



Audit and Standards Committee Report

Report of: Senior Finance Manager, Internal Audit

Date: 26th November 2020

Subject: Internal Audit Annual Report 2019/20

Author of Report: Linda Hunter, Senior Finance Manager, Internal Audit

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).

Recommendations:

Members are asked to:

Note the content of the report and the opinion of the Senior Finance Manager.

Background Papers:

Category of Report: Open

* Delete as appropriate

If Closed, the report/appendix is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended).'

Statutory and Council Policy Checklist

Financial implications
YES /NO Cleared by: L Hunter
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 AND STANDARDS COMMITTEE

26th November 2020

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. The report provides a review of the performance of Internal Audit for the year 2019/20, gives an opinion on the adequacy of the Council's system of internal control, and supports the Council's Annual Governance Statement (AGS).

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 the Audit Opinion

5. From the work undertaken by Internal Audit during the year, I am satisfied that the risk management, governance and internal control framework are adequate to allow the Council to conduct its business appropriately.
6. No audit assignments were given an audit opinion of no assurance.
7. From the routine planned internal audit work undertaken and reported upon during 2019/20, management's response to control issues arising from individual reviews has been positive overall, with actions to further enhance controls being agreed and formally accepted. Implementation of agreed recommendations had generally improved during 2019/20 as reported to the Audit and Standards Committee. However, following the Covid 19 pandemic service area priorities have significantly changed and progress with the implementation of agreed audit recommendations may now be delayed.

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. Internal Audit facilitated the distribution and review of data matches received, across numerous service areas, as part of the statutory biennial NFI (National Fraud Initiative) operated by the Cabinet Office.
10. Internal Audit has investigated or assisted service managers to investigate other allegations of irregularity and associated disciplinary procedures throughout council services (refer to para 38 and 39 for further details).
11. A detailed annual report on fraud and investigations was presented to the Audit and Standards Committee in June 2020.
12. Assurance has also 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.
13. The Council's Annual Governance Statement (AGS) to be presented to the Audit and Standards Committee meeting in November 2020 includes two area of significant control weakness. One relates to the performance of the Special Educational Needs and/or Disabilities Service (SEND) following the Ofsted inspection and the pace of work and improvements to address the areas of weakness. The other area relates to the Annual Letter from the Local Government and Social Care Ombudsman (LGSCO) and late responses to formal enquiries.
14. 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. However, following the Covid 19 pandemic I need to raise that the 2020/21 audit opinion may be impacted following changes in working practices and priorities for both the auditors and service areas. I will regularly update and inform Audit and Standards Committee members on this impact.

Legislation Surrounding Internal Audit

15. Internal Audit is an independent appraisal function within the Council. The Internal Audit section is part of Finance and Commercial Services, which contributes to satisfying the Executive Director – Resources statutory responsibilities. There are two key 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 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 2015 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

16. 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 and codes of conduct for members and officers.
17. The Internal Audit section also has to meet the standards laid down by professional bodies such as CIPFA and the Chartered Institute of Internal Auditors (CIIA).
18. The Public Sector Internal Audit Standards (PSIAS) came into force on 1 April 2013, and were updated in 2017. 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. The PSIAS standards are now also supported by a CIPFA statement on the Role of the Head of Internal Audit.
19. PSIAS require that an external assessment of every local authority internal audit section is completed every five years. The opinion provided as part of this external assessment in June 2016 was that the Internal Audit section at SCC ‘generally conforms’, which means the assessor concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual standard or element of the Code of Ethics in all material respects. This is the highest assessment opinion that can be given. The next external assessment will be conducted in 2021/22 (due by June 2021).
20. As part of the standards, Internal Audit is required to undertake regular self-assessments. Following the update of the standards, a self-assessment was completed in May 2019, and the summarised results are reproduced in Appendix A. The revised self-assessment still shows compliance or partial compliance with 95% of the standards, and non-compliance with 2% (3% of the elements are not applicable). The next self-assessment will be undertaken prior to the next planned external assessment which is due by June 2021.

21. The main area where Internal Audit differs from the PSIAS relates to the positioning and independent of the service. The PSIAS sets an expectation that the 'chief audit executive' (CAE) will report directly to a member of the management board (EMT).
22. At present the Senior Finance Manager (SFM), who is the designated CAE, reports to the Head of Strategic Finance (Deputy s151 Officer) who reports to the Director of Finance and Commercial Services, who reports to the s151 Officer (Executive Director – Resources). This point has previously been brought to the attention of the Audit and Standards Committee. The SFM does have unrestricted access to other senior officers, including the Chief Executive and to the members of the Audit and Standards Committee, where required.
23. Since the external inspection, the SFM in IA has been given management oversight of the External Funding Team and Risk Management, within Strategic Finance. The revised standards acknowledge that CAEs are often assigned other management areas, and so adequate safeguards need to be introduced to maintain objectivity and transparency. Arrangements to maintain independence and objectivity have been defined and documented for the Council, and include measures such as amending the reporting arrangements for audits of the External Funding Team and the Risk Management function to ensure these audits are not reviewed/overseen by the SFM (designated CAE).
24. It should be noted that both the External Funding Team and the Risk Management team are compliance functions designed to monitor the application of policies and procedures, and so their remit does not conflict with the role of Internal Audit. It is for this reason that partial compliance is noted against the following sections of the standard – Code of Ethics, Purpose, Authority and Responsibility, Independency and Objectivity.

Relationship with External Audit

25. 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

26. Internal Audit had an agreed budget for 2019/20 as outlined in the table below, which also summarises the end of year budget position.

2019/20			
	Outturn	Budget	Variance
Total	408,631	534,600	(125,969)

27. The underspend for the financial year was as a result of a number of vacancies resulting from previous temporary promotions which have since become permanent. Temporary vacancies are notoriously difficult to recruit to, and so agency appointments were attempted. The service has also been supported by rotation of CIPFA trainees who are funded centrally.

Structure

28. The current establishment structure of the section (which includes Internal Audit and Risk Management) is shown in Appendix C to this report. The service currently has 11 FTE officers plus 2 CIPFA trainees. A number of these officers have taken advantage of the Employee Led Scheme (ELS), buying additional leave or reducing their contracted hours.
29. 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. All of the internal audit team 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

30. A report is submitted to the Audit and Standards 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.
31. Management are asked to contribute to the planning process, however the plan and its contents are entirely the responsibility of Internal Audit.
32. The audit plan is discussed with senior managers and ultimately agreed with the Executive Director - Resources.
33. The 2019/20 original plan contained 86 reviews. At the mid-year point 20 reviews were deferred or deleted. As this difference equated to over 15% of the original plan, this was reported to the Audit and Standards Committee in December 2019 as it constitutes a significant change.
34. 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 risks.

35. The audit plan delivery for 2019/20 is as follows:

Audit Area	Original plan	Revised plan	Completed	Deferred or Work in Progress
Corporate	2	2	2	
Place	17	13	12	1
People	27	22	21	1
Resources & ICT	26	16	12	4
Main Financial Systems	6	6	5	1
Benefits / Pro-active Work	8	7	7	
Total (Planned Reviews)	86	66	59	7
Business Partnering activities			16	
Investigations undertaken directly			11	
Man't Investigations assisted			37	
Overall Total			123	

36. A total of 59 assurance reviews were completed out of a revised 19/20 plan of 66. The target for the year was to complete 53 reviews, which is the agreed 80% target of the planned 66 reviews. Some reviews were deferred or deleted due to issues that only became apparent towards the end of the year after the mid-year plan had been completed. In addition, the increase in resource dedicated to investigations (over and above that included in the original plan) during 19/20 had a knock-on effect on the delivery of planned audits. A further effect on the delivery of the planned audits resulted from the lockdown on the 17th March due to the Covid 19 pandemic.
37. The 2019/20 allocation of resources for Business Partnering has been successfully utilised, and 16 reviews were undertaken at the request of senior managers from within the Council's Portfolios.
38. Internal Audit conducted 6 re-active investigations and assisted managers with a further 27 re-active investigations which arose in 2019/20. Internal Audit also concluded investigation work on 5 re-active investigations and assisted managers with a further 10 investigations which had originated in 2018/19. These cases were from all Council portfolios and included theft of cash or assets, falsification of mileage claims, excessive use of internet during work time and personal use of SCC vehicles. These investigations led to a number of dismissals and other sanctions. The Police were notified and involved where appropriate. Guidance was also provided to management regarding any control weaknesses identified as present in processes or procedures at the time of the incident. A report of fraud-related activity conducted by Internal Audit was submitted to the Audit and Standards Committee in June 2020.
39. Internal Audit facilitated the distribution and review of data matches received, across numerous service areas, as part of the statutory biennial NFI (National Fraud Initiative) operated by the Cabinet Office. The latest data matches were received in January 2019. The risk scoring had been changed for this exercise and service areas required a higher level of support than usual to understand

and navigate the new system. Internal Audit monitored progress on investigating the data matching work, as well as spot checked the validity of the work and outcomes to ensure reasonable completion of the exercise. Additional new matches were received without notice throughout 2019/20, and where resources allowed, they were also reviewed. Internal Audit have reported on the NFI outcomes separately.

Audit Reporting

- 40. 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.
- 41. 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.
- 42. The opinions are expressed as:

Overall Audit Assessment	
Substantial Assurance	- There is an effective system of internal control in place designed to achieve the Service objectives with only minor issues being identified which require improvement.
Moderate Assurance	- There is a sound system of internal control in place with some weaknesses being present which may put some of the Service objectives at risk. Issues require management attention.
Limited Assurance	- The system of internal control in place has some major weaknesses which may put the achievement of the Service objectives at risk. Issues therefore require prompt management attention.
No Assurance	- There are significant weaknesses in the system of control which could result in failure to achieve the Service objectives. Immediate management action is therefore required.

Organisational Impact	
Low	The issues identified have no corporate impact.
Medium	The issues identified have the potential to impact at a corporate level.
High	The issues identified are of high corporate importance. They are either of high financial materiality, present significant business or reputational risk to the Council, have a likelihood of attracting adverse media attention, are potentially of interest to elected representatives, or present a combination of two or more of these factors.

43. 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.
44. To give an indication of the risk profile results were:
- | | |
|-----------------------|------------|
| No assurance | 0 reports |
| Limited assurance | 7 reports |
| Moderate assurance | 25 reports |
| Substantial assurance | 6 reports |
45. A dashboard summary of the outcomes from the Main Financial Systems audits has also been produced. Three of the five systems reviewed were given a substantial assurance, and two received a moderate assurance opinion. Overall, the dashboard shows that the controls over the majority of the key systems are generally sound (Appendix D).
46. A summary of the key actions arising from the limited assurance, medium impact reports are included in Appendix E, as requested by members.
47. In addition to the above, Internal Audit undertook 21 pieces of productive work across the Council that did not generate an opinion, and therefore do not appear in the breakdown above. These included 3 pieces of follow-up work, 11 grant sign-offs, 5 consultancy pieces of work/attendance at working groups, National Fraud Initiative (NFI) facilitating the data matching process and the Statement of Financial Values Standards in schools (SFVS) which were completed during 2019/20.
48. A further 16 pieces of work resulted from the Business Partnering resource. A schedule has been included in Appendix F outlining the work undertaken.
49. 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 senior Internal Audit staff, 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 and Standards Committee to enable managers to justify their actions.
50. 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.

Annual Governance Statement

51. Under Regulation 4 of the Accounts and Audit (England) Regulations 2011, the Council is required to conduct a yearly review of our system of internal control. This review forms part of the Annual Governance Statement (AGS) that accompanies the accounts each year. Co-ordination of the AGS is undertaken by the Legal and Governance Service; however Internal Audit is actively involved in the review and shortlisting process. This provides an opportunity for the Senior Finance Manager to flag any control non-compliances that may not have been included on the service and portfolio returns.
52. In 2019/20, two significant governance issues were included on the AGS report. The non-compliances were:
- Performance of the Special Educational Needs and/or Disabilities Service (SEND) following the Ofsted inspection and the pace of work and improvements to address the areas of weakness.
 - Annual Letter from the Local Government and Social Care Ombudsman (LGSCO) and late responses to formal enquiries.
53. Action to strengthen controls in these areas have been devised and agreed and the Monitoring Officer will continue to monitor and report on progress to EMT and the Audit and Standards Committee.
54. 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.

Reviewing the Service

55. The team has a number of performance indicators which are used to monitor the service delivered. These PI's were revised for the 18/19 financial year to more accurately measure the work of the team. The key targets are highlighted within the annual Finance and Commercial Services service plan and are shown below.
56. In order to gauge client satisfaction, 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. The questions are analysed and to make service improvements.

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

	2019/20 Target	2019/20 Achievement	2018/19 Achievement
PERFORMANCE TARGETS			
▪ % of audit resource spent on productive activities	88%	85%	90%
No of planned assurance reviews delivered	53	59	81*
▪ No of days of business partnering activity delivered by year end	295	306	410
▪ Conduct a minimum of 4 pro-active fraud reviews	4	6 complete	4 complete
▪ Quality measures – average >85% scoring 4 or better on customer questionnaire (1 is poor – 5 is good)	85%	90%	100%

*NB the no of assurances reviews undertaken changes annually to reflect resources available in the plan.

58. The productivity PI shows a slight reduction in productivity due to two members of staff sickness absences and also the impact on staff productivity following the initial lockdown on the 17th March due to the Covid 19 pandemic.

59. Customer satisfaction questionnaires scores are seen to be good; however, work is required to increase return rates (only 4 surveys were received in 19/20).

60. 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 quarterly 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

61. 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.

62. 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. A recent example that impacted on the Council in March 2020 was the Covid 19 pandemic and although a large bulk of the audit plan was already delivered the progress of the remaining audits have been impacted by this pandemic. Auditees and auditors have had to adjust quickly to different working arrangements and the availability of staff and IT kit and connections has been difficult for all staff. This has resulted in some significant delays finalising some audits.
63. From the work undertaken by Internal Audit during the year however, I am satisfied that the risk management, governance and internal control framework are adequate to allow the Council to conduct its business appropriately.

FINANCIAL IMPLICATIONS

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

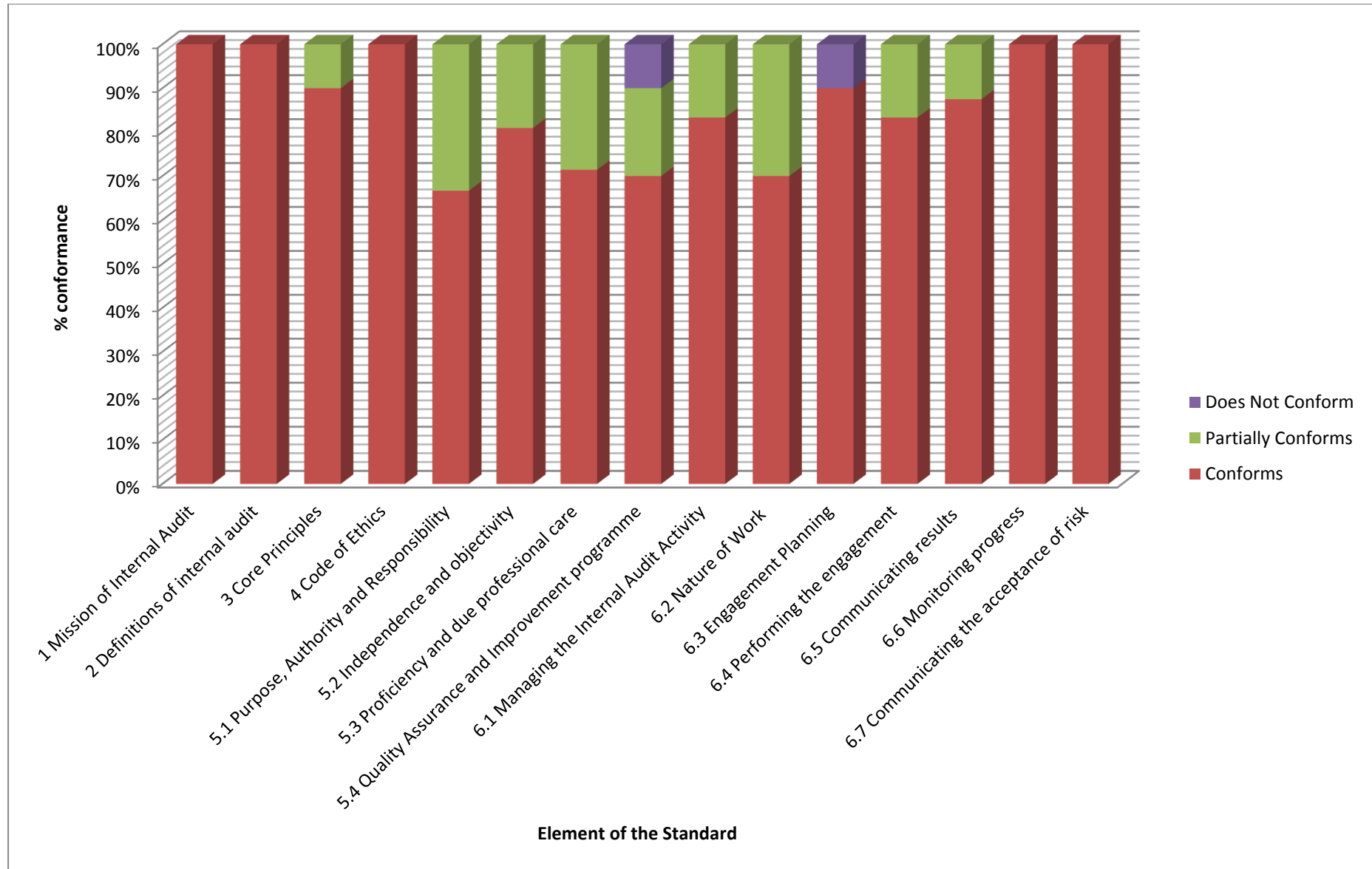
EQUAL OPPORTUNITIES IMPLICATIONS

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

RECOMMENDATIONS

66. That the Audit and Standards Committee notes the content of the report and the opinion of the Senior Finance Manager.

Linda Hunter
Senior Finance Manager



**Sheffield City Council
Internal Audit Quality Assurance & 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 no assurance opinion draft and final reports by the Senior Finance Manager;
- Review and approval of all limited, moderate and substantial 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 and Standards 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 and Standards Committee.

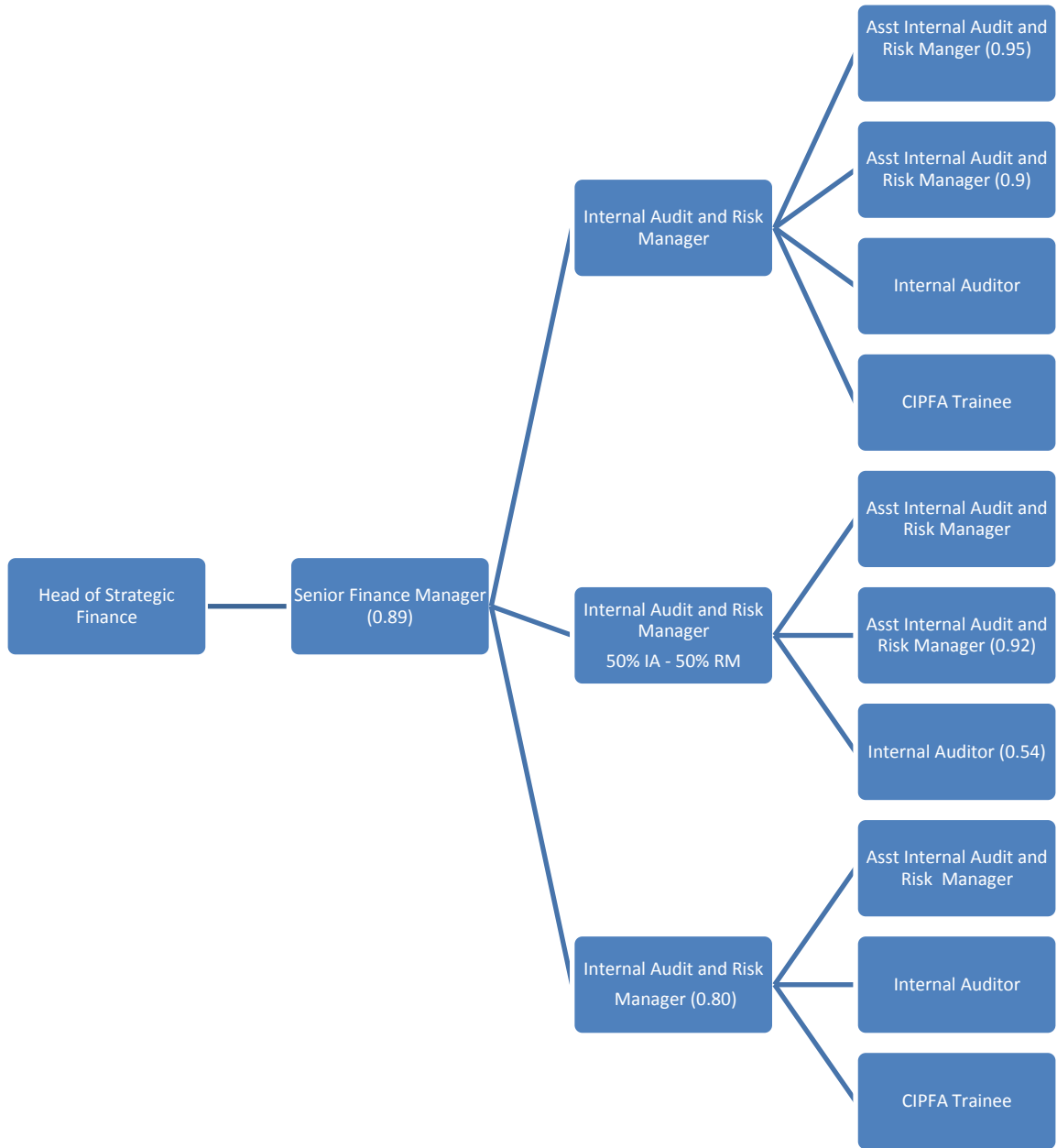
Reporting

Internal assessments – reports on performance will be made to the Audit and Standards Committee on an annual basis.

External assessments – results of external assessments will be reported to the Audit and Standards 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 2019






Main Financial Systems Dashboard

Activity Title	Scope	Assurance Opinion	Organisational Impact
Debtor Controls	Raising accounts, aged debt reduction, reconciliations and dispute resolution and write off processes.	✓ ✓ ✓	Medium
Creditors (P2P)	Reconciliations to the general ledger, control of P2P process, Performance Indicators.	✓ ✓ ✓	Medium
Council Tax	Liability, collections, billings and refunds.	✓ ✓ ✓ ✓	Low
Payroll	Bona fide transactions (starters and leavers), contract changes, salary advances, ad hoc payments, reconciliations, pension and gratuity transactions and TUPE transfers.	✓ ✓ ✓ ✓	Medium
Revenues & Benefits Service Insourcing	Governance and risk management.	✓ ✓ ✓	Medium
Place Financial Reporting	Budget setting, budget monitoring controls and reporting arrangements.	✓ ✓ ✓ ✓	Medium
ITrent Application Review	Management controls, system developments, security, business continuity and compliance to statutory requirements.	✓ ✓ ✓	Low
ITrent BACS Process	Security, verifications, authorisation, reconciliation processes, contingency arrangements and reporting requirements.	✓ ✓ ✓	Medium

Opinion

<p>No Assurance - There are significant weaknesses in the system of control which could result in failure to achieve the Service objectives. Immediate management action is therefore required.</p>	<p>✓</p>
<p>Limited Assurance - The system of internal control in place has some major weaknesses which may put the achievement of the Service objectives at risk. Issues therefore require prompt management attention.</p>	<p>✓ ✓</p>
<p>Moderate Assurance - There is a sound system of internal control in place with some weaknesses being present which may put some of the Service objectives at risk. Issues require management attention.</p>	<p>✓ ✓ ✓</p>
<p>Substantial Assurance - There is an effective system of internal control in place designed to achieve the Service objectives with only minor issues being identified which require improvement.</p>	<p>✓ ✓ ✓ ✓</p>

Organisational Impact Statement

<p>High - The issues identified are of high corporate importance. They are either of high financial materiality, present significant business or reputational risk to the Council, have a likelihood of attracting adverse media attention, are potentially of interest to elected representatives, or present a combination of two or more of these factors.</p>	
<p>Medium - The issues identified have the potential to impact at a corporate level.</p>	
<p>Low - The issues identified have no corporate impact.</p>	

Summary of the key actions arising from Limited Assurance reports issued in 2019/20

Resources

Information Security Incidents (Limited Assurance, High Impact)

Executive Summary

It is noted that the Council has progressed in dealing with information security incidents and it can be seen that the service intends to further develop these processes. The service has readily taken on board the findings of this audit which it intends to use as a road map to develop the way forward.

The audit opinion however is based on a specific moment in time. In the 2018/19 financial year, 248 information security incidents were reported. 112 of these incidents were classified as data breaches with seven of the data breaches reported to the ICO (Information Commissioner's Office). The level of knowledge and awareness around information security incidents has significantly improved over time and this reflects in the number of reports that are currently made.

The opinion is limited due to the following significant reasons:

- A number of data breaches have occurred of a similar nature within the same service areas. It would appear therefore that lessons are not always being learnt in these areas to prevent re-occurrence.
- There is concern that service management may not always be aware of incidents that have taken place, particularly in relation to low level incidents resulting from human error. As such, they are not able to develop a full picture of all incidents occurring and their causes and are not required to specify the actions that would be required to correct this going forward and be accountable for these.
- There is also a lack of succinct summaries of investigations (in the form of incident management reports) for all incidents that would enable the consistent documentation of agreed actions post incident and allow for appropriate escalation and follow up with Information Asset Owners/service managers.
- The majority of incidents are categorised as the result of human error (without giving any further detail). Therefore, it is currently difficult for the IGB (Information Governance Board) to determine the trends and patterns within these incidents.
- Information management training is mandatory but take-up of this, after being in place for a number of years, is below 55% in key areas of the Council.

The service has in place plans to tackle all of the issues identified above. It is highly probable that once the actions have been implemented, Internal Audit could give a moderate level of assurance in future audits.

Critical Priority Recommendations:

- Ensure all staff undertake mandatory information management training.

High Priority Recommendations:

- Fully document information sharing protocols.
- Prepare incident management reports for all incidents detailing the key actions taken as part of the investigation and required going forward.
- Prepare trend analysis from the incident management reports and present to the IGB for review.
- Establish a programme of checking on agreed actions.
- Share information on the costs associated with information security incidents with the IGB on a periodic basis.

Place

External Funding Compliance in Place (Limited Assurance, Low Impact)

Executive Summary

The vast majority of external grants sampled by Internal Audit were found to be administered in line with the corporate procedures and the terms and conditions of the respective funding bodies. A number of low level recommendations were raised with the intention of enhancing the levels of control and the effective use of available funding streams

Over and above this however, there were some significant exceptions to this, primarily regarding the letting and monitoring of contracts for goods and services and the management of external funding resources in specific service areas, which impacted on the overall assessment.

High Priority Recommendations:

- Portfolio management should carry out a review of the arrangements for procurement of goods and services in relation to the Sustainable Transport Access Fund in the Traffic and Transport Service.
- Consideration should be given as to why the Council's Standing Orders were not followed; the potential for inappropriate or undeclared relationships between Council staff and suppliers/cycling community; and whether officers exercised poor stewardship of public funds.
- Guidance for managers for the application approval and administration of external funds should be developed and cascaded to all managers. The guidance should set out the requirement to adhere to corporate procedures, the use Council's procurement desk and prompt notification to the External Funding Service.

People

Carers Assessments (Limited Assurance, Medium Impact)

Executive Summary

Prior to the contract with the Carers Centre, social workers within Sheffield City Council were responsible for carrying out adult carer's assessments. It was reported that carers found that this led to them being 'after-thoughts', rather than providing a high quality assessment of their needs. Feedback with regards to the Carers Centre has been very positive, both from carers themselves and staff within the Council. However, some weaknesses exist with regards to challenging, recording meetings and producing robust strategies to improve service delivery.

There are major concerns with regards to transitions assessments falling under the Care Act, and young carers assessments, which although fall under different legislation, feeds into the issues with transitions assessments.

High Priority Recommendations:

- Transitions assessments – a robust process requires development and implementation.
- A young carers register needs to be established and appropriately maintained.

Continuing Care in Children and Young People (Limited Assurance, Medium Impact)

Executive Summary

The scope for this audit was limited to the social care aspects of the Continuing Care activity. The testing plan was designed to evaluate the controls which the Children and Families Service would likely have direct control over. These controls were established following a review of the National Framework for Children and Young People's Continuing Care.

There were instances where the service was not solely responsible for the expected controls. Where findings and recommendations have made regarding these controls the wording used reflects the nature of this joint responsibility.

The Terms of Reference for the high level Joint Commissioning Committee were examined as part of a literature review to help provide context for the testing plan. Part of this examination involved a review of permanent members and attendees to the Committee from the Council.

High Priority Recommendations:

Objectives

Internal Audit was able to verify that in general activities which constitute Continuing Care were being undertaken within the scope of a Recovery and Improvement plan rather than a Business or Operational plan.

The plan details at a high level the current objectives of the service but examination of the plan highlighted no specific identification or definition of the Continuing Care activity, although Partnership Working was identified as an area for improvement.

Given the legislative significance and financial materiality of many Continuing Care cases Internal Audit cannot provide assurance that the objectives and purpose of the Continuing Care activity as a whole have been appropriately captured in the Recovery and Improvement plan.

It is recommended that the service provide input to future iterations of the Recovery and Improvement plan to ensure the Continuing Care activity is clearly defined within the Joint Commissioning strategy currently being implemented.

Management should work with the Joint Commissioning Board to establish service level objectives which can feed into the overall joint commissioning plans.

Governance

Internal Audit reviewed available documentation and discussed the governance structures in place with officers who work within the team largely responsible for the Continuing Care activity. It was determined that the Continuing Care activity does not take place under the guidance of a formally agreed and ratified contractual document such as a Memorandum of Understanding.

The lack of such a document likely contributes towards inefficiencies in the administrative processes required for the activity through increased frequency of disagreements and the time required to escalate and settle these disagreements between joint panel members. It was also noted that agenda items are circulated in an unpredictable manner which resulted in the service being unable to conduct sufficient due diligence on cases prior to the case being brought before the panel.

Internal Audit were also made aware of occasions where meeting minutes which were circulated after the panel had met contained contradictory information to that agreed during the meeting. As the minute taker was from a single organisation and was not independent from the parties present, the service was unable to present their formal version of the discussion to support a disagreement and it is unclear if this contradiction was corrected. This leaves the Council in a position where it cannot internally verify the outcomes of the panel meeting.

It is recommended the service liaise with other members of the joint panel to promote and encourage the formal agreement of a Memorandum of Understanding, or similar document, which sets out the expected standards all parties will aim to achieve. This document should detail, as a minimum:

- Membership of the joint panel.
- Agenda circulation timelines.
- Challenge and discussion formats.
- Disagreement escalation routes.
- Minute takers from at least two parties.

It is appreciated that the service will require significant buy-in from the other parties to the activity, making this particular recommendation perhaps more difficult to implement than others which focus solely on the service.

If agreement on a formal contractual document is not possible, the service should ensure that appropriate internal controls are implemented to ensure due diligence is conducted on all cases being presented to the panel irrespective of how timely the agenda is circulated.

To support the service in substantiating any disagreements, minutes should be taken by a Council representative (in addition to the existing clerk) and agreement of minutes should take place shortly after the panel meeting concludes.

Public Contracts Regulations

Internal Audit examined the process used to secure appropriate social care for children following the agreement of the joint panel and found the arrangements to be partly satisfactory.

Whilst it is understood the placements are made in the best interests of the child, there was no evidence provided which would allow Internal Audit to verify that the Public Contracts Regulations were being complied with.

Where these regulations are not followed the Council may be exposing itself to unnecessary commercial risk. Compliance with these regulations also ensures we are able to evidence value for money is being obtained.

It is recommended the service liaise with their Commercial Service representative to discuss how the social care elements procured as part of the Continuing Care activity can be brought in line with the appropriate procurement rules and regulations.

Information Sharing Agreements

Internal Audit was unable to verify that the service had implemented an appropriate Information Sharing Agreement, or equivalent documentation.

An Information Sharing Agreement is required where information is regularly shared between a third party, such as the CCG, and the Council. On this occasion there is sufficient information sharing between both parties to justify the need for such an agreement.

It is recommended that the service liaise with their counterparts within the CCG to implement a formal Information Sharing Agreement which can act as the lead document for a well governed data sharing environment.

Income Collection and Banking in Schools – Themed Review (Limited Assurance, Medium Impact)

Executive Summary

All 20 schools sampled provided a completed Control Risk Self-Assessment (CRSA) questionnaire. Internal Audit has based the majority of the findings on the written detail provided in the CRSA questionnaire, and on occasions supporting evidence.

The responses recorded on a number of CRSA questionnaires had limited supporting evidence with two schools returning no evidence at all. For example, fourteen of the schools provided a copy of their Charging Policy.

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 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 or skills, reduced resources and increased workloads.

High Priority Recommendations

- None

Direct Payments in Children and Young People (Limited Assurance, Medium Impact)

Executive Summary

The scope of the audit was to review operational risks that could hinder the management of direct payments. This included the work undertaken by Service and the Direct Payments Audit team. It was acknowledged that changes had been made within the Children with Disabilities team (CDT) and Transitions Service including the introduction of new ways of working and new monitoring systems during the audit process.

It is also acknowledged that work will already have been undertaken since the audit fieldwork was completed, and that some of the findings within the report may have already started to be addressed as new team members get established.

Internal Audit used the GL Report BU39148 – direct payments to select 20 random records for review. Testing was conducted to follow through the inception, delivery and subsequent monitoring of a direct payment using the IT systems available and provided to Internal Audit.

As per the Direct Payments Audit final report issued 5/7/2017, a number of recommendations highlighted in this report have been made previously but have not been implemented (although agreed by the Service Manager at the time of the audit).

High Priority Recommendations:

- The Children with Disabilities team (CDT) should review and update governance documentation referring to direct payments.
- Clear process notes are required for the delivery and monitoring of direct payments.
- Clear governance arrangements (including effective communication channels) are required between Sheffield City Council (SCC) and CCG regarding healthcare packages. Clear decision records and documented approvals are also required for these CCG healthcare plans.
- Timely Minimum Wage uplifts are required in future.
- Transitions from CYP to Adults is not effectively planned and requires management review and action.

Business Partnering Activities

Place Portfolio Board Governance and Decision Making
Leaseholder Charges for Major Capital Work
eBay and PayPal use in Schools
People Portfolio Recommendation Tracker set up
Pre-Paid Card System – Children Services
Schools Financial Transparency
Gratuities Work for Payroll
ITrent Working Group
Data Analysis - MFS
FCS Workshops i.e. The Deal and Employee Survey
South Yorkshire Tarmacadam
Review of Financial Regulations - Openness and Transparency
IT Stock Control
Repairs & Maintenance Current Position
Crime Insurance
PCI Working Group

Grants/Account sign-off

Moor Markets Service Charge Review
Crystal Peaks Market Service Charge Review
Lower Don Valley Flood Defence Charges
Joint Air Quality Unit Capital Grant sign-off
Local Authority Bus Subsidy Grant sign-off
Building Successful Families (BSF)
OLEV - taxi infrastructure Grant sign off
Disabled Facilities Grant sign-off
Department for Education Social Impact Bond - Project Apollo
Talbot Specialist school - Collaborative fund expenditure
Dobcroft Infant school - Collaborative fund expenditure

Investigations

Investigation Advice to Management
Fraud Report