



AUDIT COMMITTEE

FRIDAY, 10 JULY 2020

10.00 am COUNTY HALL, LEWES

++Please note that this meeting is taking place remotely++

MEMBERSHIP - Councillor Colin Swansborough (Chair)
Councillors Gerard Fox (Vice Chair), Matthew Beaver, Martin Clarke,
Philip Daniel, Michael Ensor and Daniel Shing

A G E N D A

- 1 Minutes of the previous meeting held on 22 November 2019 (*Pages 3 - 8*)
- 2 Apologies for absence
- 3 Disclosures of interests
Disclosures by all members present of personal interests in matters on the agenda, the nature of any interest and whether the member regards the interest as prejudicial under the terms of the Code of Conduct.
- 4 Urgent items
Notification of items which the Chair considers to be urgent and proposes to take at the appropriate part of the agenda. Any members who wish to raise urgent items are asked, wherever possible, to notify the Chair before the start of the meeting. In so doing, they must state the special circumstances which they consider justify the matter being considered urgent.
- 5 Internal Audit Annual Report and Opinion 2019/20 (including Quarter 3 and 4 progress report) (*Pages 9 - 48*)
Report by the Chief Internal Auditor
- 6 ESCC Anti-Fraud and Corruption Strategy and Framework (*Pages 49 - 68*)
Report by the Chief Internal Auditor
- 7 Strategic Risk Monitoring - Quarters 3 and 4, 2019/20 (*Pages 69 - 76*)
Report by the Chief Operating Officer
- 8 Work programme (*Pages 77 - 80*)
- 9 Any other items previously notified under agenda item 4

PHILIP BAKER
Assistant Chief Executive
County Hall, St Anne's Crescent
LEWES BN7 1UE

2 July 2020

Contact Simon Bailey, Democratic Services Officer,

01273 481935

Email: simon.bailey@eastsussex.gov.uk

NOTE: This meeting will be broadcast live on the County Council's website and the record archived for future viewing. The broadcast/record is accessible at www.eastsussex.gov.uk/yourcouncil/webcasts/default.htm

AUDIT COMMITTEE

MINUTES of a meeting of the Audit Committee held at County Hall, Lewes on 22 November 2019.

PRESENT Councillor Colin Swansborough (Chair) Councillors
Gerard Fox (Vice Chair), Matthew Beaver, Martin Clarke,
Philip Daniel, Michael Ensor and Daniel Shing

LEAD MEMBERS Councillor Nick Bennett

ALSO PRESENT

Kevin Foster, Chief Operating Officer
Ian Gutsell, Chief Finance Officer
Russell Banks, Chief Internal Auditor
Graham Glenn, Interim Property Lead

21 MINUTES OF THE PREVIOUS MEETING HELD ON 13 SEPTEMBER 2019

21.1 RESOLVED to agree the minutes as a correct record.

22 REPORTS

22.1 Reports referred to in the minutes below are contained in the minute book.

23 INTERNAL AUDIT PROGRESS REPORT Q2 2019/20

23.1 The Committee considered a report by the Chief Internal Auditor.

23.2 In response to questions about the follow up audit of Building Condition, Russell Banks and Kevin Foster confirmed that its focus would be on whether a schedule of surveys had been put in place and was on track rather than whether the whole estate had been surveyed. Graham Glenn set out that there was a prioritised RAG list of improvements, directed to (A) addressing the Red-flagged issues and (B) preventing Green-flagged issues slipping into Amber status. The priority list enables informed budgeting.

23.3 Kevin Foster set out details of the challenges faced by the Property Service and the investment decisions taken in response to the priority list. The main focus is on customer facing buildings, and Health & Safety concerns (fire safety, legionella, asbestos) of each property. He further confirmed that the County Council was adapting its service model, to revert to the commissioning model as opposed to the Surrey County Council in-house model used by the Orbis Property Service. He set out the challenge to recruitment, as the private sector and other authorities are all competing for Surveyors and Project Managers.

23.4 The Chair requested a short narrative to accompany each School Audit. Russell Banks agreed to include this in future reports.

23.5 In respect of HR/Payroll, the Council's Policy was clarified, in that there are two categories of extra hours: a. Overtime/Additional hours and b. Plain hours

a. Overtime/Additional hours

i. Overtime hours are extra hours worked that, when added to the employee's contractual hours are over 37 hours in one week. Overtime hours, where applicable (see a.iii and a.iv below), are paid at time and a half except on Sundays and/or Bank Holidays when payment is at double time (1.5 or 2 x hourly rate).

ii. Additional hours are extra hours worked over and above an employee's contractual hours up to 37 hours in one week and are also known as plain hours. Additional hours are paid at plain time.

iii. Overtime does not apply to Social Workers, staff paid on or above Single Status Grade 8 or staff covered by the Flexible Working Hours Scheme, other than planned overtime (paid at plain time) with the line manager's permission. For these staff, additional hours apply and are paid at plain time.

iv. In addition overtime rates do not apply to employees on LMG salary scales.

v. Time of less than half an hour on any day will not be counted as overtime. Overtime will be aggregated for each calendar month and only complete half hours paid for.

vi. For staff in receipt of weekend working increments, if overtime is worked on a Saturday or Sunday the relevant overtime rate still applies.

vii. For Former Weekly Paid Workers - Overtime undertaken on a Sunday is paid at double time with a minimum payment of 2 hours.

23.6 In respect of Troubled Families, the scope and remit of the Internal Audit Team and of the Audit and People Scrutiny Committees were set out, in response to concerns that the authority might have a reduced ability to identify families at risk in the light of the reduction in children's centres.

23.7 The Committee RESOLVED to (1) note the report; and

(2) confirm that there were no new or emerging risks for consideration for inclusion in the internal audit plan.

24 STRATEGIC RISK MONITORING - QUARTER 2, 2019/20

24.1 The Committee considered a report by the Operating Officer. The Committee commented on the following risks: 12 – Cyber Attack and 9 – Workforce.

Cyber Attack

24.2 The Committee asked questions about the effectiveness of staff training in processing sensitive information and compliance with GDPR. Kevin Foster confirmed that the e-learning modules were being refreshed, and that the Data Protection Manager compiled a regular monitoring report. The report includes areas of concern being referred to the Information Commissioner's Office, and no such areas have been identified.

Workforce

24.3 The Committee asked questions about stress in the workforce, whether to do with reduced staff numbers and increased workloads, or withdrawing from direct contact with the public. They also enquired about a general staff attitudes survey.

24.4 Kevin Foster highlighted the drive to recruit Mental Health First Aider volunteers, and the continued focus on absences recorded as due to stress. He set out the support in place for managers to deal with their own stress and within their teams, and the openness for staff to ask for help that is encouraged. The success of the return to work interview and protocol in supporting those staff that had been absent to reintegrate into work was highlighted. While there is no overall staff attitude survey, individual departments conduct their own.

24.5 The Committee RESOLVED to note the current strategic risks and risk controls and responses being proposed and implemented by Chief Officers.

25 ANNUAL AUDIT LETTER 2018/19

25.1 The Committee considered a report by the Chief Finance Officer, together with an update on the fee which has been queried, directly with Grant Thornton (GT) and through Public Sector Audit Appointments (PSAA).

25.2 The Committee asked questions about the relationship with the external auditors and the negotiation of the fee. Ian Gutsell confirmed that his staff and the local GT Team had worked well together, and that some of the elements of the increased fee related to national, rather than East Sussex specific, matters. He confirmed that a “lessons learned” meeting had already been held with the GT Team, to inform the work for next year.

25.3 The Committee RESOLVED to: (1) note the Annual Audit Letter; and

(2) require the Chief Finance Officer to report the outcome of the fee negotiations to the next meeting.

26 TREASURY MANAGEMENT ANNUAL REPORT 2018/19 AND MID-YEAR REPORT 2019/20

26.1 The Committee considered a report by the Chief Finance Officer, who confirmed that during 2018/19 the County Council had invested £5m in the CCLA Property Fund, undertaken no new borrowing, and had repaid £23m out of £29m in LOBO (Lender Option Borrower Option) Loans in efforts to maximise income and drive down the cost of debt. The average rate of debt paid off was 8.13%. It was also noted that the Council was fully compliant with the Prudential Indicators.

26.2 The Committee commented on the repayment of the LOBO loans, which had been subject to a long standing objection to the accounts, and methods by which opportunities to invest or pay down debt are generated. Ian Gutsell confirmed that the Lender had exercised their option for the LOBO loan to be repaid, and that officers in the Treasury Management Team engage with the cash management and investment markets daily, both directly and via the Council's brokers. The Committee advised officers to be willing to take independent advice when considering investment options.

26.3 In respect of future borrowing, Ian Gutsell confirmed that the recent decision of the Public Works Loan Board to increase its interest rate had broadened the range of potential options. A query was raised about the Capital Financing Requirement (CFR) and the reduction in the Council's overborrowed position. It was explained that the CFR was a matter of judgement on the appropriateness of the Council's level of debt and borrowing, which was subject to cyclical variations.

26.4 The Committee RESOLVED to note the Treasury Management performance in 2018/19 incorporating the Mid-Year review for the first half of 2019/20.

27 PROPERTY ASSET DISPOSAL AND INVESTMENT STRATEGY

27.1 The Committee considered a report by the Chief Operating Officer, together with exempt information contained in a later agenda item.

27.2 In response to a query from the Committee it was confirmed that a listing with the District or Borough Council of a property as an Asset of Community Value meant that the local community could give notice of an intent to bid for that property, and did not give rise to a "right to buy". It was set out that there is a small list of County Council properties so listed.

27.3 The Committee asked questions about the capacity of the Property Team to deliver, in the light of the review of the Orbis Partnership and return of property services to the sovereign authorities, and the recent Internal Audit [see minute 23.2 and 23.3]. The Committee expressed concern regarding the non-realisation of expectations from Orbis. Kevin Foster set out the delivery of £12m of repeatable savings. He confirmed that scrutiny of the Orbis services would be through the Place Scrutiny Committee, but agreed to provide an update to the Audit Committee.

27.4 Kevin Foster confirmed that the County Council had considered options for investment in property for a commercial return, but none of the options had reached the benchmark score to satisfy the business case. He further confirmed that decisions to invest would go through Cabinet for inclusion on the Capital Programme. Graham Glenn highlighted the change in emphasis from realisation of capital receipts toward retention for alternative service requirements, and onto a model of joint ventures and re-development of existing assets (subject to business cases). He drew attention to the proposals for a solar farm in the Eastbourne area as an example.

27.5 The Committee RESOLVED to: (1) note the content of the report;

(2) note that progress continues against the background of some wider market uncertainties and the need to support capacity to ensure delivery; and

(3) consider an update on the Orbis partnership at a future meeting.

28 WORK PROGRAMME

28.1 The Committee considered the Work Programme.

28.2 Russell Banks highlighted the Internal Audit Strategy Day, to be held in the New Year, as an opportunity for the Committee to shape the Internal Audit Plan for the following year, prior

to its formal adoption at the March meeting. A refreshed Counter Fraud Strategy will also be presented at the March meeting.

28.3 The Committee discussed subjects of interest, including cyber security and the Council's remit to provide assistance to the public, and organisational intelligence and knowledge, especially in respect of staff turnover. Russell Banks confirmed that Internal Audit were currently working on the impact of savings plans, and how the organisation handles reductions or high turnover in staff and knowledge, and the potential for impacts on the Council's control environment. This will be reported next quarter. Kevin Foster set out the HR policies which include exit interviews and departmental Workforce Strategies, to capture organisational knowledge. Kevin Foster also set out the Council's focus on provision of its statutory duties, and its efforts on signposting the public to the most appropriate source of advice, much of which is done through the Library Service and the People's Network.

28.4 The Committee RESOLVED to note the Work Programme, with the addition of the report on Orbis (see minute 23.3 and 27.3) and Counter Fraud Strategy refresh (see minute 28.2).

29 EXCLUSION OF PUBLIC AND PRESS

29.1 It was RESOLVED to exclude the public and press for the remaining agenda items on the grounds that if the public and press were present there would be disclosure to them of exempt information as specified in paragraph 3 of Part 1 of the Local Government Act 1972 (as amended), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

30 PROPERTY ASSET DISPOSAL AND INVESTMENT STRATEGY

30.1 The Committee considered a report by the Chief Operating Officer which contained exempt information in support of an earlier agenda item.

30.2 The Committee RESOLVED to note the information contained in the report.

The meeting ended at 11.40 am.

Councillor Colin Swansborough (Chair)

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Report to: **Audit Committee**

Date: **10 July 2020**

By: **Orbis Chief Internal Auditor, Business Services Department**

Title of report: **Internal Audit Annual Report and Opinion 2019/20**

Purpose of report: **To give an opinion on the County Council's control environment for the year from 1 April 2019 to 31 March 2020**

RECOMMENDATIONS

Members are recommended to:

- 1. note the Internal Audit Service's opinion on the Council's control environment;**
 - 2. consider whether there are any significant control issues that should be included in the Council's annual governance statement for 2019/20;**
 - 3. consider whether the Council's system for internal audit has proved effective during 2019/20.**
-

1. Background

1.1 The purpose of this report is to give an opinion on the adequacy of 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 2019 to 31 March 2020 in accordance with the Internal Audit Strategy for 2019/20.

2. Supporting Information

2.1 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 2015. The latter states that authorities 'must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'. Annually, the Chief Internal Auditor is required to provide an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement.

2.2 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.

2.3 No assurance can ever be absolute; however, based on the internal audit work completed, the Chief Internal Auditor can provide reasonable assurance that East Sussex County Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2020 to 31 March 2021.

2.4 This opinion, and the evidence that underpins it, is further explained in the full Internal Audit Service's Annual Report and Opinion which forms Annexe A of this report. The report highlights:

- Key issues for the year, including a summary of all audit opinions provided;
- Progress on implementation of high risk recommendations;
- Key financial systems;
- Other internal audit activity;
- Anti-fraud and corruption.

2.5 Whilst it did not make a material difference to our overall audit plan delivery for the year and our subsequent annual audit opinion, the Coronavirus pandemic meant that a number of reviews in progress at the time were not completed to final report stage. Where appropriate, the findings from these audits were still reported to services for information, with a view to finalising the reports at a future date. In other cases, planned work was suspended as a result of the Coronavirus pandemic and has therefore been considered for inclusion within our 2020/21 audit plan and any revisions to this.

2.6 A summary of the major findings from audit reviews completed during quarter 4 of 2019/20 is included in Annexe B. Member's should note the two Pension Fund audits completed during the quarter in which opinions of minimal and partial assurance were given. Pension Fund management have recently reported their progress in implementing the agreed actions arising from the findings of these reviews to Pension Board and Pension Committee. Internal Audit will complete follow-up reviews in these areas in 2020/21, as previously planned.

2.7 In addition, the major findings from audits reviews completed during quarter 3 of 2019/20 are included in Annexe C. These have not previously been reported to Audit Committee due to the pandemic.

2.8 Section 6 of the annual report sets out details of internal audit performance for the year, including details of compliance against the relevant professional standards.

3. Conclusions and Reasons for Recommendation

3.1 Audit Committee is recommended to note the Internal Audit Service's opinion on the Council's control environment, consider whether there are any significant issues that should be included in the Council's annual governance statement for 2019/20 and consider whether the Council's system for internal audit has proved effective.

3.2 This report will be presented to Cabinet on 14 July 2020.

RUSSELL BANKS, ORBIS CHIEF INTERNAL AUDITOR, BUSINESS SERVICES
DEPARTMENT

Contact Officers: Russell Banks
Nigel Chilcott

Tel No. 01273 481447
Tel No. 01273 481992

BACKGROUND DOCUMENTS

Internal Audit Strategy and Annual Audit Plan 2019/20

INTERNAL AUDIT ANNUAL REPORT & OPINION 2019/2020

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 2015. The full role and scope of the Council's Internal Audit Service is set out within our Internal Audit Charter.

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 Annually, the Chief Internal Auditor is required to provide an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement.

2. Delivery of the Internal Audit Plan

2.1 The Council's Internal Audit Strategy and Plan is updated each year based on a combination of management's assessment of risk (including that set out within the departmental and strategic risk registers) and our own risk assessment of the Council's major systems and other auditable areas. The process of producing the plan involves extensive consultation with a range of stakeholders to ensure that their views on risks and current issues, within individual departments and corporately, are identified and considered.

2.2 In accordance with the audit plan for 2019/20, a programme of audits was carried out covering all Council departments and, in accordance with best practice, this programme was reviewed during the year and revised to reflect changes in risk and priority. This has included responding to and investigating allegations of fraud and other irregularities.

2.3 All adjustments to the audit plan were agreed with the relevant departments and reported throughout the year to the Audit Committee as part of our periodic internal audit progress reports. Whilst it did not make a material difference to our overall audit plan delivery for the year, and our subsequent annual audit opinion, the Coronavirus pandemic meant that a number of reviews in progress at the time were not completed to final report stage. Where appropriate, the findings from these audits were still reported to services for information, with a view to finalising the reports at a future date.

2.4 In other cases, planned work was suspended as a result of the Coronavirus pandemic and will therefore be considered for inclusion within our 2020/21 audit plan. Given the ongoing impact of the Coronavirus on our work, it is anticipated that the 2020/21 audit plan will be subject to a comprehensive review, taking into account new risks to the organisation arising from the crisis and previous work that we have been unable to complete. The outcome of this will be reported to the Corporate Management Team (CMT) and the Audit Committee once it has been completed.

3. Audit Opinion

3.1 No assurance can ever be absolute; however, based on the internal audit work completed, the Chief Internal Auditor can provide reasonable¹assurance that the Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2019 to 31 March 2020.

3.2 Further information on the basis of this opinion is provided below. Overall, the majority of audit opinions issued in the year were generally positive, including improved levels of assurance for lower audit opinions issued previously in 2018/19. However, internal audit activities have identified a few areas where the operation of internal controls have not been fully effective, as reflected by the two minimal and seven partial assurance opinions.

3.3 This is similar to the position of previous years and consequently, the overall opinion remains unchanged from that issued for 2018/19. However, the minimal and partial assurance opinions relating to the two Pension Fund audits completed during the year (Pension Fund Administration, People, Processes and Systems, and Pension Fund Compliance with Regulatory Requirements, respectively) are of concern and need to be addressed by management as a priority. Further detail of these are included in Annexe B attached to this report. The outcome of both audits has been reported to the Pension Fund Board and Pension Fund Committee who are monitoring implementation of the agreed actions with management.

3.4 Where improvements in controls are required as a result of our work, we have agreed appropriate remedial action with management.

4. Basis of Opinion

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

- All audit work completed during 2019/20, planned and unplanned;
- Follow up of actions from previous audits;
- Management's response to the findings and recommendations;
- Ongoing advice and liaison with management, including regular attendance by the Chief Internal Auditor and Audit Managers at organisational meetings relating to risk, governance and internal control matters;
- 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 2019/20.

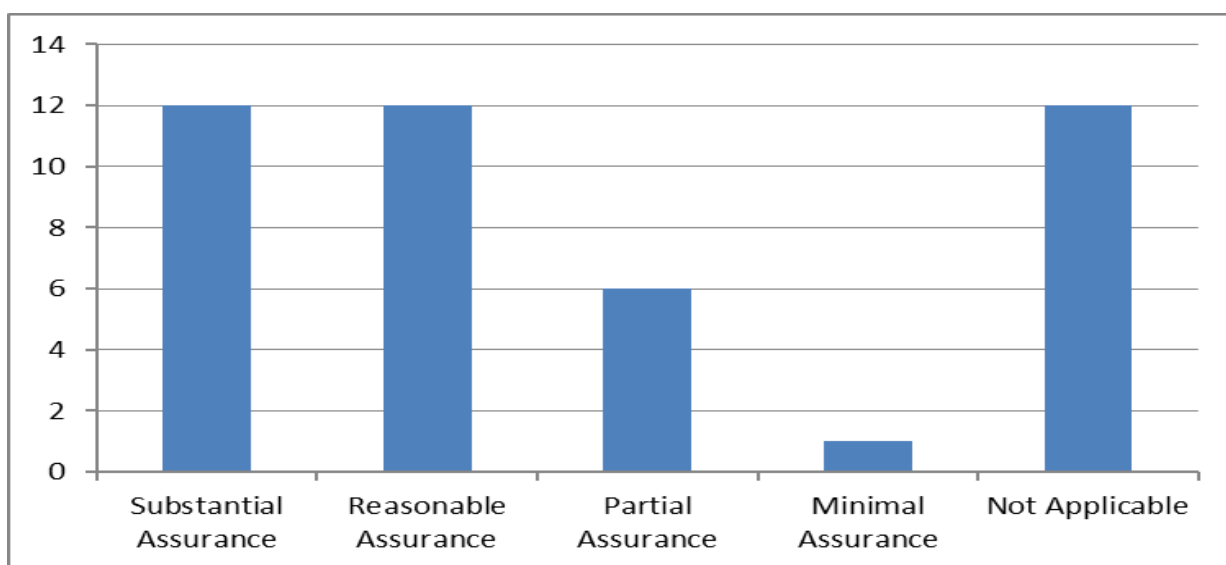
¹ This opinion is based on the activities set out in paragraph 4 below. It is therefore important to emphasise that it is not possible or practicable to audit all activities of the Council within a single year.

5. Key Internal Audit Issues for 2019/20

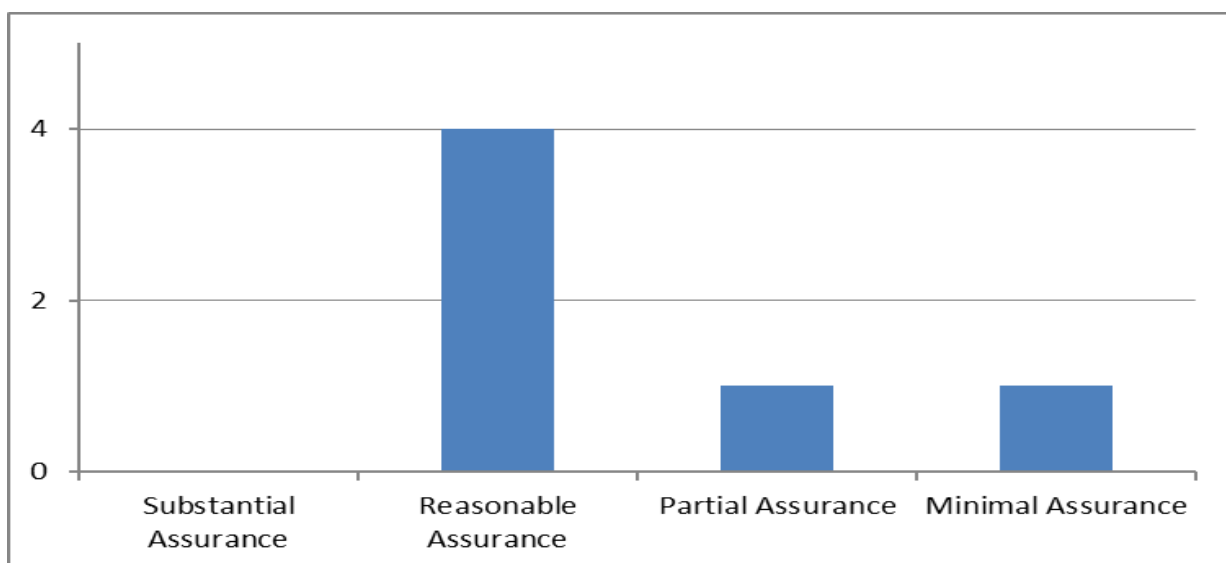
5.1 The overall audit opinion should be read in conjunction with the key issues set out in the following paragraphs. These issues, and the overall opinion, have been taken into account when preparing and approving the Council's Annual Governance Statement.

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 ad hoc advice. The following graphs provide a summary of the outcomes from all audits finalised during 2019/20:

Non-Schools Audit Opinions



Schools Audit Opinions



5.3 A full listing of all completed audits and opinions for the year is included at Appendix B, along with an explanation of each of the assurance levels. Whilst the results of all audit work completed is reported to CMT and the Audit Committee throughout the year, the one (non-school) review with minimal assurance has been summarised below for completeness:

- **Pension Fund Administration, People, Processes and Systems**

For the year 2019/20, we introduced a revised Internal Audit Strategy for Pensions, which was approved by the Pension Committee in June 2019. This extended the scope of our testing and, because we were given read-only access to the Altair pension administration system for the first time, we were also able to carry out testing in more depth than had previously been the case.

In completing our work, we identified areas that required significant improvement, including in relation to automating the calculation of pension benefits, improving data processes to ensure that all members receive their Annual Benefit Statements each year by the deadline of 31 August, improving procedures to ensure the quality of data, and ensuring reporting to Pension Board and Committee is accurate. Further detail on the findings of this review can be found in Annexe B.

5.4 In addition to the above, a total of 7 audits received partial assurance opinions within the year as follows:

- Pension Fund - Compliance with Regulatory Requirements;
- Home Care Management;
- Building Condition Asset Management;
- Atrium (Property Asset Management System);
- Social Value in Procurement;
- Buzz Active; and
- Heathfield Community College.

5.5 Whilst actions arising from these reviews will be followed up by Internal Audit, either through specific reviews or via established action tracking arrangements, it is important that management take prompt action to secure the necessary improvements in internal control.

5.6 Included in the graph above are two reviews where we have revisited areas which had previously received lower levels of assurance. For both of these (Surveillance Cameras and SAP Application Controls), we have been able to issue revised, improved opinions of reasonable assurance and substantial assurance, respectively.

5.7 As at 31 March 2020, a total of nineteen planned reviews from 2019/20 remained in progress but had been paused as a result of the Coronavirus pandemic so that internal audit work would not impede service response to the emergency. One of these is now final and eight are at draft report stage and we are working with management to progress these to final reports. For the remaining audits, depending on the circumstances of returning to business-as-usual, these will be completed later in the financial year. Details for these are provided in Appendix B.

Key Financial Systems

5.8 Given the substantial values involved, each year a significant proportion of our time is spent reviewing the Council's key financial systems, both corporate and departmental. Of those audits completed during 2019/20, all have resulted in either substantial or reasonable assurance being provided over the control environment.

Other Internal Audit Activity

5.9 During 2019/20, internal audit has continued to provide advice, support and independent challenge to the organisation on risk, governance and internal control matters across a range of areas. These include:

- Orbis Customer Access Portal;
- Logotech Treasury Management System;
- Making Tax Digital; and
- Managing Back Office Systems (MBOS).

And, attendance at:

- Statutory Officers' Group;
- Orbis Leadership Team;
- BSD Covid Response Group;
- Information Officers' Group;
- Finance Management Team; and
- Pension Board and Pension Committee.

5.10 As well as actively contributing to, and advising these groups, we utilise the intelligence gained from the discussions to inform our own current and future work programmes to help ensure our work continues to focus on the most important risk areas.

Anti-Fraud and Corruption

5.11 During 2019/20, the Internal Audit Counter Fraud Team continued to deliver both reactive and proactive fraud services across the Orbis Partnership.

5.12 The team logged 20 allegations under the Council's Anti-Fraud and Corruption Strategy, with cases being identified through the Council's confidential reporting hotline or referrals from other departments. As a result of the allegations, 16 cases were taken forward to investigation by Internal Audit or where support was provided to a management investigation, with the remainder being referred to local management, another local authority, or assessed as requiring no further action.

5.13 The following provides a summary of the investigation activity undertaken by Internal Audit in the last 12 months:

- We provided support to a management investigation following concerns that an employee had submitted duplicate overtime claims. Analysis was performed of the employee's timesheets submitted for payment and Internal Audit interviewed the employee. Following conclusion of the investigation, it was concluded that there was no intent to deceive by submitting duplicate claims and the employee was provided with appropriate guidance and training to ensure future accuracy;
- We provided support to an HR investigation following a complaint that an employee was overstating their travel claims. Analysis was performed on mileage claimed against mileage permitted under the travel and expenses policy. The matter was passed back to management to progress with the support of HR and the employee subsequently resigned prior to a disciplinary hearing;
- Support was provided to HR in a case of a member of staff employed across multiple schools who was accused of being involved in potential financial irregularities. The employee resigned from all of their roles while under management investigation;
- Following an investigation previously conducted in 2018/19, Internal Audit provided support regarding a subsequent Local Government and Social Care Ombudsman appeal. An out of court settlement was reached and £18,090.60 was recovered from the client's family;
- We provided support and advice to Adult Social Care in respect of 6 further cases relating to misuse of Direct Payments and the recovery of monies paid;
- We conducted a review of cash handling arrangements at a school breakfast club following allegations of potential financial irregularities involving a member of school staff. The investigation did not identify that cash had been subject to misappropriation;
- Eight investigations remain ongoing at the time of writing this report.

5.14 Any internal control weaknesses identified during our investigation work are reported to management and actions for improvement are agreed. This work is also used to inform future internal audit activity.

5.15 As well as the investigation work referred to above, we continue to be proactive in the identification and prevention of potential fraud and corruption activity across the Authority and in raising awareness amongst staff.

5.16 Progress over the last 12 months is outlined below:

Priority	Progress to date
Reactive investigations	The Counter Fraud Team is responsible for assessing and evaluating fraud referrals received by each sovereign partner, and then leading on subsequent investigations. The team have implemented a coordinated approach to assessing and logging referrals and adopted consistent procedures for recording

Priority	Progress to date
	<p>investigations.</p> <p>During the 12 month period to date, there have been several investigations across the partnership which have been resourced through a mixture of the Counter Fraud Team and sovereign audit teams supported by advice and direction from the Counter Fraud Team.</p>
NFI Exercise	<p>The Counter Fraud Team have taken on responsibility for the coordination and submission of datasets at each authority. The NFI Key Contacts are members of the Counter Fraud Team to ensure a consistent approach is followed and good practice is shared across all partners.</p> <p>Results from the latest matching exercise were received in Spring 2019 and the Counter Fraud Team have been liaising with internal departments and partner authorities to review, prioritise and investigate flagged matches. To date, overall savings of £5,640.73 have been recorded.</p>
Counter Fraud Policies	<p>Each Orbis partner has in place a Counter Fraud Strategy that sets out their commitment to preventing, detecting and deterring fraud. The Counter Fraud Team have reviewed the sovereign strategies to ensure there is a consistent and robust approach to tackling fraud.</p>
Fraud Risk Assessments	<p>Fraud Risk Assessments have been consolidated to ensure that the current fraud threat has been considered and mitigating actions identified. The Fraud Risk Assessment is continually reviewed.</p>
Fraud Response Plans	<p>The Fraud Response Plans take into consideration the results of the Fraud Risk Assessments and emerging trends across the public sector in order to provide a proactive counter fraud programme. This includes an increased emphasis on data analytics.</p>
Fraud Awareness	<p>The team have refreshed and rolled out a fraud eLearning package to the whole organisation. This was rolled out in conjunction with fraud awareness workshops to help specific, targeted services identify the risk of fraud and vulnerabilities in their processes and procedures.</p> <p>Fraud awareness workshops were delivered to school governors and fraud bulletins highlighting potential fraud risks have been provided to schools.</p> <p>A fraud awareness campaign took place during November as part of National Fraud Awareness week.</p> <p>Regular fraud alerts have been provided to departments including both banking and schools.</p>

5.17 Whilst 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, we continue to be alert to the risk of fraud. This includes working with local fraud hubs; the aim of which is to deliver a strong and co-ordinated approach to preventing, detecting and responding to fraud.

Amendments to the Audit Plan

5.18 In accordance with proper professional practice, the Internal Audit plan for the year was kept under regular review to ensure that the service continued to focus its resources in the highest priority areas based on an assessment of risk. Through discussions with management, the following reviews were added to the original audit plan during the year:

- Orbis Customer Access Portal
- Broadband UK Grant Return
- Troubled Families
- Logotech Treasury Management System
- Home to School Transport - Follow Up
- Department for Transport Grant
- Bus Services Operators Grant
- Annual Governance Statement
- Risk Management
- Library Antiquarian Asset Management
- SAP Applications Control – Follow Up
- Buzz Active

5.19 In order to allow these additional audits to take place, the following audits have been removed or deferred from the audit plan and, where appropriate, will be considered for inclusion in future audit plans as part of the overall risk assessment completed during the annual audit planning process. These changes have been made on the basis of risk prioritisation and/or as a result of developments within the service areas concerned requiring a rescheduling of audits:

- IT&D Project Management
- Transport for the South East

6. Internal Audit Performance

6.1 Public Sector Internal Audit Standards (PSIAS) require the internal audit service to be reviewed annually against the Standards, supplemented with a full and independent external assessment at least every five years. The following paragraphs provide a summary of our performance during 2019/20, including the results of our first independent PSIAS assessment, an update on our Quality Assurance and Improvement Programme and the year end results against our agreed targets.

PSIAS

6.2 The Standards cover the following aspects of internal audit, all of which were independently assessed during 2018 by the South West Audit Partnership (SWAP) and subject to a refreshed self-assessment in 2019:

- Purpose, authority and responsibility;
- Independence and objectivity;
- Proficiency and due professional care;
- Quality assurance and improvement programme;
- Managing the internal audit activity;
- Nature of work;
- Engagement planning;
- Performing the engagement;
- Communicating results;
- Monitoring progress;
- Communicating the acceptance of risks.

6.3 The results of the SWAP review and our latest self-assessment found a high level of conformance with the Standards with only a small number of minor areas for improvement. Work has taken place to address these issues, none of which were considered significant, and these are subject to ongoing monitoring as part of our quality assurance and improvement plan.

Key Service Targets

6.4 Performance against our previously agreed service targets is set out in Appendix A. Overall, client satisfaction levels remain high, demonstrated through the results of our post audit questionnaires, discussions with key stakeholders throughout the year and annual consultation meetings with Chief Officers.

6.5 Significantly, we have completed 90.5% of the 2019/20 audit plan, just exceeding our target of 90%. As reported in 5.7, above, some outstanding reviews were nearing completion at year end and, due to the impact of the COVID-19 crisis, there are a larger number of reports than usual still in draft status. These are identified in Appendix B.

6.6 Our action tracking of agreed, high-risk actions arising from audits completed throughout the year, has identified two such actions which hadn't been implemented by the agreed due date, resulting in the target in this area not quite being achieved (95% against the target of 97%). Both of these relate to the Pension Fund Administration, People, Processes and Systems audit as referred to in 5.3 above. At the time of this report, management are due to report back on the implementation status of all agreed actions relating to this and the Pension Fund Compliance with Regulatory Requirements audit at forthcoming Pension Board and Pension Committee meetings.

6.7 Internal Audit will continue to liaise with the Council's external auditors (Grant Thornton) to ensure that the Council obtains maximum value from the combined audit resources available.

6.8 In addition to this annual summary, CMT and the Audit Committee will continue to receive performance information on Internal Audit throughout the year as part of our quarterly progress reports and corporate performance monitoring arrangements.

Internal Audit Performance Indicators 2019/20

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee	By end April	G	Approved by Audit & Committee on 25 March 2019.
	Annual Audit Report and Opinion	By end July	G	Approved by Audit Committee on 12 July 2019.
	Customer Satisfaction Levels	90% satisfied	G	100%
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	G	90.5%
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	G	January 2018 – External assessment by the South West Audit Partnership gave an opinion of ‘Generally Conforms’ – the highest of three possible rankings. Confirmed in most recent self-assessment, Quarter 4 2019/20.
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms	G	No evidence of non-compliance identified.
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	97% for high priority agreed actions	A	95% (this equates to 2 out of 41 high risk actions not implemented by the due date).
Our staff	Professionally Qualified/Accredited	80%	G	93%

Summary of Opinions for Internal Audit Reports Issued During 2019/20

Substantial Assurance:*(Explanation of assurance levels provided at the bottom of this document)*

Audit Title	Department
Budget Setting	Corporate
Treasury Management	BSD
General Ledger	BSD
Pension Fund Governance and Investments	BSD
Pension Fund External Control Assurance	BSD
Purchase to Pay 18/19	BSD
SAP Application Controls Follow Up	BSD
Impact of Savings	Corporate
Risk Management	Corporate
ICT Compliance Frameworks	BSD
Commissioning of Adult Social Care Services	ASC
LAS/Controcc	ASC

Reasonable Assurance:

Audit Title	Department
Accounts Receivable	BSD
Supply Chain Management	Corporate
Capital	Corporate
Business Continuity	Corporate
BACS Payments	BSD
General Data Protection Regulation Compliance	BSD
HR/Payroll	BSD
Cyber Security	BSD
Surveillance Camera Follow-Up	BSD
LiquidLogic Application Controls	ASC/CSD
LCS/Controcc	CSD
Parking	CET
Cradle Hill Community Primary School	CSD
Hurst Green Primary School	CSD
Chailey Secondary School	CSD
Telscombe Cliffs Primary School	CSD

Partial Assurance:

Audit Title	Department
Pension Fund – Compliance with Regulatory Requirements	BSD
Building Condition Asset Management	BSD
Atrium	BSD
Social Value in Procurement	Corporate
Home Care Contract Management	ASC
Buzz Active	CSD
Heathfield Community College	CSD

Minimal Assurance:

Audit Title	Department
Pension Fund Administration, People, Processes and Systems	BSD
Maynards Green Community Primary School	CSD

Other Audit Activity Undertaken During 2019/20 (including direct support for projects and new system initiatives and grant audits):

Audit Title	Department
Broadband UK	CET
Making Tax Digital	BSD
Logotech Treasury Management System	BSD
Orbis Customer Access Platform	BSD
Delays to Waivers to Procurement Standing Orders	BSD
Troubled Families Grant Certification (*4 instalments)	CSD
E-Recruitment	BSD
Bus Services Operators' Grant	CET
Department for Transport Grant	CET
Support to the Managing Back Office Systems (MBOS) Programme	BSD
Business Operations Improvements – E-Pay	BSD
ISEND Purchase to Pay	CET

Audits Carried Forward (suspended as a result of Covid19) from 2019/20 to 2020/21 (note that, where draft reports have been issued to clients, or the audit has subsequently been completed, these have been marked as such in the following list):

Audit Title	Department	Status
Cultural Compliance – Highways Contract Management Group	CET	Now complete and final report issued
Cloud Computing	BSD	Draft report issued
Declaration of Interests, Gifts and Hospitality	Corporate	Draft report issued
Enforcement Powers Follow Up	CET	Draft report issued
Annual Governance Statement	GCS	Draft report issued
Library Asset Management	CET	Draft report issued

Audit Title	Department	Status
Mobile Device Management	BSD	Draft report issued
Network Security	BSD	Draft report issued
Purchase to Pay 19/20	BSD	Draft report issued
Business Operations Cultural Compliance	BSD	Suspended
Commissioning and Delivery of Property Projects	BSD	Suspended
Orbis Integrated Budget Management Follow-Up	BSD	Suspended
Patch Management	BSD	Suspended
Travel and Expenses Follow Up	BSD	Suspended
Care Assessment Process	CSD	Suspended
Direct Payments	ASC	Suspended
Home to School Transport Follow Up	CET	Suspended
Orbis Data Centre	BSD	Suspended
Pension Fund – Governance, Strategy and Investments	BSD	Suspended

Audit Opinions and Definitions

Opinion	Definition
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Partial Assurance	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

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ANNEXE B

1. Audits Completed in Q4 (January to March 2020)

Pension Fund Administration, People, Processes and Systems

East Sussex County Council (the Council) is the designated statutory administering authority of the East Sussex Pension Fund. The Council has statutory responsibility to administer and manage the Fund in accordance with rules of the Local Government Pension Scheme (LGPS).

For the year 2019/20, we introduced a revised Internal Audit Strategy for Pensions, which was approved by the Pension Committee in June 2019. This extended the scope of our testing and, because we were able to access to the Altair pension administration system for the first time, we were also able to carry out more in-depth testing.

The purpose of the audit was to provide assurance that controls were in place to meet the following objectives:

- Transactions, data and outputs from the system are complete and accurate;
- Income due to the Fund is received in full and in a timely manner;
- Payments made to pensioners are correct and on time;
- The employer portal (PensionWeb) is secure and controlled in order to provide appropriate administration of the fund; and
- The funding level of new and existing employers is appropriate to meet their liabilities.

Our extended testing identified a number of areas where significant improvement is needed and, as a result, we had to provide an opinion of **minimal assurance**. Throughout our work, management was fully engaged with the process and responded positively to our findings. As result, a robust management action plan was agreed promptly to address our findings.

The main areas where controls needed strengthening included:

- restricting access to the file containing pension lump sums awaiting upload to the Council's accounting system (SAP), to reduce the risk of unauthorised or fraudulent amendments being made¹.
- configuring the administration system, Altair, to automate the calculation of all pension benefits to reduce the current level of manual intervention, which is inefficient and increases the risk of error;

¹ It should be noted that we found no instances where this had actually happened.

- returning the responsibility for carrying out a number of employer payroll calculations from staff in the Pensions Administration Team (PAT), back to ESCC. This practice arose as a result of PAT staff being co-located with payroll staff and having access to the ESCC payroll system;
- improving data processes to ensure that all members receive their Annual Benefit Statements each year by the deadline of 31 August;
- reviewing the large number of members currently held in administrative suspense accounts to ensure they receive the full level of service to which they are entitled;
- reviewing warnings relating to the quality of data held in Altair, correcting any missing or inaccurate data and improving procedures to maintain data quality;
- ensuring reports, presented to the Pension Board and Pension Committee on the standard of service provided by the PAT, are accurate, to enable the Fund to manage the administration service's performance effectively; and
- implementing in full the agreed actions from the previous audit, dated August 2018, which related to data cleansing, record keeping, an annual schedule of tasks and annual review of systems access.

These findings were presented in full to the Pension Board and Pension Committee, who are monitoring closely management's progress in implementing the agreed actions for improvement through a robust management action plan. A formal follow-up audit will be completed in 2020/21 to ascertain the extent to which these actions have been implemented.

Pension Fund – Compliance with Regulatory Requirements

The rules of the Local Government Pension Scheme (LGPS) are set out in the Local Government Pension Scheme Regulations 2013; the Local Government Pension Scheme Transitional Provisions, Savings and Amendment Regulations 2014; and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

This audit was carried out as part of our new Internal Audit Strategy for the Pension Fund. The purpose of the audit was to provide assurance that controls are in place to meet regulatory requirements in the following areas:

- Scheme governance arrangements;
- Investment management arrangements; and
- Pension administration arrangements.

Whilst evidence of good practice was identified, particularly in relation to investments, we found a number of control weaknesses that increased the risk of non-compliance with the Fund's statutory requirements. As a result, we were only able to provide an opinion of **partial assurance**. As part of an action plan to address these issues, management agreed to:

- establish a service level agreement between the Fund and the Pensions Administration Team (PAT) to define the work that the PAT carries out for the Fund and, ultimately, to strengthen the Fund's oversight of the administration service;
- put controls in place to ensure that all potential breaches are recorded in the breaches log;
- ensure that the breaches log contains sufficient detail about the nature of each breach, including details of who made decisions to report or close breaches; and
- report breaches to the Pension Committee and, where appropriate, to the Pension Regulator.

A follow-up audit will be carried in 2020/21 to ascertain the extent to which these actions have been implemented by management.

Accounts Receivable 2019/20

The Accounts Receivable (AR) system is one of the Council's key financial systems. The aim of the AR function is to ensure that all income due to the Council is collected completely, banked promptly and is accounted for correctly.

The purpose of the audit was to provide assurance that:

- all income generating activities are identified and accurately raised to customers;
- a customer account maintenance process is in place and operating effectively;
- amendments to invoices are correct and authorised;
- collection and debt recovery is managed efficiently and effectively;
- writes-offs are processed accurately and correctly authorised;
- payments are received and recorded against the correct debtor account in a timely manner;
- reconciliations between the debtors system and the General Ledger are undertaken on a regular basis; and
- debt recovery performance is monitored and reported.

As a result of our work, we were able to provide **reasonable assurance** over the controls in place. We found that most controls were operating as expected and we did not identify any areas of high risk. We did, however, identify some opportunities to strengthen controls, as follows:

- There is a need for service areas to undertake more robust due diligence checks on new customers' credit-worthiness, before services are rendered or goods delivered, to reduce the risk of bad debt and resulting financial loss to the Council;
- Improved monitoring of debt write-offs would provide greater clarity over the process, which is currently a paper based (off-SAP) control; and
- Regular review of user permissions & approval levels in SAP would ensure that access rights to SAP remain appropriate.

A number of minor areas were also identified where improvements could be made. A comprehensive and robust action plan has been agreed with management to strengthen controls in all the areas we identified.

Supply Chain Management 2019/20

Supply chain management is “the oversight of materials, information and finances as they move in a process from supplier to manufacturer to wholesaler to retailer to consumer. Supply chain management involves co-ordinating and integrating these flows both within and among companies.” Performance of the supply chain has a significant impact on contractors’ ability to provide services to their customers and create added value.

For this review, we assessed how supply chains were managed in a sample of contracts drawn across the Council and sought to provide assurance that:

- effective contract monitoring ensures that the agreed service level/quality of goods and services is received;
- contracts and contract management arrangements are effective in managing supply chain risks, including fraud and collusion;
- effective Business Continuity Planning mitigates the effects of any supply chain failures; and
- market and industry intelligence is sufficient to allow the early enough identification of suppliers or market sectors at risk of failing and to enable appropriate steps to be taken.

As a result of our work, we were able to give an opinion of **reasonable assurance** over the controls operating in the area under review. We found that the Council has effective arrangements in place for supply chain management and, in particular, adequate arrangements for risk management and mitigation were found to be in place. Areas of good practice included:

- the presence of legally binding contracts to support contract management;
- regular meetings being held with suppliers throughout contracts’ terms; and
- an established process to ensure that suppliers have the capacity, from the outset and throughout the contractual term, to meet fluctuating demand needs.

However, we also identified opportunities to improve some aspects of supply chain management and actions were agreed with management to:

- document and approve decisions to accept lower levels of public liability insurance than those stipulated in Procurement and Contract Standing Orders, which, for some contracts, was not always recorded clearly;
- strengthen controls for business continuity arrangements with our suppliers to ensure continued service delivery in the event of an interruption to activities or a failure in the supply chain at a critical point;

- clarify roles and responsibilities for the management of procurement frameworks (including those operated by the Council and those operated by other public bodies) to ensure that appropriate due diligence checks continue to take place;
- strengthen arrangements for Brexit planning, particularly where reliance is placed heavily on labour from EU countries; and
- improve guidance to ensure that contract managers understand the type of due diligence checks we would expect contractors to undertake on their supply chains.

Treasury Management 2019/20

Treasury management is the management of the authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance. The County Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Sector and operates the service in compliance with this code.

The purpose of this audit was to provide assurance that:

- the Council has established an appropriate Treasury Management Policy & Investment Strategy;
- all lending and borrowing decisions are based on robust cash flow forecasting over the short, medium and long term;
- investments are made with approved counterparties within approved limits, are correctly paid, authorised and are repaid by counterparties with the correct amount of interest;
- borrowings are made only from approved organisations, are correctly authorised and repaid to counterparties with the correct amount of interest;
- there is regular and independent reconciliation between the treasury management record, the bank account and the general ledger; and
- officers and elected Members receive regular and informative training and performance monitoring information.

In completing our work, we found that robust controls were in place and we were able to provide an opinion of **substantial assurance**. A single low-risk finding was made and an action was agreed with management to move from paper to electronic systems for the approval of transactions.

Support to the MBOS Programme

The Modernising Back Office Systems (MBOS) Programme has been established to enable the Council to go to market for a replacement to the Council's current Enterprise Resource Planning (ERP) tool - SAP.

The MBOS Programme is seeking to implement a new system or systems that better meet the current and future needs of the Council and which provides optimal return on its investment.

The current SAP ERP system was implemented in 2004 and will no longer be supported beyond 2025.

The MBOS programme is expected to run until August 2024 with the new system(s) expected to be implemented in August 2023. The overall cost of the programme is expected to be circa £25m.

In addition to providing independent support, advice and assurance to the Programme Board and working group meetings, we have identified a number of key focus areas to support the programme. At this early stage these include:

- programme governance/risk management;
- business processes (both on and off system);
- system security;
- user access, authentication and authorisations;
- testing arrangements;
- data cleansing and migration;
- interfaces and reconciliation;
- disaster recovery and business continuity; and
- training.

We will continue to work with the Programme Board to agree the timing and formal terms of reference for each specific aspect of our audit work. Additional focus areas may also be added based on risk, as the programme progresses.

Business Continuity 2019/20

The Civil Contingencies Act 2004 places a statutory duty on local authorities to develop, maintain and test business continuity plans. Effective business continuity planning (BCP) provides a controlled resumption of prioritised services within expected timescales, ensuring an organisation can deliver a satisfactory, pre-defined, level of business operations in response to a disruption to business as usual.

The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- Adequate governance arrangements are in place in relation to BCP;
- A business impact assessment (risk assessment) has been completed across the Council to prioritise service continuation;
- Adequate and effective continuity plans have been developed, maintained, kept up-to-date and tested for all services within the BCP Framework; and
- BCP for partner organisations is adequate and up-to-date.

As a result of our work, we were able to provide **reasonable assurance** over the controls operating in this area, with a number of areas of good practice being identified, which include:

- adequate arrangements for the identification of the Council's critical activities that feed into business continuity management;
- the accessibility of all business continuity information and documentation; and
- effective controls and processes to ensure continued service delivery, where third parties provide the most strategically important and/or critical activities on behalf of the Council.

However, there are opportunities to improve aspects of business continuity within the Council, particularly in relation to ensuring that:

- key business continuity documentation is subject to regular review and approval;
- document ownership is clearly defined to facilitate effective action in response to a business continuity incident;
- roles and responsibilities in the business continuity framework remain relevant following a large turnover of staff and training records are maintained to ensure that resulting gaps can be identified;
- roles and responsibilities are fully defined, at service level to match that at corporate and departmental levels, to ensure that business continuity issues are escalated in a sufficiently timely manner to allow their effective resolution; and
- business continuity plans are tested regularly, to reduce the risk that incident responses become outdated or ineffective.

A comprehensive action plan was agreed with management to address our findings and make the necessary improvements.

Adult Social Care Liquidlogic (LAS) and ContrOCC 2019/20

The Liquid Logic Adult's System (LAS) is the Council's record management and authorisation system for Adult Social Care (ASC) client needs. ContrOCC is the Council's contract and budget management system for ASC clients. The two systems facilitate payments and the collection of client contributions via an automated link between them.

The purpose of the audit was to provide assurance that:

- service provision only takes place after approval has been given and documented in LAS;
- payments to providers are complete, accurate, timely and are made only after approved services have been delivered to ESCC clients; and
- client contributions are correctly calculated, received in full, and recorded accurately in ContrOCC.

On completing this work, we found that robust processes and controls were in place and we were able to provide an opinion of **substantial assurance**. Only one minor area for improvement was identified and an action to address this was agreed with management.

Liquid Logic (LAS) Application Controls Audit 2019/20

The LiquidLogic Adult's Social Care System (LAS) is a key system within the Council, used for recording and processing information relating to adult social care client care needs. This includes the management of contacts, referrals and support plans as well as safeguarding issues. The information held within LAS is high value and particularly sensitive, including that which falls under the definition of special category data. The system currently has over 1,500 users, including external NHS employees.

This audit evaluated the adequacy and effectiveness of the key configuration settings and access restriction mechanisms to a variety of sensitive processes in LAS, where there are risks associated with inappropriate and unauthorised access and processing.

We were able to provide **reasonable assurance** over the controls operating within the area under review, as these were generally operating well. We found that:

- administrator access to the system is well-controlled and monitored, with access being restricted to appropriate officers;
- roles and responsibilities in relation to LAS are clearly defined and well-understood, including the division of these between IT&D and Adult Social Care teams;
- there are effective controls in place to check for the accuracy, completeness and validity of data within and exported from the system, including data that is transported through interfaces;
- system updates and other changes are introduced in a controlled manner, and sufficiently tested and documented. Downtime as a result of these is clearly communicated to users, and where necessary, advice and support in relation to changes is also available; and
- business continuity and disaster recovery processes are present, with documented testing exercises taking place to ensure that there would be minimised disruption to service provision in the event of partial or total loss of IT services.

We did, however, agree some actions with management to strengthen controls further; primarily in relation to formally documenting sign-off of smaller system changes, and the introduction of various system reports and proactive monitoring techniques.

Business Operations Improvements - E-Pay

During the period, Business Operations proposed some changes to the E-Pay system (used by employees to access payslips) to make the system more user friendly. Use of Adobe Sign, which allows users to sign documents electronically, was also proposed, in relation to employees notifying HR and Payroll of certain changes.

We therefore provided advice in relation to the proposed changes to the E-Pay system. No major issues were identified, and the changes have now been implemented.

Advice and support regarding the implementation of Adobe Sign was also provided, and discussions are continuing in relation to its usage and any associated risks.

ISEND P2P

The Purchase to Pay Team (P2P) made proposals to change the way in which ISEND payments are processed; namely by removing the requirement for Purchase Orders (POs) and, instead, using a form of vendor upload.

We therefore assessed the adequacy of the proposed arrangements from a risk and control perspective, comparing these to the process currently in place.

We concluded that the proposed system would not have a material effect on the control environment and may provide some efficiency in terms of management time. We provided guidance on how the proposed system could best be implemented and understand that the proposals by the P2P Team are being considered by management.

Troubled Families Grant Q4 - 2019/20

The Troubled Families (TF2) programme has been running in East Sussex since January 2015 and is an extension of the original TF1 scheme that began in 2012/13. The programme is intended to support families who experience problems in certain areas, with funding for the local authority received from the Ministry of Housing, Communities and Local Government (MHCLG), based on the level of engagement and evidence of appropriate progress and improvement.

Children's Services submit periodic claims to the MHCLG to claim grant funding under its 'payment by results' (PBR) scheme. The MHCLG requires Internal Audit to verify 10% of claims prior to the Local Authority's submission of its claim. We therefore reviewed 27 of the 273 claims included in the January to March 2020 grant.

In completing this work, we found that valid PBR claims had been made and outcome plans had been achieved and evidenced. All of the families in the sample of claims reviewed had firstly met the criteria to be eligible for the TF2 programme and had achieved significant and sustained progress and/or had moved from out of work benefits into continuous employment. We therefore concluded that the conditions attached to the TF2 grant determination programme had been complied with.

Schools

During the quarter, one school audit was completed, in which we reviewed the adequacy of arrangements in place in the following areas:

- Governance and decision-making;
- Budget management;
- School security;
- Payments to staff;
- Expenditure;
- Income; and

- The security of assets.

Name of School	Audit Opinion	Areas Requiring Improvement
Telscombe Cliffs Primary School	Reasonable Assurance	<p>The school needs to ensure that:</p> <ul style="list-style-type: none"> • The Scheme of Financial Delegation reflects the management structure of the school; • The full range of pre-engagement checks are carried out on contractors, including their employment status under IR35; • Purchase orders are raised before orders for goods, works or services are placed with suppliers.

ANNEXE C

1. Audits Completed in Q3 (October to December 2019)

Impact of Savings

With the continued savings having to be made by local authorities, this review sought to provide assurance that the effects of savings plans in services had been properly assessed, specifically in terms of risk and impact on the control environment, and that, where risk has been identified, appropriate mitigation has been implemented.

Based on the work completed, both as part of this review and from our various assurance activities throughout the year, we did not identify any significant deterioration in controls as a result of savings made and were able to provide an opinion of **substantial assurance** in this area. We found that the Council is proactive in identifying and managing risks associated with savings activity.

We did, however, identify some areas where controls could be strengthened, including in relation to ensuring that:

- organisational intelligence is secured where long-serving members of staff leave their employment with the Council, which has not always happened; and
- following multiple structural changes within Council departments, revised roles and responsibilities within and between teams are properly understood by all parties to strengthen the efficiency of joint working arrangements.

In discussing these findings with management, appropriate actions were agreed to address them, including:

- updating the Council's Managing Change policy (a key resource for managers undertaking changes to staffing structures) to reflect the importance of comprehensive handover arrangements where key staff leave; and
- ensuring that, following the conclusion of a restructure or reorganisation, managers are reminded of the importance of communicating this to all relevant parties.

Risk Management

This review assessed the adequacy of risk management arrangements within the Council, including seeking assurance that:

- there is an effective risk management framework in line with good practice and organisational appetite towards risk management;
- appropriate risk management is taking place at both service and strategic levels in accordance with the Council's risk management framework;
- robust risk reporting arrangements exist and allow for the effective escalation and de-escalation of risks in a timely manner;

- risk registers are subject to regular review and challenge to ensure that all risks are identified and responses remain appropriate;
- where risk mitigations are identified, these are adequate and effective in reducing the impact or likelihood of the identified risk; and
- adequate reporting arrangements are in place.

Our work concluded that risk management arrangements within the Council are robust and operating effectively and we were able to provide an opinion of **substantial assurance**, with the following areas of good practice noted:

- Both the Strategic and Departmental risk registers are updated regularly to reflect the changing and emerging nature of risk;
- The Strategic Risk Register is presented to the Corporate Management Team (CMT) and Cabinet on a quarterly basis as part of Council monitoring arrangements. In addition, it is also presented separately to Audit Committee on a quarterly basis;
- The roles and responsibilities of different groups, including Members and CMT, are well defined within the risk management framework;
- Departmental coordinators help to ensure that risks are entered onto the relevant risk register when necessary; and
- There is a reminder process in place to ensure that risks are updated on a quarterly basis.

Although we did not identify any significant control weaknesses within the risk management process, there were some opportunities to further strengthen the arrangements, including:

- updating the risk management framework document to ensure that all job roles, positions and committee details reflect the current organisational structure;
- adding further guidance within the risk management framework on the process for escalation and de-escalation of risks between Departmental and Strategic Risk Registers. Furthermore, to include additional detail for managers on the identification and articulation of risk mitigation measures, specifically to help ensure that these always address the identified risk in terms of reducing either impact or likelihood;
- taking care to ensure that risk owners are updated should a member of staff leave the department to which the risk is associated; and
- providing further training and awareness for relevant staff members to help ensure that they are able to identify, analyse and manage risk effectively.

A formal action plan to address these areas was agreed with management.

Atrium

Atrium is the Council's property asset management system. The purpose of this review was to assess the adequacy of arrangements in place for managing the system to ensure it:

- maintains up to date, accurate and complete property data and information;
- executes timely and accurate data exchange through interface with other key management information systems;
- produces useful management information for all those who need it;
- assigns individual access rights that reflect their responsibilities; and
- can continue operating during a disaster and recover as quickly as possible.

In providing an opinion of **partial assurance**, we found a number of areas where controls could be improved, including in relation to ensuring that:

- the system is updated to accurately record property disposals;
- rent reviews are completed in a timely manner to ensure rent charges and receipts are correct;
- leaseholders are always invoiced for the rent due;
- there is a segregation of duties between users who request repair jobs and those who approve these; and
- wherever possible, property data transfer between Atrium and other Council systems is via electronic transfer to reduce the risk of errors through manual update.

Actions to address all of the issues raised were agreed with management in a comprehensive management action plan. We will conduct a follow-up review as part of the 2020/21 audit plan to assess the implementation of these.

Social Value in Procurement

The Public Services (Social Value) Act 2012 requires public authorities to factor in economic, social and environmental well-being in connection with public service contracts. In practice, social value can be a cost-saving tool, as additional benefits can be delivered as part of the contract. An example might be the inclusion of a requirement to enhance a community facility free of charge, as part of a large-scale building contract where this costs the contractor very little and is of far greater practical value to the local area. Alternatively, it might be a requirement to employ local apprentices when delivering the contract.

The Social Value Charter, developed by Orbis Procurement, considers social value in all contracts over £100,000. The social value benefits that have been identified must be incorporated into each relevant stage of the tender process. Social value elements can then be measured and monitored through contract Key Performance Indicators (KPIs) and this should ensure the outcomes agreed are delivered throughout the contract life. It is the responsibility of the contract manager to ensure these social value outcomes are delivered as part of the contract.

In undertaking this work, we assessed how social value is incorporated within a sample of Council contracts. In providing an audit opinion of **partial assurance**, we found opportunities to improve the management of social value, including ensuring that:

- there is sufficient engagement with procuring managers to gain their buy in and facilitate their understanding of social value requirements;
- social value targets are clearly specified within contracts;
- managing the delivery of social value is embedded within the contract manager role; and
- the expected social value element of contracts is monitored and delivered.

The above areas were discussed with management as part of the audit and appropriate action for improvement has been agreed within a comprehensive management action plan. A follow-up audit will be undertaken in 2020/21 to confirm that the actions have been implemented.

ICT Compliance Frameworks

Organisations face an ever-increasing list of statutory, regulatory, contractual and legal compliance obligations. While these areas of compliance should concern the whole council, they often require significant input from Information Technology and Digital (IT&D) Services.

Areas of compliance that have a varying impact on IT&D within ESCC include:

- Government Public Sector Network (PSN) Code of Connection (CoCo);
- Data Security & Protection (DSP) Toolkit; and
- Payment Card Industry Data Security Standard (PCI (DSS)).

While not considered areas of compliance, there is an expectation that the Senior Information Risk Owner (SIRO) would also look to take assurance from IT standards such as Cyber Essentials & Cyber Essentials Plus.

The primary objective of this audit was to provide assurance that effective controls are in place for the overall governance arrangements within IT&D that will help to ensure that suitable assurances are provided to the SIRO and the Council.

We were able to provide **substantial assurance** over the controls operating within this area because:

- effective governance processes are in place over compliance frameworks and IT standards which require significant contribution from IT&D. While there are statutory requirements for compliance in place for some frameworks e.g. the Data Security & Protection (DSP) Toolkit, management have adopted a positive culture of looking to gain assurance from other relevant standards and work towards compliance with these, even if there is no statutory requirement to do so;
- robust processes are in place to ensure enough time is available for appropriate scrutiny and sign-off of submissions prior to renewal;

- appropriate review and sign-off of frameworks and standards is taking place, with these being discussed with the SIRO prior to submission; and
- arrangements are in place to provide assurance that continued compliance with frameworks and standards is maintained. This is achieved through robust policies, training and support for both new and existing members of staff and active monitoring of activities by IT&D.

Some minor opportunities for improvement were identified that, once resolved, will further strengthen the current control environment. These improvements, which were agreed with management, included:

- clearly documenting the role of the SIRO in signing off compliance framework submissions; and
- implementing mechanisms to remind staff to undertake information governance refresher training.

Commissioning of Adult Social Care Services

The Council spends around £261m per year on a wide range of goods, work and services to deliver adult social care services to East Sussex residents. Over the last few years, considerable work has been undertaken to streamline operations and integrate service and commissioning arrangements with various health organisations to deliver good value and better outcomes.

This review looked at the arrangements in place for the commissioning of adult social care services, and covered the following objectives:

- The legislative environment has been fully considered, particularly in relation to statutory obligations;
- Expected benefits and outcomes are defined;
- Data gathering and data analysis is robust, providing options for future service provision;
- Decision-making delegations are clear and complied with, including clear lines of governance and accountability over commissioning activities;
- Market engagement and consultations are embedded into commissioning processes; and
- Service provision achieves the expected benefits and improved outcomes as defined in the planning stage.

In concluding our work in this area, we were able to provide an opinion on **substantial assurance**, with robust controls identified in place across all of the areas examined. Examples of good practice included:

- The revision of county-wide, commissioning governance arrangements with the Health and Wellbeing Board providing strategic oversight for health and social care systems, in alignment with the NHS Long Term plan to promote greater integration between health and social care commissioning;

- The Health and Wellbeing Board receive regular reports on progress against priority objectives and key performance indicators for commissioned health and social care services;
- Our testing on commissioning activity highlighted that there was an adequate rationale for each commissioned service looked at (linked to the ESCC core offer and any statutory duty under The Care Act), with data analysis, market engagement, financial modelling and risk management considerations;
- We were able to confirm that, during the commissioning process, a Board, or equivalent, was in place, with a sponsor of sufficient status able to drive through decisions in a timely and robust manner; and
- Rationales for commissioning activity were clearly laid out in project initiation documents (PID) or specifications, together with expected benefits and defined outcomes.

Only one minor area for improvement was identified relating to the need to update the Scheme of Delegation within the Adult Social Care Department to ensure decision-making delegations in relation to commissioning activity are clear and complied with. This was agreed with management.

Buzz Active

Buzz Active is an East Sussex County Council non-profit service that provides outdoor activities from three sites: Eastbourne, Cuckmere Haven and Bushy Wood. The activities offered by Buzz Active range from windsurfing and stand-up paddle boarding to first aid training.

The purpose of the audit was to provide assurance that:

- fair and transparent recruitment processes ensure that the best staff are engaged;
- expenditure achieves value for money;
- all income due is received and banked intact;
- assets are appropriately safeguarded;
- controls ensure that the Adventure Activities Licence is retained;
- oversight of the centre ensures that it remains within budget; and
- compliance with Financial Regulations ensures that the risk of fraud and error is minimised.

In providing an opinion of **Partial Assurance**, we found opportunities for improvement to ensure that:

- evidence of staff qualifications is properly maintained and, where instructors are engaged on a consultancy basis, adequate checks are carried out to determine their employment status for tax purposes;
- health and safety procedures are enhanced, including that all incidents are reported, risk assessments are undertaken, return to work interviews following sickness are completed (to provide assurance that staff are recovered and able to lead activities) and fuel storage is secure and has appropriate signage to warn members of the public;
- controls over staff expense claims and use of the centre's procurement card are strengthened;

- income controls are improved, particularly in terms of arrangements for cash handling, reconciliation and refunds; and
- improvements in asset management are made, including in relation to maintaining inventory records.

Appropriate actions have been agreed with management to address these issues in a comprehensive action plan. A follow-up audit will be undertaken in 2020/21 to ensure that the actions have been implemented.

Schools

During the quarter, the following school audits have been completed. In undertaking these, we review the adequacy of arrangements in place in relation to:

- Governance and decision-making;
- Budget management;
- School security;
- Payments to staff;
- Expenditure;
- Income; and
- The security of assets.

Name of School	Audit Opinion	Areas Requiring Improvement
Chailey Secondary School	Reasonable Assurance	Need to ensure that: <ul style="list-style-type: none"> • all potential conflicts of interest are declared, and mitigation measures are put in place where positive declarations are made; • purchase orders are raised before orders for goods, works or services are placed with suppliers; • expense claims and purchasing card transactions are supported with VAT receipts.
Hurst Green Primary School	Reasonable Assurance	Need to ensure that: <ul style="list-style-type: none"> • staff complete conflict of interest declarations and mitigation measures are agreed and recorded for positive declarations made by Governors; • a Service Level Agreement is in place for the federation between the school and another primary; • current public liability insurance is in place for contractors employed by the school; • purchase orders are raised before orders for goods, works or

Name of School	Audit Opinion	Areas Requiring Improvement
		<p>services are placed with suppliers;</p> <ul style="list-style-type: none"> • suppliers are paid on time; and • claims for staff expenses are supported with valid VAT receipts, completed on formal claim forms and are submitted for payment in a timely manner.
Maynards Green Community Primary School	Minimal Assurance	<p>Need to ensure that:</p> <ul style="list-style-type: none"> • Disclosure and Barring Service (DBS) checks are completed for all contractors; • the Single Central Record (a key element of safeguarding) at the school is up to date; • public liability insurance for contractors is up-to-date and available at the school; • budget monitoring is strengthened; • purchasing controls are improved, including the raising and approval of purchase orders, and obtaining quotes for works in excess of £5,000. • controls in relation to claims for reimbursement of staff expenses and additional hours are strengthened; • staff complete conflict of interest declarations and mitigation measures are agreed and recorded for positive declarations made by Governors; • IR35 assessments (an HMRC requirement) are completed by the school when they engage sole traders, to assess whether the individual is self-employed or an employee; and • controls in relation to the handling of income are improved.

2. Counter Fraud and Investigation Activities

Proactive Counter Fraud Work

2.1 We deliver both reactive and proactive counter fraud services across the Orbis partnership. Work to date has focussed on the following areas:

National Fraud Initiative (NFI) Exercise

2.2 The results from this exercise were received on 31 January 2019. Work has been ongoing throughout the year to investigate the identified matches and we will report on savings generated from this in our annual report.

Counter Fraud Policies

2.3 Each Orbis partner has in place a Counter Fraud Strategy that sets out their commitment to preventing, detecting and deterring fraud. We have reviewed the sovereign strategies to align with best practice and to ensure a robust and consistent approach to tackling fraud.

Fraud Risk Assessments

2.4 Fraud risk assessments have been consolidated and are regularly reviewed to ensure that the current fraud threat for the Council has been considered and appropriate mitigating actions identified.

Fraud Response Plans

2.5 The Fraud Response Plans take into consideration the results of the fraud risk assessments and emerging trends across the public sector in order to provide a proactive counter fraud programme. These include an increased emphasis on data analytics. The Fraud Response Plans will be refreshed for 2020/21 and set out the proactive work plan for Internal Audit.

Fraud Awareness

2.6 The team has launched refreshed eLearning content to provide engaging and current material available to the whole organisation. This is now available through the Council's eLearning portal and is available in conjunction with fraud awareness workshops to help specific, targeted services identify the risk of fraud and vulnerabilities in their processes and procedures. An awareness campaign was run in November 2019 to coincide with International Fraud Awareness Week and to promote the fraud eLearning.

Reactive Counter Fraud Work - Summary of Completed Investigations

Grant Funding

2.7 Following receipt of concerns over a grant bidding process, and bodies bidding for multiple funding sources, we provided advice and guidance to help strengthen future bidding exercises.

Adult Social Care

2.8 We have provided advice and support to Adult Social Care on individual cases where concerns have been expressed over the potential deprivation of capital. This has also included advice on strengthening the assessment process.

Employee Misconduct

2.9 Following a notification from the Department of Work & Pensions that an ESCC employee had used a DWP system to view their own information, we provided advice and support to a management led investigation. Following the investigation, the employee was given a formal warning.

3. Action Tracking

3.1 All high priority actions agreed with management as part of individual audit reviews are subject to action tracking. As at the end of quarter 3, 100% of high priority actions due had been implemented.

4. Amendments to the Audit Plan

4.1 In accordance with proper professional practice, the internal audit plan for the year remains under regular review to ensure that the service continues to focus its resources in the highest priority areas based on an assessment of risk. Through discussions with management, the following reviews have been added to the audit plan so far this year:

- Orbis Customer Access Portal - Lessons Learned from Procurement Exercise
- Broadband UK Grant Return
- Troubled Families
- Logotech Treasury Management System
- Home to School Transport - Follow Up
- Department for Transport Grant
- Bus Services Operators Grant
- Annual Governance Statement
- Risk Management
- Library Antiquarian Asset Management
- SAP Applications Control – Follow Up
- Buzz Active

4.2 In order to allow these additional audits to take place, to-date the following audits have been removed or deferred from the audit plan and, where appropriate, will be considered for inclusion in the 2020/21 plan as part of the overall risk assessment completed during the annual audit planning process. These changes are made on the basis of risk prioritisation and/or as a result of developments within the service areas concerned requiring a rescheduling of audits:

- IT&D Project Management
- Transport for the South East

5. Internal Audit Performance

5.1 In addition to the annual assessment of internal audit effectiveness against Public Sector Internal Audit Standards (PSIAS), the performance of the service is monitored on an ongoing basis against a set of agreed key performance indicators as set out in the following table:

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee	By end April	G	Approved by Audit Committee on 25 March 2019. 2020/21 plan to be agreed at Audit Committee meeting on 27 March 2020
	Annual Audit Report and Opinion	By end July	G	2018/19 Annual Report and Opinion approved by Audit Committee on 12 July 2019
	Customer Satisfaction Levels	90% satisfied	G	100%
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	G	83.8% completed to draft report stage by end of Q2 (against a Q2 target of 67.5%)
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	G	January 2018 – External assessment by the South West Audit Partnership gave an opinion of ‘Generally Conforms’ – the highest of three possible rankings June 2019 - internal self-assessment completed
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms	G	No evidence of non-compliance identified
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	95% for high priority agreed actions	G	100%
Our staff	Professionally Qualified/Accredited	80%	G	96.3% ¹

¹ Includes part-qualified staff and those in professional training

Audit Opinions and Definitions

Opinion	Definition
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Partial Assurance	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

Report to: **Audit Committee**

Date: **10 June 2020**

By: **Orbis Chief Internal Auditor, Business Services Department**

Title of report: **ESCC Anti-Fraud and Corruption Strategy and Framework**

Purpose of report: **To present the Council's recently updated Anti-Fraud and Corruption Strategy and Framework**

RECOMMENDATIONS

Members are asked to:

- 1. review and endorse the Council's Anti-Fraud and Corruption Strategy and Framework**
-

1. Background

1.1 The purpose of this report is to provide details of the main changes and rationale for updating and amending the Council's Anti-Fraud and Corruption Strategy and Framework.

2. Supporting Information

2.1 As with other organisations, the Council is at risk of losses through fraud, bribery and corruption. The Council recognises that, as well as causing financial loss, such activities are also detrimental to the provision of services and damaging to the reputation of the Council and resident's confidence. To safeguard itself, the Council is committed to making sure that the opportunity for fraud, bribery and corruption is reduced to the lowest possible risk within existing resources.

2.2 This strategy outlines the Council's commitment and approach to tackling fraud, bribery and corruption and applies to all those who work for, or interact with the Council, including employees, Members, contractors, suppliers and service users. It aims to help embed an anti-fraud culture and provides clear guidance on the roles and responsibilities of individuals.

2.3 In line with good practice, the Council regularly assesses its exposure to fraud risk and ensures that its counter fraud arrangements and the resources allocated to managing the risks are effective and aligned to best practice. As a result, the Strategy has been updated to ensure that it is current and reflects sector guidance, and is attached at Appendix A.

2.4 The amendments made include the following:

- Post titles and contact details of senior management have been updated;
- Increased emphasis of the role of culture in protecting public interest;
- References to the Money Laundering Regulations 2007 have been replaced by the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017; and

- In line with new money laundering regulations, guidance on the 'Identification of clients' has been replaced with a risk based approach to 'Customer due diligence' within the Anti-Money Laundering Policy.

3. Conclusions and Reasons for Recommendation

3.1 The amendments set out above strengthen the Council's compliance with best practice and ensures the revised strategy reflects recent organisational changes.

RUSSELL BANKS, ORBIS CHIEF INTERNAL AUDITOR, BUSINESS SERVICES
DEPARTMENT

Contact Officers: Simon White, Audit Manager Tel No. 020 8541 9191

LOCAL MEMBERS: All

BACKGROUND DOCUMENTS: None

ESCC Anti-Fraud and Corruption Strategy and Framework

Key points

- This strategy and framework set out the Council's commitment to preventing, detecting and deterring fraud and corruption to ensure public funds are used for their intended purposes.
- The Council expects the highest ethical and legal standards from its members, officers, contractors and agents carrying out business on its behalf.
- The framework includes guidance on types of fraud and corruption, how to report concerns and the investigation process.
- All cases of suspected fraud, financial irregularity or corruption must be reported to the Chief Internal Auditor or the Audit Manager (Counter Fraud).
- The strategy sets out the main objectives for tackling the risk from fraud and corruption and applies equally to Members and staff.
- It is an expectation that where employees have work place concerns, or suspect wrongdoing, that this is raised through appropriate channels.
- A Whistleblowing Policy has been produced to support staff in raising workplace concerns.

Introduction

The public is entitled to expect the Council to conduct its business with integrity, honesty and openness and demand the highest standards of ethical conduct from those working for and with it.

The Council takes its statutory duty to protect the public funds it administers seriously. It is essential that it protects the public purse and ensures that Council funds are used only for their intended purpose: to support and deliver services to our community. As such the Council maintains a zero tolerance approach to fraud and corruption whether it is attempted from outside the Council or within.

This strategy forms part of the Council's counter fraud framework, a collection of interrelated policies and procedures including the Code of Conduct, Financial Regulations and Whistle Blowing Policy. It also includes policies and procedures that are specifically targeted at countering fraud and corruption.

Aims

This strategy sets out the Council's commitment to preventing, detecting and deterring fraud and corruption.

This strategy aims to:

- Embed an anti-fraud culture where people are empowered to challenge dishonest behaviour;
- Actively prevent, deter and promote detection of fraudulent and corrupt acts;
- Maintain the Council's awareness of emerging fraud risks such as those associated with digital and cyber security;
- Provide clear guidance on the roles and responsibilities of members and officers; and
- Identify a clear pathway for investigative and remedial action.

Definitions

Fraud - can be broadly described as, someone acting dishonestly with the intention of making a gain for themselves or another, or inflicting a loss (or a risk of loss) on another; including:

- Dishonestly making a false statement or representation;
- Dishonestly failing to disclose to another person, information which they are under a legal duty to disclose;
- Committing fraud by abuse of position, including any offence as defined in the Fraud Act 2006.

Theft - is the dishonest taking of property belonging to another person with the intention of permanently depriving the owner of its possession.

Obtaining Services Dishonestly – is broadly where services which were to be paid for were obtained knowing or intending that no payment would be made.

Bribery – is the inducement for an action which is illegal, unethical or a breach of trust. Inducements can take the form of gifts, loans, fees, rewards or other advantages, whether monetary or otherwise.

Corruption – is the abuse of entrusted power for private gain. It affects everyone who depends on the integrity of people in a position of authority. The Bribery Act 2010 repealed all Corruption Acts in whole and therefore, whilst corruption exists as a term, any offences committed would fall under the Bribery Act.

This strategy also covers other irregularities or wrongdoing, for example failure to comply with Financial Regulations, Standing Orders, National and Local Codes of Conduct, Health and Safety Regulations and all other relevant laws and legislation that result in an avoidable loss to the Council.

Culture

The Council is committed to the highest ethical standards as set out in the Code of Conduct. The Council believes the 'seven principles of public life' are the foundation of a strong anti-fraud culture and expects all members, officers and contractors to follow these principles, as well as all legal rules, policies and procedures.

The seven principles of public life and a brief explanation are listed below:

Principle	You should...
Selflessness	Act solely in terms of the public interest and not for the purpose of gain for yourself, family or friends.
Integrity	Avoid placing yourself under any obligation to people or organisations that might seek to influence you in your work.
Objectivity	Act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
Accountability	Be accountable to the public for your decisions and actions and submit yourself to scrutiny as appropriate.
Openness	Act and take decisions in an open and transparent manner. Information should only be withheld from the public if there are clear and lawful reasons for doing so.
Honesty	Be truthful. This includes declaring any conflicts of interest and taking steps to resolve such conflicts.
Leadership	Actively promote and support these principles by applying them to your own behaviour and challenging poor behaviour.

In essence, we expect everyone carrying out Council business to protect the public interest and also to challenge instances of dishonest behaviour. The promotion of a strong anti-fraud culture is therefore vital, as not only will it deter potential fraudsters but it will also encourage a safe environment in which individuals can raise concerns.

Allegations relating to potential fraud, financial maladministration, conflicts of interest, breach of confidentiality, improper use of resources, ICT misuse or any other forms of financial irregularity will be reported to Orbis Internal Audit, who will take appropriate action.

The Council's Whistleblowing Policy can also be used for raising concerns that relate to other serious concerns such as general maladministration, possible abuse of clients, health and safety risks and damage to the environment.

Members of the public are also encouraged to report concerns through any of the above routes or, if appropriate, through the Council's Complaints Procedure.

The Council's Whistleblowing Policy also makes it clear that whilst it hopes that concerns will be raised internally within the Council, if the employee still feels unable to raise their concerns internally they can be raised with relevant outside bodies listed in the policy.

The Council takes the threat of fraud and bribery seriously and has allocated specific resource, to focus on coordinating its approach to protecting its assets and finances from fraud, bribery and wrongdoing.

Strategic approach

Fraud by its very nature is secretive and conducted in such a manner that fraudulent actions are actively concealed. It is therefore vital that the Council has a strong anti-fraud culture and a robust anti-fraud programme.

What we will do:	
Acknowledge	<ul style="list-style-type: none"> • Acknowledge and understand fraud and misconduct risks; • Conduct and maintain a fraud risk assessment for the Council; • Develop and maintain a strong framework of internal controls; • Commit support and resources to tackling fraud; and • Maintain a robust counter fraud response.
Prevent	<ul style="list-style-type: none"> • Develop and maintain an effective and strong anti-fraud culture; • Implement a robust anti-fraud and misconduct programme; • Ensure that the standards in public life adopted are set out clearly in the Council's policies and effectively communicated; • Conduct employee and third-party due diligence; and • Regularly communicate with staff on countering fraud and provide fraud awareness training.
Detect	<ul style="list-style-type: none"> • Maintain and promote our confidential reporting hotline; • Make better use of data and technology to prevent and detect fraud and wrongdoing; • Enhance fraud controls and processes; • Benchmark where possible, with other authorities; • Promote Whistleblowing; and • Regularly liaise with others to share knowledge and data of known fraud and to learn and share best practice on fraud risk and prevention.
Respond	<ul style="list-style-type: none"> • Develop and maintain internal investigation protocols and disclosure protocols; • Provide a consistent and effective response for dealing with fraud cases; • Develop capability and capacity to pursue fraud and wrongdoing; • Collaborate across local authorities and with law enforcement; and • Ensure we have both the capability and capacity to investigate and prosecute fraud.

Acknowledge

The Council accepts that no Authority is immune from the risk of fraud, bribery and wrongdoing. It seeks to use all available recourse to help to reduce the opportunity, motivation and justification for fraud, bribery and wrongdoing and to act robustly when it is identified.

A fraud and misconduct risk assessment will be conducted and maintained to help the Council understand the risks it faces from fraud, bribery and wrongdoing. The Council will also document the controls in place to mitigate these risks, identify gaps or weaknesses in the control mechanisms and develop a bespoke work programme to target and reduce the risks.

The Council will develop and maintain a strong framework of internal controls designed to prevent and detect irregularity, misconduct and fraud. The framework includes the following key elements:

- Code of Conduct and Conflict of Interest Policy;
- Whistleblowing Policy;
- Anti-money Laundering Policy;
- Financial Regulations;
- Procurement Standing Orders.

Support and resources will be allocated to counter the risk from fraud, bribery and wrongdoing.

In maintaining a robust counter fraud response the Council will provide corporate and targeted anti-fraud and bribery training and awareness for all employees to assist them in identifying instances of possible fraud, bribery and wrongdoing and provide mechanisms to enable staff to report their concerns in a timely manner.

The Council will regularly review its approach to tackling fraud, keeping abreast of emerging risks and current trends which occur across the Council and nationally.

Prevent

The Council faces a variety of risks and threats and acknowledges that prevention is the best and most efficient way to tackle fraud, bribery and wrongdoing and to prevent / minimise losses.

The best defence against fraud, corruption, bribery and wrongdoing is to create and maintain a strong and robust anti-fraud culture within the Council. The Council will promote the standards of business conduct it expects and requires from all its employees (including contractors and Councillors) as documented in the Council's Code of Conduct.

The Council will develop, maintain and communicate to its employees an anti-fraud programme, which ensures that they are aware of the key part they play in countering fraud and risk and are sufficiently trained.

Practical counter fraud and risk guidance will be developed and disseminated to staff which details risk identifiers and is based on lessons learned elsewhere and recognisable risk scenarios.

The Council also recognises that a key preventative measure to combat fraud and misconduct is to ensure that the appropriate due diligence is exercised in the hiring, retention and promotion of employees and relevant third parties. This applies to all staff whether, permanent, temporary, contracted or voluntary. Procedures will be followed in accordance with the Council's recruitment and selection framework. We will always undertake the appropriate pre-employment checks (for example: qualification verification and obtaining references) before any employment offer is confirmed.

Any system weakness identified as part of the work carried out by Orbis Internal Audit will be recorded, with controls recommended to minimise any system weaknesses and these will be agreed and monitored to ensure compliance as part of the audit process.

Detect

The array of preventative systems, particularly internal control systems within the Council, has been designed to prevent and deter fraud and provide indicators of any fraudulent activity.

Employees are the first line of defence against most acts of attempted fraud, corruption and bribery. The Council expects and requires staff to be alert to the risks and possibilities of fraudulent attempts and to raise any such concerns at the earliest opportunity.

Employees also have a duty to protect the assets of the Council, including information, as well as property. When they have a concern of this nature, they are expected and required to report it, as soon as possible in accordance with the Council's Whistleblowing Policy.

The Council's Whistleblowing Policy has been developed to provide a clear framework for reporting such concerns and this includes a dedicated confidential reporting hotline and e-mail address.

- Confidential Reporting Hotline: 01273 481995
- E-mail: FraudHotline@eastsussex.gov.co.uk

The Council does not tolerate the victimisation or harassment of anyone raising a genuine concern. Employees are expected to report concerns and are afforded protection from any harassment or discrimination by the Public Interest Disclosure Act. Any harassment or victimisation of a 'whistle-blower' will be treated as a serious disciplinary offence, which will be dealt with under the Council's Disciplinary Policy and Procedures.

Both locally and nationally, arrangements are in place and continue to be developed, to encourage the lawful exchange of information and collaborative working between the Council and other agencies, to assist in countering fraud, corruption, bribery and wrongdoing.

The Council will pro-actively seek to prevent, deter and detect fraud using all available resources and technology and will actively take part in joint exercises such as data matching to minimise the fraud risk and loss to public funds.

The Council will, where appropriate, seek to make the best use of publicity to prevent, deter and detect instances of fraud, corruption and bribery.

Respond

Fraud, corruption and malpractice will not be tolerated and where it is identified the Council will deal with proven wrongdoings in the strongest possible terms, including:

- Disciplinary action;
- Reporting to the Police;
- Seeking maximum financial recovery of any losses on behalf of the tax payer, including use of civil legal action through the courts.

Where information relating to a potential or actual offence or wrongdoing is uncovered, a comprehensive and objective investigation will be conducted. Any investigation will take account of relevant policies and legislation.

The purpose of any investigation is to gather all available facts to enable an objective and credible assessment of the suspected violation and to enable a decision to be made as to a sound course of action.

In such instances, Orbis Internal Audit will work closely with management and where appropriate, other agencies such as the Police, to ensure that all allegations and evidence are properly investigated and reported upon.

Referral to the Police on matters of alleged fraud or other financial irregularity is a matter for the Orbis Chief Internal Auditor, in consultation with the Section 151 Officer and the relevant senior managers. Any referral made to the Police, will not prohibit action under the Council's disciplinary procedure.

In cases of alleged theft, fraud, corruption or other irregularity involving staff, the Council may pursue the case through its disciplinary processes, even if the member of staff has resigned.

East Sussex County Council Related Policies

[Code of Conduct](#)

[Whistleblowing Policy](#)

[Whistleblowing Policy Guidance for Managers](#)

[Financial Procedures Rules](#)

The following policies are attached as an Annexes:

- 1.1 Anti-Money Laundering Policy**
- 1.2 Sanctions Policy**

1 Anti-money laundering policy

Policy statement

East Sussex County Council will do all it can to:

- Prevent any attempts to use the Council and its staff to launder money;
- Identify potential areas where money laundering may occur; and
- Comply with all legal and statutory requirements, especially with regard to the reporting of actual or suspected cases of money laundering.

1. Introduction

- 1.1 The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, the Proceeds of Crime Act 2002 and the Terrorism Act 2000 (and all relevant amending legislation) place obligations on the Council, including its members and employees, with respect to suspected money laundering.
- 1.2 While most money laundering activity in the UK occurs outside of the public sector, vigilance by Council employees and members can help identify those who are, or may be, perpetrating crimes relating to the financing of terrorism and money laundering.
- 1.3 This policy forms part of the Council's counter fraud framework and sets out:
 - Definitions and legal background in respect of money laundering;
 - The Council's approach to money laundering including the responsibility of members and officers to report suspicions promptly; and
 - Guidance and procedures for members and officers.

2. Scope of the policy

- 2.1 This policy applies to all members and officers of the Council and aims to maintain the high standards of conduct that the public is entitled to expect from the Council.
- 2.2 It is vital that all members and officers are aware of their responsibilities and remain vigilant; criminal sanctions may be imposed for breaches of legislation.
- 2.3 Failure to comply with the procedures set out in this policy will result in action being considered under the Sanctions Policy. This may include disciplinary action in line with the Officer, or Member, Code of Conduct.

3. Definitions and legal background

- 3.1 Money laundering is the process of converting illegally obtained money or assets into 'clean' money or assets with no obvious link to their criminal origin.
- 3.2 There are three primary money laundering offences set out in legislation:
 - Concealing, disguising, converting, transferring, or removing from the UK any criminal property (Section 327 of the Proceeds of Crime Act 2002);
 - Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (Section 328); and

- Acquiring, using or possessing criminal property (Section 329).

3.3 There are also two secondary offences:

- Failure to disclose any of the three primary offences; and
- Tipping off (the act of informing a person suspected of money laundering in such a way as to prejudice an investigation).

3.4 Any member or employee of the Council may potentially be implicated in money laundering if they suspect money laundering and either become involved with it in some way and/or do nothing about it. The key requirement is to promptly report any suspected money laundering activity to the Money Laundering Reporting Officer.

4. The Money Laundering Reporting Officer (MLRO)

4.1 The officer nominated to receive disclosures about money laundering activities within the Council is the Auditor Manager (Counter Fraud):

Simon White
Audit Manager (Counter Fraud)

Telephone: 0208 541 9191 / 07779 455501
Email: simon.white@surreycc.gov.uk

Surrey County Council
Room 318, County Hall
Penrhyn Road
Kingston upon Thames
Surrey, KT1 2DN

4.2 In the absence of the MLRO, the Principal Auditor (Counter Fraud) is authorised to deputise:

Alex McLaren
Principal Auditor

Telephone: 01273 292573 / 07592 103574
Email: Alex.Mclaren@brighton-hove.gov.uk

Brighton Town Hall
Bartholomew Square
Brighton
BN1 1JP

5. Procedures

Cash

- 5.1 The Council will not accept any cash payment in excess of £5,000 irrespective of whether this is through a single payment or series of linked payments. 'Cash' includes notes, coins, banker's drafts and travellers cheques.
- 5.2 This does not necessarily mean that cash transactions below this value are legitimate and legal. Professional scepticism is encouraged at all times and any suspicions must be reported to the MLRO or their deputy.

Responsibilities of members and officers

- 5.3 Any member or officer who suspects money laundering activity must report their suspicion promptly (as soon as practicable) to the MLRO or their deputy if appropriate. If you prefer, you can discuss your suspicions with your line manager first.
- 5.4 Your disclosure must be made at the earliest opportunity following the information coming to your attention, not weeks or months later, and should be made to the MLRO or deputy using the form attached at the end of this policy.
- 5.5 You must follow any subsequent directions from the MLRO or deputy. You must not:

- Make any further enquiries into the matter;
- Take any further steps in any related transaction without authorisation from the MLRO or deputy;
- Disclose or otherwise indicate your suspicions to the person suspected of money laundering; or
- Discuss the matter with others or make a note on file that a report to the MLRO or deputy has been made, as this may alert the suspected perpetrator.

Responsibilities of the MLRO

- 5.6 The MLRO or deputy must promptly evaluate any disclosure to determine whether it should be reported to the National Crime Agency (NCA). Any decision not to submit a report to the NCA must be recorded.
- 5.7 If they so determine, the MLRO or deputy must promptly submit an online Suspicious Activity Report (SAR) to the NCA. Alternatively, a SAR may be manually reported to the NCA. Both online and up to date manual reporting forms are available on the NCA's website.
- 5.8 If a disclosure provides the MLRO or deputy with knowledge or reasonable grounds to suspect that a person is engaged in money laundering, and they do not disclose this to the NCA as soon as practicable, the MLRO or deputy will have committed a criminal offence.

Risk based approach, customer due diligence and record retention

- 5.9 Under MLR 2017, the Council is obliged to adopt a risk-based approach towards anti-money laundering regulations and how they approach due diligence.
- 5.10 MLR 2017 stipulate risk mitigation policies must be in writing and be proportionate to the risks identified. They must include internal controls over money-laundering and terrorist financing risks. They must also include revised customer due diligence procedures as well as reporting, record keeping and monitoring requirements.
- 5.11 Regulation 18 of MLR 2017 requires a written risk assessment to identify and assess the risk of money laundering and terrorist financing that the Council faces. This will:
 - Assist in developing policies, procedures and controls to mitigate the risk of money laundering and terrorist financing;
 - Help in applying a risk-based approach to detecting and preventing money laundering terrorist financing Inform an assessment of the level of risk associated with particular business relationships and transactions and enable appropriate risk-based decisions about clients and retainers;
 - Inform an assessment of the level of risk associated with particular business relationships and transactions and enable appropriate risk-based decisions about clients and retainers.
- 5.12 In carrying out risk assessments we will take into account information on money-laundering and terrorist financing risks made available by the Law Society and/or SRA, and risk factors relating to:
 - Customers;
 - Geographic areas where the Council operates;
 - Products and services;
 - Transactions;
 - Delivery Channels.

5.13 Under MLR 2017, there ceases to be "automatic" simplified due diligence requirements for any transactions. Instead, a relevant person needs to consider both customer and geographical risk factors in deciding whether simplified due diligence is appropriate. There are various levels of due diligence as follows:

- Simplified due diligence is only permitted where it is determined that the business relationship or transaction presents a low risk of money laundering or terrorist funding, taking into account the risk assessment;
- Enhanced due diligence' (Regulation 33) for those with a high-risk status, for example remote transactions where the customer is not physically present to be identified would require additional appropriate documents to be requested;
- The 'beneficial owner', the individual that ultimately owns or controls the customer or on whose behalf a transaction or activity is being conducted, should be identified;
- The business relationship should be scrutinised throughout its existence and not just at the beginning.

5.14 In all cases, the evidence of the customer identification and record of the relationship / transaction should be retained for at least five years from the end of the business relationship of transaction(s). The records that must be kept are:

- A copy of, or references to, the evidence of the identity obtained under the customer due diligence requirements in the Regulations;
- The supporting evidence and records in respect of the business relationships and occasional transactions which are the subject of customer due diligence measures or ongoing monitoring;
- A copy of the identification documents accepted and verification evidence obtained;
- References to the evidence of identity.

5.15 If satisfactory evidence of identity is not obtained at the outset of the matter then the business relationship or one off transaction(s) cannot proceed any further.

5.16 The customer identification procedure must be carried out when the Council is carrying out 'relevant business' and:

- Forms a business partnership with a customer;
- Undertakes a one-off transaction (including a property transaction or payment of a debt) involving payment by or to a customer of £5,000 or more;
- Undertakes a series of linked one-off transactions involving total payment by or to the customer(s) of £5,000 or more;
- It is known or suspected that a one-off transaction, or a series of them, involves money laundering;
- This must be completed before any business is undertaken for that customer in relation to accountancy, procurement, asset management, audit and legal services with a financial or real estate transaction.

5.17 In the above circumstances, employees must:

- Identify the person seeking to form the business relationship or conduct the transaction (an individual or company);
- Verify their identity using reliable, independent sources of information, Identify who benefits from the transaction;

- Monitor transactions to make sure they are consistent with what you understand about that person or country;
- Understand the source of their funds;
- Ensure there is a logical reason why they would want to do business with the Council.

5.18 Transaction and business relationship records should be maintained in a form from which a satisfactory audit trail may be compiled, and which may establish a financial profile of any suspect account or customer.

5.19 The steps that will be followed to continuously mitigate the risks associated with money laundering are:

- Applying customer due diligence measures to verify the identity of customers and any beneficial owners obtaining additional information on customers;
- Conducting ongoing monitoring of the transactions and activity of customers with whom there is a business relationship;
- Having systems to identify and scrutinise unusual transactions and activity to determine whether there are reasonable grounds for knowing or suspecting that money laundering or terrorist financing may be taking place.

5.20 Risks will be reviewed continuously as part of the annual review of the Council Risk Register.

6. Guidance and training

6.1 The Council will:

- Make members and officers aware of the requirements and obligations placed on the Council, and on themselves as individuals, by anti-money laundering legislation; and
- Give targeted training to those considered to be the most likely to encounter money laundering.

6.2 Further information can be obtained from the MLRO and the following sources:

- Anti-money laundering responsibilities from gov.uk:
<https://www.gov.uk/guidance/money-laundering-regulations-your-responsibilities>
- Anti-money laundering guidance from the Law Society:
<http://www.lawsociety.org.uk/support-services/advice/articles/quick-guide-to-the-money-laundering-regulations-2017/>
- CIPFA: www.cipfa.org/members/members-in-practice/anti-money-laundering
- The National Crime Agency: www.nationalcrimeagency.gov.uk

[OFFICIAL – SENSITIVE]

Confidential report to the Money Laundering Reporting Officer

To: Money Laundering Reporting Officer

From: _____ [insert your name]

Title/Service: _____ [insert your post title and service]

Telephone: _____

Date of report: _____

Response needed by: _____ [e.g. transaction due date]

Name(s) and address(es) of person(s) involved:

[If a company/public body please include details of nature of business]

Nature, value and timing of activity involved:

[Please give full details e.g. what, when, where, how. Continue on a separate sheet if necessary]

	Yes	No	
Has any investigation been undertaken?	<input type="checkbox"/>	<input type="checkbox"/>	If 'yes' please provide details below
Have you discussed your suspicions with anyone else?	<input type="checkbox"/>	<input type="checkbox"/>	

Details of investigation undertaken and/or discussions held:

THIS REPORT TO BE RETAINED FOR AT LEAST FIVE YEARS

[OFFICIAL – SENSITIVE]

To be completed by the Money Laundering Reporting Officer

Date report received:

Date acknowledged:

Evaluation	
What action is to be taken?	
Are there reasonable grounds to suspect money laundering activity? If so, please provide details	
Reporting	
If there are reasonable grounds for suspicion, will a report be made to the NCA?	<input type="checkbox"/> Yes <input type="checkbox"/> No
If 'no', reasons for non-disclosure	
If 'yes', date of report to NCA	Online / Manual [delete as appropriate]
Consent	
Is NCA consent required for any ongoing or imminent transactions?	<input type="checkbox"/> Yes <input type="checkbox"/> No
If 'yes', please confirm details	
Date consent received from NCA	
Date consent passed on to officer	
Other relevant information	

Signed _____

Date: _____

THIS REPORT TO BE RETAINED FOR AT LEAST FIVE YEARS

1.2 Sanctions policy

Policy statement

East Sussex County Council will ensure that:

- Appropriate sanctions are applied in all proven cases of fraud, theft and corruption;
- Public funds are recovered wherever possible; and
- The sanction decision making process is robust, transparent and fair.

1. Introduction

- 1.1 The Council takes its responsibility to protect public funds seriously and expects its business to be conducted to the highest ethical and legal standards. Where there is evidence of fraud, theft or corruption against the Council, those responsible, whether internal or external to the Council, will be held accountable for their actions using the full range of sanctions available.
- 1.2 This policy forms part of the Council's counter fraud framework and sets out:
 - The range of sanctions available; and
 - Guidance on determining the appropriate action to take.
- 1.3 This policy is not prescriptive. A range of factors will require consideration before deciding on the appropriate sanction, including the individual circumstances of each case and the seriousness of the offence.

2. Sanction options

- 2.1 Where there is evidence of fraud, theft or corruption, the following options will be considered:
 - No further action
 - Referral to professional bodies
 - Disciplinary action
 - Civil proceedings
 - Criminal prosecution
- 2.2 These options are not mutually exclusive and parallel sanctions may be pursued.

No further action

- 2.3 The Council may consider closing a case without taking any further action. This may be due to the following factors:
 - Evidence is not robust or reliable
 - The offence is minor
 - The cost to pursue the case is not proportionate to the offence committed

Referral to professional bodies

- 2.4 Where there is adequate evidence that a person or entity has breached professional duties or responsibilities, the Council will refer the matter to the relevant professional body. This may include the Disclosure and Barring Service if there is evidence of a safeguarding concern.

Disciplinary action

- 2.5 In the event that an allegation is made against a Council employee, the investigating officer will consult with Human Resources and the employee's line manager regarding risk assessments and disciplinary action. Any disciplinary action will be in accordance with the Council's Disciplinary Policy. Sanctions may include warnings or dismissal on the grounds of gross misconduct.
- 2.6 Additional sanction options will be considered alongside any disciplinary action including referral to professional bodies, civil proceedings and criminal prosecution.

Civil proceedings

- 2.7 Where evidence is not sufficient to prove a case beyond reasonable doubt, and therefore successful criminal prosecution is unlikely, the Council may consider civil proceedings for which the standard of proof is on the balance of probability.
- 2.8 Regardless of whether any sanction action is taken, the Council will always seek recovery of overpaid, misused or unfairly gained monies. The following measures may be considered in the pursuit of financial recovery:
- Consultation with the Council's Payroll and Pensions Teams to redress financial loss caused by employees;
 - Application of the Credit Control Team's usual procedures, which includes civil action when necessary;
 - Legal action such as search orders and freezing/tracing injunctions to preserve evidence and assets; and
 - Recovery of money through appropriate legal proceedings.

Criminal prosecution

- 2.9 Where there is sufficient evidence to indicate that a criminal act has taken place, the case may be referred to the police. The decision to refer the issue to enforcement agencies, such as Sussex Police, will be taken by the Section 151 and / or Monitoring Officer as advised by the Chief Internal Auditor.
- 2.10 The police or Crown Prosecution Service will provide a final decision on whether to pursue the case. This decision will consider the following:
- **Evidential criteria** such that the evidence must be:
 - Clear, reliable and admissible in court
 - Strong enough for a realistic chance of prosecution; to prove a case 'beyond reasonable doubt'
 - Whether prosecution is in the **public interest**, taking into account:
 - Seriousness and/or monetary value of the offence
 - Cost and proportionality of the prosecution
 - Age, health and level of culpability of the suspect
 - Circumstances of and harm caused to the victim
 - Other factors such as community impact
- 2.11 Where the Council considers it "expedient for the promotion or protection of the interests" of its residents, Section 222 of the Local Government Act 1972 empowers the Council to:

- Prosecute or defend or appear in legal proceedings and, in the case of civil proceedings, institute them in their own name; and
- In their own name, make representations in the interests of residents at any public inquiry held by or on behalf of a public body under any enactment.

2.12 The Council will only consider undertaking prosecutions through this route under exceptional circumstances and any decision to do so will be taken by the Section 151 Officer and Monitoring Officer as advised by the Chief Internal Auditor.

2.13 Any criminal proceedings will include an attempt to recover money under the Proceeds of Crime Act 2002.

3. Leaving the Council

3.1 During the course of an investigation or disciplinary action, the employee(s) suspected of fraud, theft or corruption may choose to resign from their employment with the Council. In this case, following a review of evidence, the Council may continue to pursue referral to professional bodies, civil proceedings or criminal prosecution.

3.2 The employee's line manager will also consult with Human Resources to determine whether it will be appropriate to provide a reference to future employers.

4. Publicity

4.1 The decision to publicise outcomes will consider the following criteria:

- Interests of East Sussex County Council;
- Interests of East Sussex residents; and
- Deterrent value to others.

Report to: **Audit Committee**

Date: **10 July 2020**

By: **Chief Operating Officer**

Title of report: **Strategic Risk Monitoring – Quarter 4 2019/20**

Purpose of report: **To update the Committee on current strategic risks faced by the Council, their status and risk controls / responses and to describe the current Risk Management process.**

RECOMMENDATION: The Committee is recommended to note the current strategic risks and the risk controls / responses being proposed and implemented by Chief Officers, including the deletion of the No-Deal Brexit risk and the inclusion of a new Covid-19 risk.

1. Background

1.1 Sound risk management policy and practice should be firmly embedded within the culture of the Council, providing a proportionate and effective mechanism for the identification, assessment and, where appropriate, management of risk. This is especially important in the current climate where there remains considerable uncertainty about the future.

1.2 Robust risk management helps to improve internal control and support better decision-making, through a good understanding of individual risks and an overall risk profile that exists at a particular time. To be truly effective, risk management arrangements should be simple and should complement, rather than duplicate, other management activities.

2. Supporting Information

2.1 The Council's Strategic Risk Register, which is attached as Appendix A, is formally reviewed by DMT's and CMT on a quarterly basis. Members should note that this version of the Strategic Risk Register, which relates to Quarter 4 of 2019/20, was reviewed by CMT on 20 May 2020 and was presented to Cabinet on 23 June 2020.

2.2 The Strategic Risk Register has been updated to reflect the Council's risk profile. Due to the cancellation of the March 2020 Committee, the previous update to this Committee was in November 2019 to present the Strategic Risk Register as at Quarter 2 of 2019/20. The Quarter 4 position therefore includes updates since Quarter 2, including those relating to the Covid-19 pandemic.

2.3 **Risk 1 (Roads)** has been amended to reflect the impact of Covid-19 and updated risk controls. **Risk 4 (Health), Risk 5 (Reconciling Policy, Performance and Resources), Risk 6 (Local Economic Growth), Risk 8 (Capital Programme), Risk 9 (Workforce), Risk 10 (Recruitment), Risk 12 (Cyber Attack) and Risk 15 (Climate)** all have updated risk controls, a majority of which also relate to Covid-19. No risk scores have been amended as part of this review.

2.4 **Risk 14 (No-deal Brexit)** has been deleted but will be kept under review and re-added to the register at a later date if appropriate.

2.5 A new risk (**Covid-19**) has been added to the Strategic Risk Register for this review. This risk refers to the corporate impact on services and planning of the Covid-19 pandemic. This strategic level risk is underpinned by Covid-19 specific risks being monitored at both a strategic and operational level. Part of the emergency response to the Covid-19 pandemic includes monitoring of a Covid-19 specific risk log which captures all the known risks to the Council. This risk log is owned by a Strategic Co-ordinating Group (SCG) consisting of CMT members and a Tactical Coordinating Group (TCG) consisting of Assistant Directors and Heads of Service across all Council departments. This risk log is reviewed weekly by the TCG to ensure all appropriate risks are captured and appropriate mitigation measures are in place. The log is then subsequently ratified by the SCG.

2.6 Officers will continue to explore opportunities to further strengthen the Council's risk management arrangements and for mitigating our key strategic risks. It is however, important to recognise that in some cases there is an inherent risk exposure over which the Council has only limited opportunity to mitigate or control.

KEVIN FOSTER
Chief Operating Officer

Contact Officers:

Rachel Jarvis: Head of Finance (Planning and Reporting)

Tel: 01273 482332

Steven Bedford: Finance Manager (Capital and Planning),

Tel: 0770 1394847

Local Member: All

Background documents:

None

Strategic Risk Register - Q4 2019/20			
Ref	Strategic Risks	Risk Control / Response and Post Mitigation RAG score	RAG
New	COVID-19 Adverse impact of Covid-19 sickness, restrictions and national response measures on Council finances and services. Severely reduced ability to deliver services, priorities and long-term planning, impacting on e.g. protecting and supporting vulnerable adults and children, education and schools, roads and infrastructure, local economic growth, and the Council's workforce.	<p>New services to protect and support the most medically vulnerable have been introduced, existing services have changed and adapted to the changing situation. We are endeavouring to keep services going as far as possible and to offer other options when it isn't possible. Looking after the most vulnerable people in our community is our absolute priority. We have begun a scheme where staff can volunteer their skills and experience to help maintain our essential services across the council during this critical time. We have received additional funding from the Government and are monitoring our Covid 19 spend. We are also monitoring impacts on the economy and wider community.</p> <p>The Corporate Management Team are meeting regularly to ensure our response is effectively co-ordinated and working well through our established partnerships and the new partnerships which come into operation when we are operating under the Civil Contingencies Act including the Sussex Resilience Forum and the Local Health Resilience Forum.</p> <p>Extensive co-ordination and lobbying are taking place at Members and officer level through SE7, CCN and other arrangements.</p>	R
Page 71 12	CYBER ATTACK The National Cyber Security Centre (NCSC) has highlighted the substantial risk to British web infrastructure with elevated levels of Cyber Crime being reported against all areas of government. Cyber-attacks often include multi vector attacks featuring internet based, social engineering and targeted exploits against hardware, software and personnel. The remote nature of the internet makes this an international issue and an inevitable risk. Examples of the impact of a Cyber Attack include: • Financial fraud related to phishing of executives and finance staff; • Loss of Personally Identifiable Information and subsequent fines from Information Commissioner's Office (4% of global revenue under the new General Data Protection Regulations); • Total loss of access to systems that could lead to threat to life. A successful cyber-attack can shut down operations - not just for a few hours, but rather for multiple days and weeks. The collateral damage, such as information leaks and reputational damage can continue for much longer. Added to that, backup systems, applications and data may also be infected and therefore, of little usable value during response and recovery operations - they may need to be cleansed before they can be used for recovery. This takes time and consumes skilled resources reducing capacity available to operate the usual services that keep the Council working.	<p>Most attacks leverage software flaws and gaps in boundary defences. Keeping software up to date with regular patching regimes; continually monitoring evolving threats and re-evaluating the ability of our toolset to provide adequate defence'. Ongoing discussion and communication with the Info Sec industry to find the most suitable tools and systems to secure our infrastructure.</p> <p>Expanding Security Information and Event Management (SIEM) system capabilities to align with SCC and leverage latest standards of automation, detection and prevention.</p> <p>Development of "Security Advocates". Trained staff that can cascade and share cyber security insights and highlight potential issues into the workforce. Promoting a visible approachable business based security team;</p> <p>Enhancing user awareness - Expanding E-Learning and policy delivery mechanisms to cover Cyber threat, educating staff around the techniques and methods used by active threats. With 77% of all malware installed via email, users to be given learning experiences of phishing at point of use in a safe and secure environment;</p> <p>Providing GDPR training and workshops to cascade vital skills and information to those affected by new Data Protection laws;</p> <p>ESCC servers moved to the Orbis Primary Data Centre for resilience – An accredited Tier 3 environment certified to these standards: • ISO 27001 - IT Governance and Information Security Management • ISO 9001 - Quality Standard in Customer Service, Customer Processes, Product Process and Service, Efficiency and Continuous Improvement • ISO 14001 - Environmental Management and Best Practices for Corporate Environmental Responsibility.</p> <p>Disaster Recovery services are now similarly relocated in a Tier 3 Data Centre environment (Orbis Secondary Data Centre in Guildford).</p>	R

Ref	Strategic Risks	Risk Control / Response and Post Mitigation RAG score	RAG
4	HEALTH Failure to secure maximum value from partnership working with the NHS. If not achieved, there will be impact on social care, public health and health outcomes and increased social care cost pressures. This would add pressures on the Council's budget and/or risks to other Council objectives.	<p>Between January and March progress has continued to ensure the system is on track with the agreed East Sussex Integrated Care Partnership (ICP) arrangements to be in place from 1st April, including:</p> <ul style="list-style-type: none">•Plans to build on BCF risk sharing arrangements to support decisions to include wider services at a later point in 2020/21•Progress with integrated commissioning•The target operating model for community health and social care services•Objective setting for the 2020/21 delivery programme <p>As a result of the onset of the COVID-19 emergency in order to enable strengthened levels of system capacity and grip on our COVID-19 (C19) urgent planning and response, on 23rd March the East Sussex Health and Social Care Executive Group formally agreed to suspend all of the non-critical elements of our system business for the duration of the crisis. This included standing down the key elements of system governance meetings and putting in place appropriate alternative temporary governance and meeting arrangements, to enable to enable a stepped-up grip on C19 strategic and operational planning across our East Sussex system. The critical initial focus has been on urgently securing additional capacity and managing patient and financial flow in line with the national requirements to discharge all DTOCs and those medically fit for discharge for hospital in order to plan for the surge in expected COVID related admissions. The temporary arrangements are designed to ensure a coordinated C19 response across our system, to meet the needs of our population, and enable rapid progress to be made, risks and significant impacts for social care to be managed. This will be kept under review as the C19 emergency progresses.</p>	R
5	RECONCILING POLICY, PERFORMANCE & RESOURCE Failure to plan and implement a strategic corporate response to resource reductions, demographic change, and regional economic challenges in order to ensure continued delivery of services to the local community.	<p>We employ a robust Reconciling Policy, Performance and Resources (RPPR) process for business planning. We have adopted a commissioning approach which means evaluating need and considering all methods of service delivery, which includes working with partner organisations to deliver services and manage demand. The Council Plan sets out targets for a 'One Council' approach to deliver our priorities and is monitored quarterly. The plans take account of known risks and pressures, including demographic changes and financial risks, to design mechanisms to deliver the Council's priorities. We will continue to lobby for the need for long term, predictable and sustainable funding for local government and East Sussex, which reflects our residents' real and growing need through the fair funding review later this year. We will also continue to make realistic and deliverable plans for working within the funding we are likely to have available.</p>	R
15	CLIMATE Failure to limit global warming to 1.5°C, requiring global net human-caused emissions of carbon dioxide (CO2) to fall by about 45 percent from 2010 levels by 2030, reaching 'net zero' by 2050 at the latest. This increases the risks to East Sussex of hotter, drier summers; changing rainfall patterns, with more intense rainfall episodes and longer periods without rainfall; milder winters; more frequent extremes in weather that are either prolonged or severe; and sea level rise with potential for increased storm surges.	<p>Climate change adaptation: we are following national adaptation advice, including working with partners on flood risk management plans, a heatwave plan and drought plans.</p> <p>Climate change mitigation: we are continuing to reduce the County Council's own carbon footprint, which was cut by 56% between 2008-9 and 2018-19.</p> <p>The County Council declared a Climate Emergency in October 2019 and committed to achieve net zero carbon emissions from the County Council's estate by 2050 or earlier. A route map to net zero is being developed and progress will be reported to County Council in May 2020.</p>	R

Ref	Strategic Risks	Risk Control / Response and Post Mitigation RAG score	RAG
1	<p>ROADS</p> <p>Wet winter weather, over recent years has caused significant damage to many of the county’s roads, adding to the backlog of maintenance in the County Council’s Asset Plan, and increasing the risk to the Council’s ability to stem the rate of deterioration and maintain road condition.</p> <p>Covid-19 could lead to an increase in the level of staff sickness, as well as the need for staff to self-isolate/distance. It will lead to a change in our working approach and arrangements, even beyond the length of any Government imposed lockdown.</p>	<p>The additional capital maintenance funding approved by Cabinet in recent years has enabled us to stabilise the rate of deterioration in the carriageway network and improve the condition of our principle road network. However, a large backlog of maintenance still exists and is addressed on a priority basis.</p> <p>The County Council’s asset management approach to highway maintenance is maintaining the overall condition of roads, despite recent year’s winter weather. However, severe winter weather continues to be a significant risk with the potential to have significant impact on the highway network. The recently approved five year capital programme for carriageways 2018/19 to 2022/23, and the six year additional capital programme for drainage and footways 2017/18 to 2022/23 provide the ability to continue to improve condition and build resilience into the network for future winter events.</p> <p>Additional DfT money from 2018/2019 has supported this approach.</p> <p>Remote working has been adopted where possible in response to Covid-19. We are still able to deliver works on the ground adhering to current working restrictions and the carriageway programme is continuing as normal. If working restrictions change, this might impact our ability to deliver. If staff illness increases for either our contractor, sub-contractors or suppliers, this might impact our ability to deliver.</p>	A
Page 73 7	<p>SCHOOLS</p> <p>Failure to manage the expected significant reduction in resources for school improvement from 2017/18 and the potential impacts of changing government policy on education, leading to reduced outcomes for children, poor Ofsted reports and reputational damage</p>	<ul style="list-style-type: none">• In September 2019 the Department published its refreshed Excellence for All strategy. The updated strategy outlines the shared vision, values and ambitions the local authority and our partners have for creating an excellent education system in East Sussex where no child or educational establishment is left behind. There is a sharper focus on the most disadvantaged and on how we will deliver improvement through the partnership structures in the county.• Work closely with schools to build a sustainable system across East Sussex, in order to ensure that the capacity and expertise is available to provide oversight of educational performance and to offer appropriate support and challenge where it is required.• Provide an opportunity for every school to be part of a local Education Improvement Partnership to support their ongoing improvement and for all partnerships to develop to the point where they provide a sustainable network through which all schools and other providers take responsibility for improvement in their local area.• Continue to develop commissioning model of school improvement including reviewing the level of trading by SLES to ascertain what is sustainable within reducing capacity and to identify core services that can be traded.• Continue to build relationships with academies and sponsors, including the Diocese of Chichester, ensure a dialogue about school performance, including data sharing.• Work with academies and maintained schools through the Education Improvement Partnerships to develop system leadership, school to school support and to broker partnerships to reduce pressure on SLES services.• Broker support to academies to address any performance concerns and investigate the feasibility of trading some LA school improvement services with all schools on a full cost recovery basis.• Where academies do not appear to be accessing appropriate support, bring this to the attention of the DfE, who may exercise their intervention powers.• Work with the Regional Schools Commissioner to ensure the work of the RSC and the LA is aligned and that schools have the support they need.	A

Ref	Strategic Risks	Risk Control / Response and Post Mitigation RAG score	RAG
8	<p>CAPITAL PROGRAMME</p> <p>As a result of current austerity, the capital programme has been produced to support basic need only and as a result of this there is no resource for other investment that may benefit the County e.g. that may generate economic growth. Additionally, there is a risk, due to the complexity of formulas and factors that impact upon them, or changes in these, that the estimated Government Grants, which fund part of the programme, are significantly reduced. There is also a risk that the move from S106 contributions to Community Infrastructure Levy will mean that Council has reduced funding from this source as bids have to be made to Districts and Boroughs.</p> <p>Slippage continues to occur within the programme, which has an impact on the effective use of limited resources.</p>	<p>Governance arrangements continue to be reviewed and developed with Property for the delivery of Schools Basic Need and capital property works in support of the robust programme delivery of the basic need programme. The Education Sub Board, which in part focuses on future need for schools places, continues to inform the Capital Strategic Asset Board of key risks and issues within the School Basic Need Programme. Regular scrutiny by the Capital Strategic Asset Board (CSAB), of programme and project profiles (both in year and across the life of the programme) occurs on a quarterly basis.</p> <p>The Board also proactively supports the seeking and management of all sources of capital funding, including; grants, S106, CIL and, Local Growth Fund monies. A cross department sub board has been set that oversees the process for bidding for CIL and to the use of S106 funds, work continues with Districts and Boroughs to maximise the Council's receipt of these limited resources. The impact Covid-19 has had on working arrangements has meant that some S106 and CIL monies anticipated to be collected and used in year were unable to be collected. This is only a delay in receipt and the funds are still available in support of the programme as a whole.</p> <p>A risk factor was introduced in 2019/20 to acknowledge and address the historic level of slippage in the capital programme, its impact on the financing of the capital programme, and therefore on treasury management activity. Following the creation of the 20 year capital strategy (2020/21 to 2040/41) and the enhanced rigour in the building of the 10 year capital programme (2019/20 to 2029/30), this factor has not been extended to future years. CSAB will continue to monitor slippage and recommend any change should it become necessary. Covid-19 is already impacting on the delivery of projects and programmes of work and as a result slippage will increase in 2020/21.</p>	A
Page 74 9	<p>WORKFORCE</p> <p>Stress and mental health are currently the top two reasons for sickness absence across the Council, potentially leading to reduced staff wellbeing, reduced service resilience, inability to deliver efficient service and / or reputational issues.</p>	<p>The 2019/20 sickness absence year end outturn for the whole authority (excluding schools) is 8.48 days lost per FTE, a decrease of 2.9% since last year.</p> <p>Stress/mental health remains the primary reason for absence, increasing by 8.2% compared to 2018/19. Interestingly, during that period whilst days lost due to Mental Health issues has increased by 39.3%, those due to stress have fallen by 14.2. Sickness absence overall has seen a reduction which would indicate employees are now feeling able to disclose Mental Health as a reason for absence.</p> <ul style="list-style-type: none">•Almost 100 Mental Health First Aiders have been trained across the organisation and 52 interventions have taken place since November 2019•ESCC Campaign launched for World Mental Health Awareness Day on 10 October 2019•Employee and Managers Mental Health Guides have been produced alongside a supporting toolkit and dedicated resource intranet page•A dedicated yammer wellbeing campaign to support staff during COVID-19 was launched March 2020 and is now in its 5th week•A new Stress Risk Assessment to encourage meaningful conversations between managers and employees and provide signposting will be launched next month	A
10	<p>RECRUITMENT</p> <p>Inability to attract high calibre candidates, leading to limited recruitment choices and therefore lack of the expertise, capacity, leadership and/or innovation required to deliver services and service transformation.</p>	<p>Following CMTs consideration of our current workforce demographics and recruitment and retention 'hotspots', two workstreams of 'attracting and recruiting the future workforce' and 'leading the workforce' are now being progressed. Specific proposals for action were due to be reported to CMT in March 2020 but as a result of the Coronavirus response, this will now be delayed until summer/autumn 2020.</p>	A

Ref	Strategic Risks	Risk Control / Response and Post Mitigation RAG score	RAG
6	LOCAL ECONOMIC GROWTH Failure to deliver local economic growth, and failure to maximise opportunities afforded by Government proposal to allocate Local Growth Funding to South East Local Enterprise Partnership, creating adverse reputational and financial impacts.	<p>The County Council and its partners have been successful in securing significant amounts of growth funding totalling £115m, via both the South East and Coast 2 Capital Local Enterprise Partnerships, to deliver a wide range of infrastructure projects in East Sussex. We have also secured outgoing EU funding for complementary economic development programmes supporting businesses to grow, including South East Business Boost (SEBB), LoCASE, SECCADS and inward investment services for the county. We have continued to bid for further EU funding on the above projects and have secured over £4m of investments to be delivered from April 2020 for a further 3 years.</p> <p>The County Council has worked with Wealden DC and developed an outline business case that has been submitted to the Major Road Network programme in May 2019, to secure funding for approximately £34.3m towards local transport interventions along the A22/A27 Growth Corridor. We are awaiting outcome.</p> <p>Government is working on a new Shared Prosperity Fund, which seeks to combine growth funding and outgoing EU funding into one, and as a consequence we are working with partners to develop a pipeline of projects to ensure we are well-placed to capitalise when the fund is released and calls for projects are issued. Furthermore, there are several new funds that are being bid to including Future High Streets, Stronger Towns Fund and European Social Fund and we have been actively working with partners in submitting proposals and await the outcomes.</p> <p>Government has instigated a review of LEPs across the country. A new legal company limited by guarantee and SELEP board has been appointed and we have been working on the development of a SELEP Local Industrial Strategy which is now to be submitted in Summer 2020.</p> <p>East Sussex have been successful in securing an additional £2.46m funding from the SELEP for two projects that will create new jobs and workspaces in Bexhill and provide a replacement for Exceat Bridge to improve connectivity and support housing growth. East Sussex have submitted projects for consideration in the Growing Places Fund (GPF Round 3) programme and we were expecting to know outcome in April 2020.</p> <p>However, due to the CV19 outbreak in early March 2020 this is having an impact on major funding decisions from Government, SELEP and ESCC as we focus priority on enabling businesses, employees and those unemployed recover from this economic and societal shock. This will affect our future RAG rating on growth and delays in delivery of schemes.</p>	G

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Audit Committee – Work Programme

List of Suggested Potential Future Work Topics		
Issue	Detail	Meeting Date
Audit Committee Working Groups		
Working Group Title	Subject area	Meeting Dates
To be agreed.		
Training and Development		
Title of Training/Briefing	Detail	Date

Future Committee Agenda Items		Author
18 September 2020		
Review of Annual Governance Report & 2019/20 Statement of Accounts	Report of the external auditors following their audit of the Council's statutory accounts. It allows the committee to review the issues raised and assess the management response.	External Auditors/ Ian Gutsell, Chief Finance Officer
Review of Annual Pension Fund Governance	Report of the external auditors following their audit of the Pension Fund. It allows the committee to review the issues raised and assess the management response.	External Auditors/ Ian Gutsell, Chief Finance

Report & 2019/20 Statement of Accounts		Officer
Internal Audit Progress Report	Internal Audit Progress report – Quarter 1, 2020/21 (01/04/20 – 30/06/20)	Nigel Chilcott, Audit Manager/Russell Banks, Chief Internal Auditor
Internal Audit Staffing update	Report about staffing in the Internal Audit team	Nigel Chilcott, Audit Manager/Russell Banks, Chief Internal Auditor
Strategic Risk Management	Strategic risk monitoring report – Quarter 1, 2020/21 (01/04/20 – 30/06/20)	Kevin Foster, Chief Operating Officer / Ian Gutsell, Chief Finance Officer
Committee Work Programme	Discussion of the future reports, agenda items and other work to be undertaken by the Committee.	Democratic Services Officer
20 November 2020		
Internal Audit Progress Report	Internal Audit Progress report – Quarter 2, 2020/21 (01/07/20 – 30/09/20)	Nigel Chilcott, Audit Manager/Russell Banks, Chief Internal Auditor
Strategic Risk Management	Strategic risk monitoring report – Quarter 2, 2020/21 (01/07/20 – 30/09/20)	Kevin Foster, Chief Operating Officer / Ian Gutsell, Chief Finance Officer
Annual Audit Letter	To consider the Annual Audit letter and fee update from the External Auditor	Ian Gutsell, Chief Finance Officer
Treasury Management	To consider a report on the review of Treasury Management performance for 2019/20 and for outturn for the first six months of 2020/21, including the economic factors affecting performance, the Prudential Indicators and compliance with the limits set within the Treasury Management Strategy.	Ian Gutsell, Chief Finance Officer
Property Asset Disposal and Investment	Consideration of an annual report on the implementation of the Property Asset Disposal and Investment Strategy.	Tina Glen, Head of Property Operations / Graham Glenn, Acquisition

Strategy		& Disposals Manager
Committee Work Programme	Discussion of the future reports, agenda items and other work to be undertaken by the Committee.	Democratic Services Officer
26 March 2021		
External Audit Plan 2020/21	This report sets out in detail the work to be carried out by the Council's External Auditors on the Council's accounts for the financial year 2019/20.	Ian Gutsell, Chief Finance Officer & External Auditors
External Audit Plan for East Sussex Pension Fund 2020/21	To consider and comment upon the External Audit Plan for the East Sussex Pension Fund for the financial year 2019/20.	Ian Gutsell, Chief Finance Officer & External Auditors
Internal Audit Strategy and Plan	Consideration of the Internal Audit Strategy and Plan for 2021/22	Russell Banks, Chief Internal Auditor/ Nigel Chilcott, Audit Manager
Internal Audit Progress Report	Internal Audit Progress report – Quarter 3, 2020/21 (01/10/20 – 31/12/20)	Nigel Chilcott, Audit Manager/Russell Banks, Chief Internal Auditor
Strategic Risk Monitoring	Strategic risk monitoring report – Quarter 3, 2020/21 (01/10/20 – 31/12/20)	Kevin Foster, Chief Operating Officer / Ian Gutsell, Chief Finance Officer
Committee Work Programme	Discussion of the future reports, agenda items and other work to be undertaken by the Committee.	Democratic Services Officer
9 July 2021		
Review of Annual Governance Report & 2020/21 Statement of Accounts	Report of the external auditors following their audit of the Council's statutory accounts. It allows the committee to review the issues raised and assess the management response.	External Auditors/ Ian Gutsell, Chief Finance Officer

Review of Annual Pension Fund Governance Report & 2020/21 Statement of Accounts	Report of the external auditors following their audit of the Pension Fund. It allows the committee to review the issues raised and assess the management response.	External Auditors/ Ian Gutsell, Chief Finance Officer
Monitoring Officer's Annual Review of the Corporate Governance Framework	Sets out an assessment of the effectiveness of the Council's governance arrangements and includes an improvement plan for the coming year, and the annual governance statement (AGS) which will form part of the statement of accounts.	Philip Baker, Assistant Chief Executive
Internal Audit Services Annual Report and Opinion 2020/21	An overall opinion on the Council's framework of internal control, summarises the main audit findings and performance against key indicators (includes Internal Audit Progress reports – Quarter 4, 2020/21, (01/01/21 – 31/03/21).	Nigel Chilcott, Audit Manager/Russell Banks, Chief Internal Auditor
Strategic Risk Monitoring	Strategic risk monitoring report – Quarter 4, 2020/21 (01/01/21 – 31/03/21)	Kevin Foster, Chief Operating Officer / Ian Gutsell, Chief Finance Officer
Committee Work Programme	Discussion of the future reports, agenda items and other work to be undertaken by the Committee.	Democratic Services Officer