sample of schools, various methods are used:

- 7/15 schools use manual recording
- 4/15 use computerised systems
- 2/15 schools use both manual and computerised systems
- 1/15 schools uses the schools Intranet
- 1/15 schools did not state the method of recording

The Director of Business Strategy will need to ascertain if this is a representative sample for the schools in Sheffield as a whole and if extrapolated, whether a similar picture would be identified. The reasons for the level of non-compliance identified within the findings/ recommendations in this report also needs to be established, as it could indicate wider issues, for example, training issues, lack of expertise/ skills, reduced resources and increased workloads.

High priority recommendations:

- The Head Teacher should ensure that H&S training has been provided to the relevant staff and their records are kept up to date.
- The Head Teacher should ensure that induction training for new staff/ Governors includes the H&S Policy.

Information Management - Data Controls

Executive Summary:

As noted in the introduction above, although testing was undertaken predominantly in the Communities Portfolio, issues raised as part of this review are Corporate in nature. As such, this draft report will be presented to

the Head of Information and Knowledge Management to agree with input from the Information Governance Board.

As with any review on information management, the key is that the Data Protection principles can be met – the Council should have in place robust processes to do this. How these are performed and how compliance will be monitored should also be clearly set down.

High priority recommendations:

- Managers need to understand the records lifecycle and to understand that they have a number of responsibilities in relation to this. They are also responsible for communicating the responsibilities of their staff appropriately.
- Once Information Sharing Agreements are in place across Portfolios, the detail of these should be fully shared with all relevant Officers via the existing SharePoint directory which is accessible via the intranet.
- BCIS need to ensure that all staff across the Council have access to clear guidance on the use of secure mail/storage.
- Current processes/systems to record these incidents are reviewed in light of the changes to ensure that they are robust and fit for purpose.

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