

Report to: **Audit, Best Value and Community Services Scrutiny Committee**

Date: **1 June 2011**

By: **Director of Corporate Resources**

Title of report: **Internal Audit Services: Annual Report and Opinion**

Purpose of report: **To give an opinion on the County Council's control environment for the year from 1 April 2010 to 31 March 2011**

RECOMMENDATION: Members are recommended to

(a) note the internal audit service's opinion on the Council's control environment;

(b) consider whether there are any significant control issues that should be included in the Council's annual governance statement for 2010/11; and

(c) consider whether the Council's system for internal audit has proved effective during 2010/11

1. Financial Appraisal

1.1 The work referred to in this report was carried out as part of the 2010/11 Internal Audit Plan and was funded from the agreed Audit and Performance Division budget.

2. Supporting Information

2.1 The purpose of this report is to give an opinion on the adequacy of the East Sussex County Council's control environment as a contribution to the proper, economic, efficient and effective use of resources. The report covers the audit work completed in the year from 1 April 2010 to 31 March 2011 in accordance with the Internal Audit Strategy for 2010/11.

3. Internal control and the role of Internal Audit

3.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2011. The latter states that authorities must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal controls in accordance with the proper internal audit practices.

3.2 East Sussex County Council has delegated responsibility for ensuring that statutory internal audit arrangements are in place to the Director of Corporate Resources. These arrangements form a key element of the County Council's framework for corporate governance. On a day to day basis the Assistant Director (Audit and Performance) serves as the County Council's Chief Internal Auditor and the Audit and Performance Division provides internal audit services to the County Council on behalf of the Director of Corporate Resources. Where internal audit activity is undertaken in areas for which the Assistant Director (Audit and Performance) has operational responsibility, management of this work becomes the responsibility of the Principal Audit Manager.

3.3 It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

3.4 Internal audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment, comprising risk management, control and governance, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

4. Audit Opinion and key issues

4.1 No assurance can ever be absolute; however this opinion seeks to provide a reasonable assurance that there are no significant weaknesses in the Council's control environment. ***On the basis of the audit work completed, it is internal audit's opinion that East Sussex County Council has in place a satisfactory framework of internal control which provides a reasonable assurance regarding the efficient and effective achievement of its objectives.***

4.2 The opinion, and the evidence that underpins it, is further explained in the full Internal Audit Services Annual Report and Opinion which forms Annexe A of this report. The report highlights key audit activity in the following areas:

- Fundamental Accounting Systems;
- Significant Budgetary Pressures;
- Schools;
- Spray Watersports Centre;
- Putting People First;
- Anti Fraud and Corruption.

4.3 A summary of the major findings from audit reviews completed during quarter 4 of 2010/11 is included in Annexe B (major findings from previous quarters have already been reported).

5. Performance and the effectiveness of the Council's system of internal audit

5.1 The Accounts and Audit Regulations 2011 require the Council to carry out an annual review of the effectiveness of its system of internal audit. No further guidance on this process has been provided but the information set out in section 6 of Annexe A should provide a sound basis for making this assessment.

5.2 This report will be presented to Cabinet on 5 July 2011.

SEAN NOLAN
Director of Corporate Resources

Contact Officers: Duncan Savage, Assistant Director – Audit and Performance Management
Tel No. 01273 482330
Russell Banks, Principal Audit Manager, Audit and Performance
Tel No. 01273 481447

Background Documents
Strategic Audit Plan 2010-11
Internal Audit Progress Reports 2010/11

Annexe A

**INTERNAL AUDIT SERVICES
ANNUAL REPORT AND OPINION
2010/2011**



1. Internal control and the role of Internal Audit

1.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2011. The full role and scope of the County Council's Internal Audit Service is set out within our Internal Audit Charter and Terms of Reference, which was approved by the Audit and Best Value Scrutiny Committee in November 2007 and can be found elsewhere in these papers as an appendix D to the Internal Audit Strategy.

1.2 It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

1.3 The internal audit service is not the only source of assurance for the Council. There are a range of external audit and inspection agencies as well as processes for internal management review which can also provide assurance and these are set out in the Council's Local Code of Corporate Governance and its Annual Governance Statement.

2. Delivery of the Internal Audit Plan

2.1 In accordance with the 2010/11 annual audit plan, approved by the Director of Corporate Resources and endorsed by the Audit and Best Value Scrutiny Committee, a programme of audits, based on an assessment of risk, was carried out, covering all County Council departments. In accordance with best practice, the programme of audit activity was reviewed during the year and revised to reflect changes in risk and priority to enable us to provide an adequate level of assurance to the County Council.

2.2 All adjustments to the audit plan were agreed with the relevant departments and the Director of Corporate Resources. The actual internal audit coverage across departments compared to the audit plan has been summarised in Appendix A.

2.3 As well as progress reports made during the year to both COMT and Audit and Best Value Scrutiny Committee, separate reports have been made to each departmental management team which include an opinion on that department's internal control system.

3. Audit Opinion

3.1 No assurance can ever be absolute; however this opinion seeks to provide a reasonable assurance that there are no significant weaknesses in the Council's control environment. ***On the basis of the audit work completed, it is internal audit's opinion that East Sussex County Council has in place a satisfactory framework of internal control which provides a reasonable assurance regarding the efficient and effective achievement of its objectives.*** Audit testing has confirmed that the majority of key controls are working in practice, with some specific exceptions. Where improvements to control or compliance are required, we are satisfied that appropriate action has been agreed by the relevant managers within reasonable timescales.

4. Basis of Opinion

4.1 The opinion and the level of assurance given takes into account:

- All audit work completed during 2010/11, planned and unplanned;
- Follow up of actions from previous year's audits;
- Management's response to the findings and recommendations;
- Effects of significant changes in the Council's systems;
- The extent of resources available to deliver the audit plan;
- Quality of the internal audit service's performance.

4.2 No limitations have been placed on the scope of internal audit during 2010/11.

5. Key Issues Raised During 2010/11

5.1 The overall audit opinion should be read in conjunction with the key issues set out in the following paragraphs. These issues should also be taken into account when preparing and approving the Council's Annual Governance Statement.

5.2 The internal audit plan is delivered each year through a combination of formal reviews with standard audit opinions, direct support for projects and new system initiatives, investigations, grant audits and Financial Management Standard in Schools external assessments. Of the 59 reviews completed in 2010/11 with standard audit opinions, 8 received 'full assurance', 33 received 'substantial assurance', 14 received 'partial assurance' and 2 were given 'minimal assurance'. There were also 2 reviews where we were unable to provide any assurance over the system of controls (Spray Watersports Centre and Rye College Nursery Income). A full listing of completed audits and opinions is included at Appendix C along with an explanation of each of the assurance levels.

Fundamental Accounting Systems

5.3 Each year a significant proportion of internal audit time is spent reviewing the County Council's fundamental accounting systems, with this work being directly relied upon by our external auditors, PKF, for annual accounts purposes. As a result, the County Council has benefitted from a lower level of external audit fees.

5.4 It is pleasing to report that for 2010/11, all fundamental accounting system reviews resulted in either full or substantial assurance being provided over the control environment.

Volatile Service Budgets

5.5 During the year, we finalised reviews of Funding Panels (Adult Social Care) and Looked After Children – Budgetary Control (Children's Services). Whilst in both of these areas we were able to provide substantial assurance over the system of controls, significant budget overspends were being forecast as a result of increased service demand.

5.6 Adult Social Care and Children's Services have identified a number of actions intended to address these funding pressures, including measures to manage demand and reduce costs. It is essential that the impact of these activities is closely monitored to ensure anticipated benefits are realised and to ensure that prompt remedial action is taken where this is not the case.

Schools

5.7 Throughout the year, we have continued to provide an internal audit service to schools in accordance with our agreed Schools Audit Strategy. As in recent years, a substantial element of our work has been in undertaking external assessments as part of the Financial Management Standard in Schools (FMSiS), with 22 primary and 8 secondary school assessments completed, of which 26 schools were found to have complied with the Standard. However during the year, the DFE announced the end of the FMSiS regime, and therefore external assessment activity ceased, and an interim strategy was agreed with Children's Services pending consultation on a new regime by the DFE.

5.8 Amongst those schools visited in the early part of the year was Hillcrest School, where we were only able to provide minimal assurance over the control environment. As a result of this, a further follow up visit was undertaken in the final quarter, by which time the school had taken action to address the previously forecast budget overspend and was predicting a surplus at year end and a balanced budget for the school closure in 2011. However, we found that insufficient progress had been made in relation to many of the other recommendations. As well as re-stating these remaining recommendations, the follow up audit report has also highlighted the need for the financial position to be closely monitored by the school and Children's Services Finance leading up to the closure. This is also an area subject to further internal audit activity in 2011/12 as part of our work on future academies. Other key school audit activity has included:

- **Rye College Nursery** - Following a loss of cash from this Nursery earlier in 2010, an unplanned review was undertaken to investigate the circumstances associated with the loss and to examine nursery income controls. Based on the work carried out, we were able to provide no assurance that there was a sound system of controls in place. Significantly, these poor controls, combined with a lack of adequate management information, prevented us from confirming that all income due to the nursery has been received and accounted for correctly. Our review also identified a number of serious weaknesses in cash handling and security which are likely to have contributed to the original loss of cash. In addition to agreeing a number of recommendations to address these weaknesses, we are currently undertaking a wider review of income controls in all County Council nurseries, which includes a follow up of the Rye Nursery, which has subsequently moved to the Children's Centre Team.

- **Helenswood School** - following a request from the Director of Children's Services and the Director of Corporate Resources, an investigation was undertaken into governance and financial management arrangements at this school. Overall, we concluded that there had been inadequate financial management and governance at the school and that the school Governing Body had in the past failed to discharge its corporate decision making responsibilities. Specifically, it had not put in place appropriate arrangements to ensure that it received comprehensive and accurate information and that this information was subject to appropriate scrutiny and challenge. In addition, a range of weaknesses in financial control and administration at the school, including breaches of contract standing orders and financial regulations, were identified. The school's FMSiS accreditation was withdrawn as a result. In response to our recommendations, Children's Services Department have been working closely with the new Headteacher and Governing Body to ensure that all of the issues identified have been addressed. A follow up visit has subsequently taken place and will be reported on in quarter 1 of 2011/12.
- **Code of Conduct and Conflicts of Interest** – as part of a themed review of how potential conflicts of interest are managed within the County's schools we found that none of those sampled had in place a code of conduct for their staff and that no policies or guidance were available to school's based staff covering gifts and hospitality. In those schools which did have in place arrangements for declaring potential conflicts of interest, not all staff had completed declarations and even where they had, these had not been dealt with correctly by management. Internal audit have subsequently been working with colleagues in Personnel and Training to develop a new comprehensive Code of Conduct for Schools staff due to be finalised in early 2011/12.
- **ICT Governance in Schools** – this themed review resulted in an opinion of partial assurance, with a range of ICT control weaknesses being identified in schools. As part of the response to the report, new guidance and policy documentation has been developed by Children's Services and made available to schools via Czone.

Spray Watersports Centre

5.9 Earlier in 2010/11, an internal audit review was carried out at the Spray Watersports Centre in Eastbourne, which identified a number of significant control weaknesses, preventing us from providing any assurance over the control environment. Specifically, we found that recommendations made by the Adventurous Activities Licensing Authority, following an inspection, had not been implemented and that weaknesses in income controls meant that there was a high risk of financial loss.

5.10 As a result of the seriousness of our original findings, an early follow up review was undertaken within the same year to assess the extent to which previous weaknesses had been addressed. Overall we found that whilst progress had been made in many areas, we were still only able to provide partial assurance as to the adequacy of the system of controls. Although the actions associated with the Adventurous Activities Licensing Authority had been completed, weaknesses remained over the quality of membership records and associated income controls.

5.11 A revised action plan has been agreed with management and further internal work in this area is planned in early 2011/12, covering both Spray and the Seven Sisters Canoe Centre at Exceat.

Putting People First (PPF)

5.12 As part of the phased introduction of the PPF Programme, internal audit has continued to provide support, advice and assurance that new systems and working practices within Adult Social Care are introduced in a controlled manner. Based on a risk assessment and consultation with programme management, we identified a number of specific focus areas where our resources could be most effectively used. In summary, we carried out work to provide positive assurance that:

- ASC Mental Health was able to deliver Self Directed Support (SDS) from July 2010 to all new clients; and,
- The Resource Allocation System (RAS) was fit for purpose and that it was being fully integrated into the ASC IT infrastructure.

5.13 In addition, a significant amount of work has been spent seeking further assurance that controls over budget management are effective and that key controls within the SDS process are being complied with. This work was reaching its conclusion at year end and will be reported on during quarter 1 of 2011/12.

5.14 Overall, we have concluded that the PPF Programme, including the implementation of new systems and processes, has progressed effectively.

Anti Fraud and Corruption

5.15 During 2010/11, we logged 21 potential issues under the Council's Anti-Fraud and Corruption Strategy, either via the Council's confidential reporting hotline, our programme of internal audit work or notifications from departments. We subsequently conducted 13 investigations, with the balance either being referred to other organisations for investigation or for local management action.

5.16 The majority of the investigation work conducted by internal audit during the year related to internal breach of policy issues with only one case being reported to the police for a criminal investigation. The individual concerned in this instance has been convicted on three counts of fraud and sentenced to a 3 month suspended prison sentence and 150 hours of community service. In all cases where our investigations have identified a financial loss to the organisation, the total losses have been recovered or are in the process of being recovered.

5.17 As with previous years, our investigations in 2010/11 fell into a small number of broad categories, namely, conflicts of interest issues, contracts/procurement, cash and claims and inappropriate use of ICT equipment. Our findings from this work are used to identify any internal control weaknesses and these are reported to management along with appropriate recommendations from improvement. The findings from investigations are also used to inform future internal audit plans.

5.18 As part of the Audit Commission's National Fraud Initiative (NFI) 2010, internal audit co-ordinated the production and submission of data on behalf of the County Council, covering payroll, pensions, creditors, insurance, blue badges, residential care clients and residents parking permits. The results from the NFI data matching were subsequently made available in January 2011 and we are currently co-ordinating the analysis and investigation of these in conjunction with departments.

5.19 As well as the investigation work referred to above, we continue to be proactive in the identification of potential fraud and corruption activity across the Authority and in raising awareness amongst staff, this includes delivery of standards of behaviour sessions at departmental induction/welcome days.

5.20 Once again, it is our opinion that the control environment in relation to fraud and corruption is satisfactory and the incidence of fraud is considered low for an organisation of this size and diversity. However, work will continue to ensure there is sufficient awareness of and compliance with the Council's key policies across all departments.

6. Internal Audit Performance

6.1 The Accounts and Audit Regulations 2011 require the Council to carry out an annual review of the effectiveness of its internal audit and the following paragraphs provide a sound basis for carrying out such an assessment.

6.2 Each year, internal audit self assesses against the Code of Practice for Internal Audit in Local Government in the UK. Overall, the service continues to maintain a high level of compliance with further improvements achieved each year. Any actions identified through these assessments are incorporated within the IAS Business Plan with implementation monitored and reported on a quarterly basis.

6.3 Performance against agreed targets is set out in Appendix B. In total the IAS has delivered 2,108 direct days or 103% of the total audit plan, reflecting a significant improvement in productivity across the team, especially in light of a number of vacant posts.

6.4 The number of completed audits has also exceeded target for the year with a far smaller proportion of audit assignments work in progress at year end, all of which are due to be completed early in quarter 1 of 2011/12.

6.5 The internal audit service continues to participate in the CIPFA Benchmarking Club and the latest information indicates that the Council has an appropriate level of audit coverage based on its level of revenue spend and that the direct cost per day of the internal audit service is close to the average of comparable authorities. Actual data for 2010/11 has now been submitted, with the results to be key source of information as part of the forthcoming internal audit service review.

6.6 Performance against effectiveness targets remains positive and reflects both the quality of work completed and its focus on key areas of risk. Customer satisfaction survey scores continue to exceed target and further work will be undertaken as part of the service review to establish a more broadly based measure of internal audit effectiveness.

6.7 Internal audit continues to work closely with the Council's external auditors, PKF, who reviewed our work on material financial systems as part of the audit of the 2009/10 accounts and have confirmed in their Annual Governance Report that they were able to place reliance on it in forming their opinion. This reliance is reflected in the low level of external audit fees that the Council pays.

6.8 The Audit and Best Value Scrutiny Committee assesses its own effectiveness on a biennial basis against best practice guidance issued by CIPFA.

Appendix A

Actual Days delivered against the plan

The following table summarises the internal audit coverage across all County Council departments during 2010/11:

Service	2009/10 Actual Days	2010/11 Plan Days	2010/11 Actual Days	2010/11 % Plan Days
<u>ESCC:</u>				
<i>Corporate Resources</i>	521	462	554	
<i>Computer Audit</i>	221	160	155	
<i>Children's Services</i>	718	430	577	
<i>Adult Social Care</i>	303	289	302	
<i>Transport & Environment</i>	139	199	171	
<i>Governance & Community Services</i>	172	152	215	
<i>Contingency</i>	-	250	-	
<i>Sub total – ESCC</i>	2,074	1,942	1,974	101%
<i>External contracts¹</i>	129	112	134	119%
Total audit days	2,203	2,054	2,108	103%

¹ The actual days delivered on external contracts includes additional non contract days paid for by external customers.

Appendix B

Internal Audit Performance Indicators

<i>Performance Indicator</i>	<i>Target</i>	<i>Actual 10/11</i>	<i>Actual 09/10</i>
<i>Economy and efficiency</i>			
<i>Planned days delivered (%)</i>	>90	103%	99.9%
<i>Planned audits completed = final reports issued (%)</i>	>90	91.5%	82.5%
<i>Actual v Plan time on completed audits (%)</i>	<105	103.9%	98.2%

<i>Effectiveness</i>			
<i>External audit reliance on internal audit</i>	<i>Achieved</i>	<i>Achieved</i>	<i>Achieved</i>
<i>CAA score maintained</i>	3/4	N/A – CAA Discontinued	3/4
<i>Recommendations accepted (%)</i>	>90	99.2%	99.3%
<i>Customer feedback forms scoring 3 out of 5 or higher (%)</i>	>85	88.2%	89.0%
<i>Reports to Chief Officers and Members</i>	Quarterly	Reports issued for every quarter during 10/11	Reports issued for every quarter during 09/10

Annexe B

Summary of major findings during quarter 4 (reports issued 1 January – 31 March 2011)

Accounts Payable (Corporate)

The Accounts Payable (AP) system is administered through SAP and is one of the Council's fundamental accounting systems. As such, the system is subject to annual Internal Audit review, covering the key controls in the procure to pay process.

During the year, responsibility for the input of invoices into the SAP AP system has been transferred from AP clerks located within departments to a new central team of AP clerks within CRD. The purpose of this change was to help improve the efficiency and effectiveness of invoice processing, particularly consistency over the input of invoices.

Whilst our review covered the complete procure to pay process, there is a clear distinction between procurement and accounts payable functions within the organisation and therefore, we have issued a separate audit opinion for each area. Specifically, we were able to provide **substantial assurance** over the controls within the procurement process and **full assurance** over the accounts payable system.

Whilst overall, the control environment was found to be robust, the need for some improvements was identified in relation to the payment of taxi journeys, specifically, arrangements for confirming the journeys made where non order invoices are used.

All recommendations arising from the review, covering both procurement and accounts payable, have been agreed with management.

Accounts Receivable (Corporate)

As one of the County Council's fundamental accounting systems, the Accounts Receivable (AR) system is subject to annual review, covering as a minimum, the following key control objectives:

- All chargeable services provided and goods despatched are identified and billed at the correct amount;
- All income due is invoiced and correctly recorded;
- Credit control and debt recovery processes are adequate;
- Credit notes and refunds are valid and are properly authorised;
- Write off of uncollectible debt is properly authorised;
- There is adequate segregation of duties in the invoicing and receipting functions.

Based on the work conducted as part of the review, only a small number of minor recommendations were made, all of which have been agreed with management. Therefore, we have been able to provide **substantial assurance** that there is a sound system of controls in place.

HR/Payroll (Corporate)

As one of the County Council's fundamental accounting systems, the HR/Payroll system is subject to annual review, covering as a minimum, the following key control objectives:

- All employees on the payroll are valid and are employed by ESCC;
- Payments are only made for hours worked or allowable expenses;
- Gross payroll costs and material deductions are properly calculated and in accordance with approved pay rates or staff contracts.

From the audit work completed, we have been able to provide **substantial assurance** that there is a sound system of controls in place. Some opportunities to further improve controls were identified relating to ensuring the prompt closure of network accounts where an employee leaves the organisation and ensuring compliance with County Council terms and conditions over the payment of honorariums and additional hours to LMG managers.

All recommendations have been agreed with management and will be followed up by Internal Audit as part of the 2011/12 review.

Corporate Governance – Conflicts of Interest (Corporate)

The main purpose of this review was to assess the extent to which County Council staff (covering all departments) comply with the Code of Conduct for Employees (the Code) with regard to completing declarations of conflict of interest.

The Code forms part of the contract of employment and all new staff are required to complete a declaration of interest (including a 'nil return') within the first week of appointment. Existing staff are required to complete a declaration of interest at least annually. Positive declarations must be reviewed by line management to ensure that where appropriate, safeguards can be put in place to protect employees and the County Council.

As part of the audit, we conducted an analytical review exercise, utilising data from within SAP, to identify possible relationships between staff on the payroll and between staff and County Council vendors. The review then sought to establish the extent to which these relationships represented potential conflicts of interest, whether declarations had been completed in accordance with the Code and, where this is the case, whether management have taken the appropriate action in response.

From the audit work completed, we have been able to provide **partial assurance** over the adequacy of the control environment. We found that, whilst the County Council does have in place a formal system for processing and managing declarations of interest, declaration forms could not be located for 55% of the employees selected for testing.

In addition, a high proportion of those who did make a declaration had in fact only completed a NIL return. Whilst this may be an accurate reflection of the employees' circumstances, the fact that our sample was specifically selected from those where there was a greater likelihood of a potential conflict existing, suggests that there may be an awareness issue amongst some staff. Details of these cases have been provided to departmental managers for further investigation.

Finally, an opportunity to further strengthen the Code was identified in relation to clarifying the circumstances where employee to employee relationships should be declared.

A formal management action plan, incorporating all of our recommendations, has been agreed with management, including the Corporate Governance Group and the Human Resources Management Board.

Corporate Governance – Expenses (Corporate)

Over the past three financial years, the County Council has paid in excess of £2.5m per year in employee and Member travel and expenses (excluding schools based staff). The purpose of this review was therefore to ensure that:

- The County Council has in place clear policies and guidance governing expenses and other non salary related payments and this has been clearly communicated to all Members and officers;
- The systems for processing and approving Member and officer expenses and other non salary related payments are efficient and effective;
- All claims submitted by Members and officers are reasonable and processed in accordance with County Council policies.

In conducting this audit, we undertook an analytical review exercise to identify patterns, trends and potential anomalies in expense claims during 2009/10, followed by extensive testing of a large sample of employee and Member claim forms.

Based on this work, we have been able to provide **substantial assurance** over the control environment for processing expenses, with the majority of our findings relating primarily to the need for improved compliance with existing policies and procedures. Whilst the standard of claim form completion was found to be in need of improvement, particularly to enable managers to undertake proper verification, it is pleasing to report that within the sample tested, no evidence was found of irregularity or inappropriate activity.

The main areas for improvement included the need to establish improved authorisation arrangements for Member claim forms and ensuring that VAT receipts are always maintained in accordance with Her Majesty's Revenue and Customs requirements.

All recommendations have been agreed with management, the majority of which relate to reminding staff and Members of existing requirements and controls when processing claim forms.

Business Continuity Follow Up (Corporate)

Following a previous review of business continuity arrangements which resulted in an opinion of only partial assurance, a follow-up review has been undertaken to assess the implementation of the recommendations contained in the original management action plan.

It is pleasing to report that, based on this subsequent audit work, we have now been able to provide **substantial assurance** that there is a sound system of controls in place.

The majority of the original recommendations have been fully implemented, with a small number still work in progress, relating primarily to ensuring that key documentation is accessible to all the necessary staff.

The opportunity was also taken to make a small number of additional recommendations, all of which have been agreed.

ICT Systems and Infrastructure Lifecycle Management (Corporate Resources)

The efficient and effective management of ICT systems and infrastructure throughout their lifecycle helps to ensure that business needs/requirements are adequately and effectively supported and that corporate objectives are achieved.

The overall objective of this high level review, delivered using specialist ICT auditors from Deloitte and Touche Public Sector Internal Audit Ltd, was to provide assurance as to the adequacy of the key controls in the following areas:

- ICT Strategy;
- IT Security Policies and Procedures;
- Programme/Project Management;
- Change Management;
- Asset Management and Disposal;
- Acquisition of IT Assets;
- Patch Management.

Based on the work undertaken, we have been able to **partial assurance** that there is a sound framework of controls in place. The main areas for improvement include the following:

- Updating the Information Security Policy to include a number of areas currently omitted;
- Introducing and implementing a formal Change Management Policy;
- Developing a clear set of policies and procedures covering the management of IT hardware and software assets, throughout their lifecycle;
- Establishing robust procedures for monitoring the deployment of updates and patches to existing software, including Microsoft and McAfee.

The ICT department is currently undergoing a process of significant change in order to align their processes and roles with the Information Technology Infrastructure Library (ITIL) framework. It is anticipated that this alignment would help provide improvements to the delivery of ICT services, including in many of the areas highlighted during this review.

All recommendations have been agreed with management and will be subject to future monitoring by Internal Audit.

Remote Working Solutions (Corporate Resources)

The increased use of remote working helps to assist the Council in supporting its flexible working arrangements by establishing a reliable ICT infrastructure that allows users to work remotely under a safe and secure IT environment and supporting the efficient and effective use of the more limited work space available.

Whilst remote access enables mobile and home workers to access network resources, applications and data from offsite locations, it also introduces a number of inherent risks in relation to network security, data integrity, availability and confidentiality.

This review was therefore undertaken, using specialist ICT auditors from Deloitte and Touche Public Sector Internal Audit Ltd, to assess the adequacy of controls in place to help mitigate these risks and to maximise the benefits that can be achieved through more flexible ways of working.

Overall, we have been able to provide **partial assurance** that there is a sound system of controls in place. A number of recommendations were made to improve the control environment, with the most significant of which relate to:

- Improving the security over data held on Portable Digital Assistants (PDAs) used by staff, particularly where these synchronise with the County Council network;
- Introducing stronger authentication and monitoring controls over users connecting to the network via the Gateway;

- Improving control over IT assets, particularly where staff leave the organisation;
- Ensuring that as many as possible of the remaining County Council laptops are subject to encryption;
- Activating port control on the network to help prevent the transfer of Council data onto personal and unencrypted USB portable data storage devices.

It is clear that at the time of the review, many of these issues were known to the organisation and action was already underway to address the weaknesses, particularly with regard to replacing existing PDA's with properly encrypted devices, introducing port control across all County Council computers and announcing an amnesty over all laptops which have not been connected to the network since encryption technology has been implemented.

All recommendations, with the exception of one low risk action, have been agreed with the Assistant Director and Head of ICT and will be subject to future monitoring by Internal Audit.

Treasury Management (Corporate Resources)

As one of the County Council's fundamental accounting systems, the Treasury Management system is subject to annual review and covers the following control objectives:

- All Treasury Management transactions are authorised properly, in accordance with ESCC's Treasury Management policy;
- All Treasury Management transactions are recorded accurately (including reconciliations and cashflow calculations), and supporting documentation is retained for all transactions;
- All transactions are recorded on a timely basis;
- Monies are transferred only in accordance with approved policy, and there is satisfactory internal control within the money transfer systems.

Based on the audit work completed during this review, it is pleasing to report that we have been able to provide **full assurance** that there is a sound system of controls in place.

Only two low risk recommendations were made, both of which have been immediately implemented.

Pension Fund External Control Assurance (Corporate Resources)

The review of Pension Fund External Assurance arrangements has been undertaken in accordance with the Pension Fund Audit Strategy and covered the following control objectives:

- The County Council has identified and receives all sources of external control assurance for the pension fund and such information is formally reviewed; and

- The various sources of information regarding fund manager and custodian internal control provide the County Council, as administering authority for the pension fund, with adequate assurance. Where they do not, appropriate action is taken.

Based on the audit work completed, we have been able to provide **substantial assurance** that there is a sound system of controls in place with only a small number of low risk recommendations being made, all of which have been agreed with management

Letting of Contracts (Corporate Resources)

Internal audit carried out a review of the procedures for Letting of Contracts in 2009/10 which resulted in an opinion of partial assurance, due largely to weaknesses surrounding the letting of contracts by third-parties.

As a consequence, we have conducted a follow up review to assess whether sufficient progress has been made in implementing our original recommendations.

From the audit work completed, we are now able to provide **substantial assurance** that there is a sound system of controls in place, with the majority of recommendations fully implemented by management.

As well as repeating the remaining recommendations within our follow up report, we have also identified a number of areas for improvement relating to the new Improvement and Efficiency South East (IESE) framework procurement process. In all cases, our recommendations have been agreed with management as part of a formal action plan, with target implementation dates early in 2011/12.

SAP Future Phases (Corporate Resources)

Throughout the year, internal audit has provided advice, support and assurance to the various projects that develop and improve the functionality of SAP and during the final quarter, this has included the following activities:

- Development of separate accounts for the East Sussex Pension Fund in accordance with the requirements of recent statute and good practice;
- The pilot project to introduce and roll out a new corporate procurement card.

This ongoing work will continue throughout 2011/12.

Abacus / Controcc (Adult Social Care)

A review of the payment processing systems (Abacus and Controcc) used by Adult Social Care (ASC) has been completed as part of the agreed annual audit plan for 2010/11.

The Abacus system has been used since 2007 to process payments to independent sector providers of community care services, with data from the system transferred through an electronic interface to SAP for the payments to be made.

The Controcc system was purchased as part of the Business Transformation project, with the initial purpose of managing provider contracts from the point at which services are procured. ASC subsequently decided in July 2009 that payment information would be sourced from Controcc (but still made via SAP) and that this system would replace Abacus. The Controcc system has therefore been used to prepare some ASC payments since April 2010.

The main purpose of our review was to provide an opinion as to whether adequate and robust controls are in place for payments to ASC providers and clients, covering the following control objectives:

- Payments made to approved providers/clients are accurate and correctly authorised;
- Segregation of duty prevents any one member of staff from controlling all parts of the payment process;
- Payment data is transferred completely and accurately between systems (Abacus/Controcc to SAP); and,
- Access to the system is secure and data held is protected against loss or damage.

From the audit work completed during this review, we have been able to provide **substantial assurance** that there is a sound system of controls in place. In the case of both systems, our work found that key processing controls are in place to ensure that correct payments are made to providers and service users.

One issue of concern was however identified relating to the transfer of one payment file between Abacus and SAP Accounts Payable in May 2010, which could have resulted in a significant duplicate payment. Whilst the error was prevented through effective reconciliation controls, a number of additional preventative controls have been agreed in order to avoid future repetition. Testing undertaken as part of our review found no evidence of this error being repeated.

A small number of lower risk recommendations were made as part of our review, all of which have been agreed with management.

Joint Commissioning Arrangements for Older People – Follow Up (Adult Social Care)

Internal Audit carried out a review of the Joint Commissioning Arrangements for Older People and published the report in April 2009. Due to the control weaknesses highlighted and the audit opinion of partial assurance, a follow-up review was undertaken to assess the implementation of the original recommendations.

From the audit work completed during this follow up review and the testing carried out, we have now been able to provide **substantial assurance** that there is a sound system of controls in place.

The main reasons for this opinion are:

- Full implementation of six of the nine audit recommendations and progress against the other three;
- A Joint Working Agreement has been agreed and signed off by both parties;
- A refresh of the Joint Commissioning Strategy has been completed and signed off by both parties;
- Financial data is included in both the Joint Working Agreement and the Joint Commissioning Strategy and a structure has been established for financial reporting and risk management.

Progress on implementing the remaining three original recommendations is dependent upon jointly funded activities reaching a stage where formal agreement between the commissioning bodies is required.

Putting People First (PPF) – Resource Allocation System (Adult Social Care)

Internal Audit has continued to provide advice and support to Adult Social Care's (ASC) development and implementation of the PPF project. During the quarter, we carried out work providing advice and support relating to the implementation of Self Directed Support (SDS), including testing of compliance with key controls associated with the SDS pathway, PPF programme management arrangements and ensuring that appropriate budgetary control and finance systems are in place. We are in the process of collating the findings from this work and will be reporting on these during quarter 1 of 2011/12.

In addition, we have reviewed updates to the Resource Allocation System (RAS), the calculator that determines how much money is allocated to a Personal Budget. The purpose of this work was to provide assurance that the RAS is accurate, fit for purpose and has been properly tested.

In reviewing the existing RAS models, we found that insufficient testing had been undertaken to enable an informed conclusion to be reached on the accuracy and validity of the RAS calculations for all the Council's service users; especially for those who fall into the mental health and LD categories. We accept, however, that these test calculations relate to the spreadsheet based models that will be replaced by an upgraded RAS, but it is important that a more robust approach for testing the accuracy of the new version is established.

Due to these limitations, part of our review focussed on ensuring that adequate controls are in place to prevent care funded packages being approved that are too high or low. We found that adequate controls exist, which ensure only appropriate care funded packages are approved, even when the indicative budgets produced by the RAS may not be accurate.

In terms of the new RAS model currently being developed, only a test version was in place at the time of this review. An important factor in implementing it successfully will be to test it properly and then integrate it electronically into the ASC IT infrastructure. We did, however, check the project management arrangements associated with the RAS upgrade. We found that adequate controls are in place to ensure the new RAS being developed will be accurate and fit for purpose.

Given the positive direction of travel in this area, we are able to provide **substantial assurance** that adequate controls are in place to ensure that only appropriate care funded packages are approved.

A small number of recommendations have been made and agreed with management. We will also undertake further work on the upgraded RAS in 2011/12.

Supporting People (SPOCC) (Adult Social Care)

SPOCC is the name of the computer system used to administer the Supporting People Programme grant. Its purpose is to control contractual relationships with a range of service providers and to record and manage the eligible clients who use their services. The system also manages the four-weekly payment process. An interface has been developed to transfer payment information from SPOCC into SAP in order to facilitate these payments.

In April 2010, we issued an internal audit report on the adequacy of controls in the SPOCC system. The report included eleven recommendations which management agreed to implement. One of the audit findings was considered high risk and, as a result, we could only provide partial assurance on the overall effectiveness of internal controls within the system.

Since completion of the 2009/10 Supporting People audit, team structures for managing Supporting People services in the Adult Social Care (ASC) Department have changed. The Supporting People team who helped administer the system has been disbanded. Responsibilities have been transferred to other teams within ASC, including the ASC Systems Team.

The main purpose of the 2010/11 review was to follow-up the recommendations made in the previous report and to provide an opinion as to whether there has been an improvement in the system of controls. We also reviewed access to the system to ensure adequate security controls are in place and that data held is protected against loss or damage.

Based on the work we have completed, we are now able to provide **substantial assurance** that there is a sound system of controls in place. Eight of the eleven recommendations raised in the previous SPOCC report have been implemented, including the previous high risk finding. The outstanding recommendations have been re-stated and management has agreed to implement these. This includes a recommendation to update procedures to adequately reflect new responsibilities in relation to the payment process.

Funding Panels (Adult Social Care)

The review of Adult Social Care's Funding Panel system has been completed as part of the agreed annual audit plan for 2010/11.

Following a social care assessment of an individual, a financial assessment is carried out to determine the total level of funding required to support this package of care and whether or not the service user has the means to make a financial contribution towards the care package.

Funding Panels then consider and approve or decline/postpone funding applications presented to them either weekly or fortnightly. The total 2010/11 budget for the area funding panels is approximately £4.4m.

This audit review covered the following control objectives:

- Decisions on whether to fund care packages are made in accordance with Council policy and procedures which ensure that the decision-making process is transparent and accountable;
- Accurate financial information is produced for consideration by Funding Panels which allows management to make informed decisions and make best use of available funds;
- Funding Panel decisions are disseminated to appropriate officers and accurately recorded/actioned as necessary in a timely fashion;
- The financial impact of Funding Panel decisions are incorporated appropriately within budgets which are monitored and managed to prevent overspend;

- An analysis of the mid to long-term impact on budgets arising from Funding Panel decisions is maintained and any concerns are reported to senior officers.

From the audit work completed, we have been able to provide **substantial assurance** as to the overall effectiveness of internal controls.

Whilst the funding panel process was found to be operating effectively, including budget monitoring and reporting, it is important to note that at the time of the review, there was a forecast overspend of £1.409m within Independent Sector Care budgets. The projected overspend represents 1.3% of the net Independent Sector Care budget of £106.4m, and is being offset by the projected under-spends within Directly Provided Services of £1.466m.

It is understood that the pressure on services will continue, reflecting the demography of East Sussex and the needs of service users. The department is taking specific actions to develop and redefine services, for example, through improvements in the commissioning and procurement of services, reablement and the shifting of resources from Working Age to Older People Services. This is intended to ensure that overall services continue to be delivered within resources. These actions are as a result of policy changes and the continuing review of existing care commitments.

Although we were not in a position at the time of the review to comment on the extent to which these initiatives will address the ongoing funding risks, the above examples of specific actions to develop and redefine services should contribute to the overall 2011/12 savings target in ASC of £14.229m. Progress towards these savings targets will be reported through the Finance and Resources Group (FRG) and the Chief Officer's Management Team (COMT) in 2011/12. In setting the 2011/12 budget for Independent Sector Care, savings have been identified across service areas and will be monitored.

The specific actions to redefine services and how these will address funding pressures will be covered in more detail in our budgetary control review as part of our continuing work in providing assurance on the Putting People First Programme (PPF).

Some recommendations to help improve controls over the funding panel process have been agreed with management. We also recognise that there is a project underway to review areas of the Assessment and Care Management process and that funding panels will be a key part of this exercise. As a consequence, the agreed management action plan arising from our audit, included recommendations which will be addressed by the Assessment and Care Management review and implemented by the end of March 2011.

Financial Management Standard in Schools (FMSiS) (Children's Services)

Following the announcement by the Department for Education (DfE) in November 2010 that FMSiS is no longer a mandatory requirement in its current format and that a simplified version would be introduced in the summer of 2011, we have been working to bring our FMSiS work to a conclusion during the final quarter of 2010/11. In accordance with DfE guidance, we contacted the schools that had either commenced or were due to undertake the FMSiS process before 31st March 2011 in order to ascertain whether or not they wished to proceed. Thirteen schools took up the option of proceeding and, since the announcement, ten have successfully achieved the standard and one has failed. There are two schools still in progress.

Our work will now concentrate on considering the audit and assurance implications in 2011/12 of the new Schools Financial Value Standard (SFVS), which is currently out to consultation by the DfE.

ICT Governance in Schools – Themed Review (Children's Services)

Advice and guidance on ICT matters are regularly provided by the Children's Services E-Business Team, either directly to individual schools or through the publication of information on CZone. However, the implementation of this advice and guidance is the responsibility of each school under its delegated powers.

The main objective of this audit was to therefore review the policies and procedures currently present to regulate ICT Governance in schools. Specifically, this included reviewing ICT strategies, system access and back up arrangements and the existence of effective reference documents for staff. The review involved visits to examine arrangements at a sample of schools across the County.

From the audit work completed, we have been able to provide **partial assurance** that there is a sound system of controls in place.

A range of recommendations have been made to improve the control environment and these have been reflected in guidance to all schools by way of a circular using Czone. These addressed control weaknesses in the following areas:

- ICT governance policies and procedures, including Data in Transit;
- Encryption of laptops and memory sticks;
- Website security, including penetration testing;
- Monitoring the use of unauthorised software;
- Security over wireless connections.

Looked After Children (LAC) Budgetary Control (Children's Services)

This review has sought to give assurance to management on the overall effectiveness of internal controls in relation to the management of the LAC budget, covering the following control objectives:

- The LAC budget set is linked to corporate objectives;
- The LAC budget is set using approved and effective methodologies, taking into account the volatile nature of these demand led budgets;
- Budget monitoring is adequate and effective and enables identification of potential variances at an early stage, allowing appropriate and timely resolution;
- Budgetary reporting is adequate, effective and timely

From the audit work completed, we have been able to provide **substantial assurance** that there is a sound system of controls in place.

Overall, the LAC budget is a complex area where demand is particularly difficult to predict. Despite this, our review found that the process for setting, monitoring and reporting on the budget was robust with regular and detailed review meetings taking place involving all key parties.

However, given the volatile nature of the demand for the service, at the time of the review, the service was continuing to forecast a significant overspend for 2010/11. Whilst a number of actions have been identified by Children's Services to mitigate these pressures, including alternative management arrangements and improvements in commissioning, there will need to be a continued focus on both measures to manage demand (within the legal constraints) and to mitigate cost and operational pressures.

A small number of recommendations have been agreed with management, the most significant of which relating to the need for further work to manage service demand and reduce costs in light of future funding pressures.

Hillcrest School Follow Up Review (Children's Services)

During quarter 3 of 2010/11, we reported on the outcome of an audit at Hillcrest School which resulted in an audit opinion of only minimal assurance that a sound system of internal control was in place at the school.

Therefore, during the final quarter of the year, we undertook a follow up review to assess the extent to which our original recommendations had been implemented.

Unfortunately, this subsequently found that whilst some progress had been made, a high number of the previous audit recommendations remained outstanding. As a result, we are still only able to provide **partial assurance** over the control environment. Although none of the remaining recommendations are high risk, it is our view that they could have been implemented without any significant resource implications. In discussing this with the school, we understand that Senior Management and Governor efforts have been concentrated on the planned school closure and that this was a contributing factor to the lack of progress.

At the time of our work, the school was forecasting a budget surplus for the financial year-ending 2010/11. The forecast surplus was a result of a restructuring within the school and expected additional income. Given the high value of the additional income, we have recommended that the school carefully monitor the receipt of this to help ensure the forecast surplus at year-end is achieved.

In addition, the school is also predicting a balanced budget when it closes on the 31st August 2011. In view of the previous budget overspends at the school and the additional income predictions referred to above, it is important that the school and Children's Services Finance closely monitor the budget position through to the closure of the school and ensure that appropriate and timely action is taken where any areas of concern are identified.

As well as the outstanding actions, some additional recommendations have been made where appropriate, which, when implemented, would further improve the control environment.

As part of the 2011/12 Internal Audit plan, we will be reviewing the closure of schools that are becoming academies to ensure that adequate close-down procedures exist, particularly in terms of financial deficits.

Casual Workers on Miscellaneous Pay Grades (Children's Services)

During quarter 4, Internal Audit undertook a short review of the administrative arrangements for employment casual workers on miscellaneous pay grades, particularly within schools.

As a result of this work, a number of areas were identified where procedures and internal controls could be improved, in particular:

- Ensuring that adequate management input is obtained within PAT prior to setting up non standard casual workers;
- Amending casual worker confirmation letters to incorporate the requirement to comply with County Council/school policies and procedures;
- Ceasing the practice of PAT staff entering casual worker claim form details into SAP rather than SERCO;
- Ensuring that only official ESCC claim forms are processed in relation to casual workers.

A range of recommendations have been agreed with PAT management in order to address the weaknesses identified.

South Downs Joint Committee (Transport and Environment)

East Sussex County Council Internal Audit provides annual assurance on the effectiveness of controls at South Downs Joint Committee (SDJC) on behalf of the Treasurer.

As SDJC has been superseded by the South Downs National Park Authority from 1st April 2011, the focus of our work for the 2010/11 financial year has been on the arrangements to wind-up the business. The purpose of our review was to assess whether risks associated with the closure of the business are being adequately considered and issues appropriately addressed.

Our work was completed in two phases, with the following objectives for each:

- 'Phase 1' – To assess whether the transition plan covers all the business activities of the organisation and that arrangements were in place to manage each aspect of the transition; and,
- 'Phase 2' – To assess the progress being made on the transition plan and provide assurance that there will be satisfactory closure of the business.

Our work on the phase 1 objective was previously reported on as part of our quarter 3 progress report and resulted in an opinion of substantial assurance.

For the phase 2 objective we reviewed a number of key tasks from the transition plan to obtain assurance as to their successful completion and followed up on the recommendations made as part of our phase 1 work.

As a result of our work, we were able to continue to provide **substantial assurance** that the transition plan covered all business activities and that these would be successfully completed by the closure date.

Investigations

Children's Home Financial Irregularity (Children's Services)

During the early part of 2010/11, Internal Audit received a report relating to potential financial irregularities at a County Council residential children's home. Specifically, concerns were raised over the appropriateness of expenditure on building works at the home and the correct use of grant monies.

As a result, a formal investigation into these activities was undertaken, which included a detailed analysis of expenditure through the both SAP and the establishment's imprest account. This work followed a number of previous internal audit investigations at the same home.

A range of serious issues were identified as part of the investigation, including:

- Potential conflicts of interest between staff at the establishment and a contractor performing the works;
- Poor procurement practices, including a failure to obtain competitive quotations when awarding the works;
- Use of an unqualified electrician to conduct electrical works, which subsequently failed an electrical inspection;
- Care staff at the home being paid by both the County Council and the contractor for undertaking building works at the site;
- Petty cash expenditure incurred without supporting receipts, in breach of Financial Regulations.

Our findings from this work were reported to Children's Services Department and formal disciplinary action was taken against two members of staff, both of whom received final written warnings. One of these individuals was also demoted from a managerial position.

Following the investigation, we agreed a separate action plan with management which consisted of a number of recommendations to improve controls within all Children's Homes.

County Council Procurement Card (Children's Services)

During the final quarter of the year, Internal Audit undertook an investigation into the potentially inappropriate use of a County Council Procurement Card (P-Card) within a Children's Centre.

Our investigation found that the P-Card holder had acted in contravention of the P-Card Policy in that she had disclosed her personal PIN and had permitted another member of staff to use her P-Card.

During the periods when the P-Card had been used by this other member of staff, a number of purchases were made which were clearly inappropriate, not in line with Council business and which did not represent value for money.

Whilst the individual who had made the purchases was no longer employed by the County Council, the P-Card holder was subject to disciplinary action and was required to reimburse the full cost of the inappropriate purchases.

Pensions Fraud (East Sussex Pension Fund)

As part of the National Fraud Initiative 2008, a query arose relating to a current East Sussex pensioner who had also appeared on the register of deaths. Subsequent investigations confirmed that the individual concerned had died in 2008 and that the next of kin had failed to inform the County Council of the death or to close the bank account into which the pension had been paid.

The matter was reported to the Sussex Police and all relevant documentation passed over, along with a formal statement from a member of Internal Audit staff on behalf of the County Council.

During the past quarter, the individual concerned has been convicted on three counts of fraud and has been sentenced to a 3 month suspended prison sentence and 150 hours of community service. In addition, civil recovery has been pursued and repayment arrangements have been agreed.

APPENDIX C

Summary of Opinions for Internal Audit Reports Issued During 2010/11

Full Assurance:

(Explanation of assurance levels provided at the bottom of this document)

Audit Title	Department
Accounts Payable 2009/10	(Corporate)
Pension Fund Governance and Strategy	(Corporate Resources)
CareFirst Migration	(Adult Social Care/Corporate Resources)
Pension Fund Investments	(Corporate Resources)
Pension Fund Processes and Systems	(Corporate Resources)
Network Penetration Testing	(Corporate Resources)
Accounts Payable 2010/11 (AP)	(Corporate)
Treasury Management	(Corporate Resources)

Substantial Assurance:

Audit Title	Department
Accounts Receivable 2009/10	(Corporate)
HR/Payroll 2009/10	(Corporate)
Treasury Management – Money Transfer System	(Corporate Resources)
SAP Data Archiving	(Corporate Resources)
Abacus Payments	(Adult Social Care)
Abacus Income	(Adult Social Care)
CentraStage	(Children's Services)
Use of Consultants Follow Up	(Corporate)
Review of the National Indicators	(Corporate)
E-Recruitment	(Governance and Community Services)
Children's Services Imprest Accounts – Follow Up	(Children's Services)
Integrated Waste Services Management Contract – Contractor's Finance Model	(T&E)
General Ledger	(Corporate Resources)
Procurement of Energy Supplies	(Corporate Resources)
Third Party Access to Data – Follow Up	(Corporate Resources)
Portable Devices	(Corporate)
Highways Maintenance	(T&E)
South Downs Joint Committee (Phase1)	(T&E)
Home to School Transport	(T&E/Children's Services)
Accounts Payable 2010/11 (Procurement)	(Corporate)
Accounts Receivable 2010/11	(Corporate)
HR/Payroll	(Corporate)
Corporate Governance – Expenses	(Corporate)
Business Continuity Follow Up	(Corporate)
Pension Fund External Control Assurance	(Corporate Resources)

APPENDIX C

Audit Title	Department
Letting of Contracts by Third Parties (incl. Follow-up)	(Corporate Resources)
Abacus / ContrOCC	(Adult Social Care)
Joint Commissioning Arrangements for Older People – Follow Up	(Adult Social Care)
Putting People First (PPF) – Resource Allocation System	(Adult Social Care)
Supporting People (SPOCC)	(Adult Social Care)
Funding Panels	(Adult Social Care)
Looked After Children (LAC) Budgetary Control	(Children's Services)
South Downs Joint Committee (Phase 2)	(T&E)

Partial Assurance:

Audit Title	Department
Third Party Access to Data	(Corporate)
Network Security Follow-up	(Corporate Resources)
Supporting People (SPOCC)	(Adult Social Care)
Trapeze	(T&E)
Information Governance	(Corporate)
Agency Staff Contract	(Corporate)
Direct Payments	(Adult Social Care)
Claims for Additional Hours	(Adult Social Care)
Spray Watersports Centre - Follow Up	(Children's Services)
Corporate Governance – Conflicts of Interest	(Corporate)
ICT Systems and Infrastructure Lifecycle Management	(Corporate Resources)
Remote Working Solutions	(Corporate Resources)
ICT Governance in Schools – Themed Review	(Children's Services)
Hillcrest School Follow Up Review	(Children's Services)

Minimal Assurance:

Audit Title	Department
Code of Conduct and Conflicts of Interest in Schools – Themed Review	(Children's Services)
Hillcrest School	(Children's Services)

No Assurance:

Audit Title	Department
Spray Watersports Centre	(Children's Services)
Rye College Nursery Income	(Children's Services)

APPENDIX C

Other Audit Activity Completed During 2010/11 (including direct support for projects and new system initiatives, grant audits and FMSiS external assessments):

Audit Title	Department
Putting People First (PPF)	(Adult Social Care)
Financial Management Standard in Schools (FMSiS)	(Children's Services)
Contact Point	(Children's Services)
Capital Grant Claims	(T&E)
Schools Sports Grants	(Children's Services)
Contractor Procurement, Payment and Monitoring Arrangements	(Children's Services)
SAP Future Phases	(Corporate Resources)
Casual Workers on Miscellaneous Pay Grades	(Children's Services)

Investigation Activity Completed During 2010/11:

Title	Department
Term Contract Procurement	(CRD Property)
Contractor Tender Submissions	(Corporate Resources)
Helenswood School Investigation	(Children's Services)
Conflict of Interest	(Children's Services)
National Fraud Initiative	(Corporate)
School Building Society Account	(Children's Services)
Pensions Fraud	(East Sussex Pension Fund)
Children's Home Financial Irregularity	(Children's Services)
County Council Procurement Card	(Children's Services)

Internal Audit Assurance Levels:

Full Assurance: There is a sound system of control designed to achieve the system objectives. Compliance with the controls is considered to be good. All major risks have been identified and are managed effectively.

Substantial Assurance: Whilst there is a sound system of control, there are a small number of weaknesses which put some of the system/service objectives at risk and/or there is evidence of non-compliance with some controls. Opportunities to strengthen controls still exist.

Partial Assurance: Controls are in place and to varying degrees are complied with but there are gaps in the control process, which weaken the system. There is therefore a need to introduce additional controls and/or improve compliance with existing controls to reduce the risk to the Authority.

APPENDIX C

Minimal Assurance: Weaknesses in the system of control and/or the level of compliance are such as to put the system objectives at risk. Controls are considered to be insufficient with the absence of at least one critical or key control. Failure to improve will lead to an increased risk of loss or damage to the Authority.

No Assurance: Control is generally weak or non-existent, leaving the system open to significant error or abuse and high risk to the system or service objectives. A high number of key risks remain unidentified and/or unmanaged.