



## AUDIT COMMITTEE

FRIDAY, 31 MARCH 2023

10.30 AM COUNCIL CHAMBER, COUNTY HALL, LEWES

MEMBERSHIP - Councillor Colin Swansborough (Chair)  
Councillors Gerard Fox (Vice Chair), Matthew Beaver, Nuala Geary,  
Stephen Holt, Matthew Milligan and Georgia Taylor

## A G E N D A

1. Minutes of the previous meeting (*Pages 3 - 6*)
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. Auditor's Annual (VFM) Report on East Sussex County Council 2021/22 (*Pages 7 - 40*)  
Report by the Chief Finance Officer
6. External Audit Progress Update 2021/22 (*Pages 41 - 42*)  
Report by the Chief Finance Officer
7. Internal Audit Progress Report - Quarter 3 (01/07/22 - 31/12/22) (*Pages 43 - 58*)  
Report by the Chief Operating Officer
8. Internal Audit Strategy and 2023/24 Annual Audit Plan (*Pages 59 - 84*)  
Report by the Chief Operating Officer
9. Orbis Internal Audit - Independent External Assessment Report (*Pages 85 - 104*)  
Report by the Chief Operating Officer
10. Strategic Risk Monitoring Quarter 3 2022/23 (*Pages 105 - 118*)  
Report by the Chief Operating Officer
11. Audit Committee MBOS Sub Group Update (*Pages 119 - 124*)  
Report by the Chief Operating Officer
12. Audit Committee - Future Work Programme (*Pages 125 - 130*)
13. Any other items previously notified under agenda item 4

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

23 March 2023

Contact Sophie Webb, Governance and Democracy Officer,  
01273 337495  
Email: [sophie.webb@eastsussex.gov.uk](mailto:sophie.webb@eastsussex.gov.uk)

## AUDIT COMMITTEE

MINUTES of a meeting of the Audit Committee held at Committee Room, County Hall, Lewes on 18 November 2022.

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PRESENT                      Councillors Colin Swansborough (Chair), Matthew Beaver, Nuala Geary, Stephen Holt, Matthew Milligan and Georgia Taylor

LEAD MEMBERS            Councillor Nick Bennett

ALSO PRESENT            Ros Parker, Chief Operating Officer  
Ian Gutsell, Chief Finance Officer  
Russell Banks, Chief Internal Auditor  
Nigel Chilcott, Audit Manager  
Mark Winton, Audit Manager – Delivery  
Simon White – Audit Manager – Counter Fraud  
  
Andy Conlan, Grant Thornton UK LLP

### 23.    MINUTES OF THE PREVIOUS MEETING

23.1    The Committee RESOLVED to agree the minutes as a correct record of the meeting held on 23 September 2022.

### 24.    APOLOGIES FOR ABSENCE

24.1    Apologies for absence were received from Councillor Fox

24.2    It was noted that Councillor di Cara was in attendance as a substitute for Councillor Fox.

### 25.    DISCLOSURES OF INTERESTS

25.1    There were none.

### 26.    URGENT ITEMS

26.1    There were none.

### 27.    REPORTS

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

### 28.    REVIEW OF ANNUAL GOVERNANCE REPORT & 2021/22 STATEMENT OF ACCOUNTS

28.1    The Committee considered a report by the Chief Finance Officer and received a presentation from the external auditors, Grant Thornton UK LLP of their draft Audit Findings Report.

28.2    The Committee discussed the issues that Grant Thornton (GT) encountered regarding engagement with the professional valuer which delayed the draft audit opinion being reported to Audit Committee.

28.3 The Committee noted the national issue around the valuation and accounting for infrastructure assets which is causing the sign off delay for all Council audits in the country.

28.4 The Committee noted that GT is awaiting the outcome of consultation for a statutory override from CIPFA regarding Infrastructure Asset valuation before GT can sign off the audit and accounts. GT advised the Committee it is unlikely that there will be significant changes to the draft statement of accounts or draft audit opinion following the statutory override which is likely to occur around Christmas 2022.

28.5 The Committee discussed the impact of remote and hybrid working on the time that it has taken for GT to complete their audit activities to produce the annual governance report.

28.6 The Committee noted that GT will be issuing a Value for Money Audit Letter to East Sussex County Council as a requirement from the National Audit Office and this will be completed before the next meeting of the Audit Committee in March 2023.

28.7 The Committee RESOLVED to:

1) note the report and its appendices;

2) confirm that there were no concerns arising from the draft Independent Auditor's (GT) report or the management response to it, that need to be brought to the attention of the Governance Committee; and

3) delegate review of the final Independent Auditor's (GT) report to the Chair and Vice Chair of the Audit Committee so long as there are no significant changes to the draft report.

## 29. REVIEW OF ANNUAL PENSION FUND GOVERNANCE REPORT AND 2021/22 STATEMENT OF ACCOUNTS

29.1 The Committee considered a report by the Chief Finance Officer and received a presentation by the external auditors, Grant Thornton (GT) of their draft Audit Findings Report which went to the Pension Board on 15 November 2022 and will be considered by the Pension Committee on 30 November 2022.

29.2 The Committee discussed issues around Pension Working Papers and the further engagement that will occur between GT, the Pension Team and the Finance Team to ensure that the Pension Working Papers meet requirements for inspection by the external auditors.

29.3 The Committee noted the delay of the final report due to GT being unable to sign off the final audit opinion until a statutory override for Infrastructure Asset valuation has been issued by CIPFA.

29.4 The Committee RESOLVED to:

1) note the report and appendix; and

2) delegate review of the final Independent Auditor's (GT) report to the Chair and Vice Chair of the Audit Committee so long as there are no significant changes to the draft report.

## 30. TREASURY MANAGEMENT - STEWARDSHIP REPORT 2021/22

30.1 The Committee considered a report by the Chief Finance Officer, which presented a review of the Council's performance on Treasury Management for the year 2021/22 and mid-year review for 2022/23. The Chief Finance Officer highlighted the investment gains achieved



being above the benchmark, repayment of the last remaining LOBO loan and achievement of prudential indicators.

30.2 The Committee RESOLVED to note the Treasury Management performance in 2021/22, incorporating the Mid-Year Review for the first half of 2022/23.

31. INTERNAL AUDIT PROGRESS REPORT - QUARTER 2 2022/23 (01.07.22 - 30.09.22)

31.1 The Committee considered a report by the Chief Operating Officer which set out the Internal Audit team's work during Quarter 2.

31.2 The Committee noted one audit completed was given 'partial assurance' regarding Procurement Data Analytics and two formal follow up reviews on previous 'partial assurance' audits have improved their assurance level receiving 'reasonable assurance'.

31.3 The Chief Operating Officer commented on the progress of the MBOS programme and noted that the MBOS Sub-Group of the Audit Committee will be meeting on 22 November 2022 to discuss the programme in more detail.

31.4 The Committee discussed the Department for Levelling Up, Housing and Communities (DLUHC) Deep Dive and what is required from East Sussex County Council in terms of information for the Deep Dive to be submitted to Essex County Council as the host authority. The Committee noted that the final report will go through the LEP Accountability Board but may not be shared with all LEP Local Authorities. The Chief Finance officer will inform the Committee when more information is known regarding the Deep Dive report.

31.5 The Committee RESOLVED to note the report.

32. ANNUAL UPDATE ON PROPERTY INVESTMENT STRATEGY

32.1 The Committee considered a report by the Chief Operating officer which set out an update on key Property work activities.

32.2 The Chief Operating officer highlighted the ongoing work to review the use of corporate estate through the Workstyles programme and carbon reduction measures noting the recent 40% property reduction achieved through the relocation of corporate teams from Ocean House, Hastings.

32.3 The Committee RESOLVED to note the contents of the report.

33. WORK PROGRAMME

33.1 They Committee considered its current work programme of forthcoming items.

33.2 The Committee RESOLVED to note the programme.

The meeting ended at 11.20 am.

Councillor Colin Swansborough (Chair)

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**Report to:** Audit Committee

**Date of meeting:** 31 March 2023

**By:** Chief Finance Officer

**Title:** Auditor's Annual (VFM) Report on East Sussex County Council 2021/22

**Purpose:** To provide the Committee with Grant Thornton's Annual (Value for Money) Report for 2021/22

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## RECOMMENDATION:

**The Committee is recommended to consider and comment on the Auditor's Annual Report on East Sussex County Council 2021/22**

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### 1. Background

- 1.1 The Code of Audit Practice issued by the National Audit Office (NAO) requires the authority's external auditor (Grant Thornton (GT)) to provide a separate Value for Money (VfM) assessment from the main audit of the statement of accounts. This requirement was introduced from 2020/21, in which GT are required to consider whether the authority has in place proper arrangements to ensure economy, efficiency and effectiveness in the use of its resources. There is no longer a requirement to provide a binary qualified/unqualified VfM conclusion. Instead, GT are reporting in more detail on the authority's arrangements, together with any key recommendations on any significant weaknesses in arrangements identified during the audit.

### 2. Annual Report 2021/22

- 2.1 The Annual Report 2021/22 (Appendix 1) sets out the work that GT has undertaken to assess the arrangements the Council has in place to secure economy, efficiency and effectiveness in the use of its resources; with particular focus on risks in respect of financial sustainability, governance arrangements and improving economy, efficiency and effectiveness.
- 2.2 It is very pleasing to be able to report that no significant weaknesses in the Council's arrangements have been identified. In reporting this outcome, GT has made 5 improvement recommendations (these are advisory and not mandated) (in 2020/21 there were 9 improvement recommendations) which are summarised below:

Financial Sustainability	Management Response
1. Consider implementing a longer Medium Term Financial Plan (MTFP) horizon (e.g. 5 years) to improve visibility to members and the public on how the impact of the large in year funding deficit currently projected for 2025/26 could be mitigated in multiple years. This could be used to highlight the Council's expectations for the path of funding and cost pressures in key areas such as social care.	In setting the 2023/24 balanced budget, the MTFP projected a further 2 years to 2025/26. The Local Government Financial Settlement was detailed for 2023/24, with only national allocations of some funding streams for 2024/25. No funding has been confirmed for 2025/26. National policy agendas, particularly for Adult Social Care and Children's Services provide significant uncertainty. Whilst wishing to be able to present a longer term MTFP, this is only really appropriate with confirmation of longer term funding and service clarity.

2. Continue to focus on solutions to manage the ongoing financial pressures in Children's Services, including monitoring the delivery of financial benefits expected to accrue from the new Family Safeguarding initiative. The budget overspend should be closely monitored, by Cabinet to ensure that any short term measures form part of a longer term strategy to provide a sustainable service.	The MTFP and budget for 2023/24 has added almost £15m of net revenue spend to Children's Services for 2023/24, recognising both the ongoing pressures that have continued (alongside many other Local Authorities) into 2022/23 and the Family Safeguarding initiative. Monitoring and reporting through the Council's Reconciling Policy, Performance and Resources (RPPR) process, including to Cabinet, will continue to be key through 2023/24 and into 2024/25 as the benefits of the Family Safeguarding approach should start being delivered.
<b>Governance</b>	<b>Management Response</b>
3. Consider whether the Audit Committee would benefit by carrying out a self-assessment of the effectiveness of the Committee as per guidance issued by the National Audit Office (NAO).	This recommendation will be considered as part of the work to review and implement the revised CIPFA "position statement: Audit Committees in Local Authorities."
<b>Improving Economy, Efficiency and Effectiveness</b>	<b>Management Response</b>
4. Undertake testing to ensure that when the Procurement Modernisation Programme is implemented the Council's Contract Register is working appropriately, with sufficient controls to avoid loss of data.	The implementation of the Digital Business and Insights (DB&I) programme software (Oracle) with new controls around the requisition of services and the production of Purchase Orders will enhance the ability of the Council to have a better control environment around its contract register. Contracts not maintained centrally and are held within Controcc and Tech forge will be monitored through a new reporting structure. Once the Oracle system has gone through a data cleansing exercise and Service/Directorate contract managers have been suitably trained, Procurement will monitor the adherence to the controls.
5. Consider introducing further contract management training for Council employees, particularly given the constraints on resourcing that leads to contract management being added to primary officer responsibilities. As noted previously in our report, the effectiveness of the contract management training currently delivered should be reviewed.	A new process and document has been developed for the effective handover of the contract from Procurement to the Service. The Implementation of Oracle will see a new emphasis placed on Contract managers within the service, regarding maintaining contractual data integrity. Training will be provided by the DB&I team on the system and Procurement will sign post contract managers to internal e-learning packages and external contract manager training through the Contract Management Capability Programme.

### **3. Conclusion and Recommendation**

- 3.1 The Annual (Value for Money) Report for 2021/22 has identified no significant weaknesses in the Council's VfM arrangements. Whilst putting forward 5 improvement recommendations, these are only advisory and management has responded appropriately.
- 3.2 The Committee is recommended to review and comment on the Annual (Value for Money) Report 2021/22.

**IAN GUTSELL**  
**Chief Finance Officer**

Contact Officer: Ian Gutsell, Chief Finance Officer  
Tel. No: 01273 481399  
Email: [ian.gutsell@eastsussex.gov.uk](mailto:ian.gutsell@eastsussex.gov.uk)

Local Member(s): All  
Background Documents  
None

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# Auditor's Annual Report on East Sussex County Council

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2021/22

Draft v1.4

March 2023



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Executive summary






## Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	Direction of travel
Financial sustainability	No risks of significant weakness identified	 No significant weaknesses in arrangements identified, but three improvement recommendations made	 No significant weaknesses in arrangements identified, but two improvement recommendations made	
Governance	No risks of significant weakness identified	 No significant weaknesses in arrangements identified, but three improvement recommendations made	 No significant weaknesses in arrangements identified, but one improvement recommendation made	
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	 No significant weaknesses in arrangements identified, but three improvement recommendations made	 No significant weaknesses in arrangements identified, but two improvement recommendations made	

	No significant weaknesses in arrangements identified or improvement recommendation made.
	No significant weaknesses in arrangements identified, improvement recommendations made and/or deteriorating direction of travel.
	Significant weaknesses in arrangements identified and key recommendations made.

# Executive summary



## Financial sustainability

We found no evidence of significant weaknesses related to the financial sustainability of the Authority. The Council has a strong understanding of its financial position and awareness of the significant challenges that it will be facing in the coming years.

There are appropriate procedures in place to ensure these challenges are managed in the best way possible, with strong governance, reporting and review processes. The evidence we reviewed for the 2021/22 year demonstrated effective management in this respect.

We have identified two areas relating to the MTFP horizon and the management of Children's Services Overspends where Council should consider improvement. Further details can be found on pages [11-12] of this report.



## Governance

We found no evidence of significant weaknesses in the Council's governance arrangements. The governance arrangements in place ensure that risks are managed appropriately and reported in a timely and effective way to Members.

We set out one opportunity for improvement that should be considered by the Council. Further details can be found on pages [15] of this report.



## Improving economy, efficiency and effectiveness

With regard to the arrangements in place for improving economy, efficiency and effectiveness we found no significant weaknesses. The Council continues to manage its resources in line with its strategic priorities, including arrangements to address its climate emergency target, and it continues to work well with partner organisations.

We have set out two improvement recommendations. Further details can be found on pages [19-20] of this report.



Our audit of the Council's financial statements is ongoing following some delays in receiving responses to audit requests/queries in the area of land and building valuations. An indicative Audit Findings Report was issued to the November Audit Committee meeting and this set out the areas of delays and outstanding work, some of which remain ongoing at the date of issuing this report. We are in discussion with your finance team to agree arrangements to complete the audit.



# Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

## Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

The audit of the financial statements is in progress. An indicative Audit Findings Report was issued to the November Audit Committee meeting and this set out the areas of delays and outstanding work, some of which remain ongoing at the date of issuing this report.

## Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We have not issued any statutory recommendations.

## Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We have not issued any public interest report.

## Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

No such applications have been made.

## Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

No advisory notice has been made.

## Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

No application has been made.

# Securing economy, efficiency and effectiveness in the Council's use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



## Financial Sustainability

Arrangements for ensuring that the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



## Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.

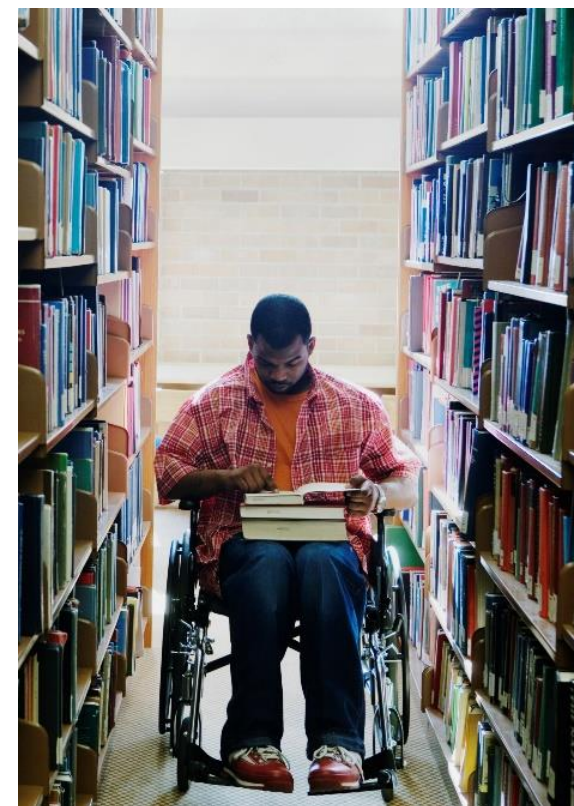


## Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 7 to 20. Further detail on how we approached our work is included in Appendix B.



# Financial sustainability



## We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## Overview of financial performance in 2021/22

On 9 February 2021, a balanced budget for 2021/22 was approved at Full Council. One of the key challenges for this budget was to meet the challenges presented by Covid-19 and local government funding reviews and reform.

The Council's 2021/22 outturn after managing these pressures was a total revenue underspend of £4.3m. The principal financial pressure on the Council came from Children's Services, which is reflective of the national picture as well as additional demand across the locality. There was an overspend of £2.8m in this department, primarily driven by Looked after Children and Home to School transport.

The Council set a capital expenditure budget of £85.6m. Actual capital expenditure for the year totalled £75.6m, with a number of individual project slippages. £4.4m of the total slippage related to Local Enterprise Partnership (LEP) funded projects being delivered by, or in partnership with, other bodies where the timing of expenditure and delivery is largely outside of the Council's control.

The Council was not heavily reliant on savings within the original 2021/22 budget and these had been set at £0.9m. During the 2021/22 year the savings delivered exceeded this target at £1.9m, however £1m of these (from Parking within Communities, Economy & Transport) was carried forward from prior years. Otherwise, savings achieved were largely in line with target.

## Performance to date in financial year 2022/23

The Council set a balanced budget for 2022/23 without any reliance on the use of reserves or significant levels of savings.

At the end of Q2 2022/23, the Council was reporting a forecast overspend of £8.4m in the service revenue budget. This was primarily driven by inflationary pressures within Children's Services, the majority of which relates to Early Help and the Looked After Children component of social care provision in addition to ongoing Home to School Transport pressures.

The forecast overspend at Q2 is wholly mitigated in year by net underspends delivered in the Treasury management budget and the use of the budgeted contingency, which was put in place specifically to enable the Council to manage variances without recourse to reserves. This reflects prudent arrangements for the management of financial risk.

We note that inflation pressures in Children's services continue to be a national challenge rather than purely a local issue. However, the Council will need to find pragmatic solutions to funding this key area of service in future. The budget overspends continue to be closely monitored, with quarterly reports going to Cabinet to ensure that sufficient resources are in place to manage any increase in the remaining quarter of the year.

We reviewed the capital outturn reporting within the quarterly monitoring reports, as noted below in the Governance section, and our view is that the quarterly monitoring reports are of a good quality.

The forecast capital programme expenditure of £79.6m for 2022/23 tracks relatively well against a budget of £93.9m (85%). We note that a significant proportion of this slippage (£6.2m) relates to Local Enterprise Partnership (LEP) funded projects and a number of other smaller schemes largely due to issues outside of the Council's control.

A recommendation was made in our 2020/21 report that the reporting of capital programme slippages in the quarterly monitoring reports could be more detailed, to explain mitigations and responsibilities for these slippages occurring. In the equivalent reports for 2021/22, a description of where slippage has occurred in each project is presented, accompanied by the reason for the slippage and action being taken to mitigate against it. However, as previously mentioned, a large proportion of slippage (c.50% in 2021/22) relates to LEP-led projects and there is limited description of the individual projects in the quarterly monitoring report.

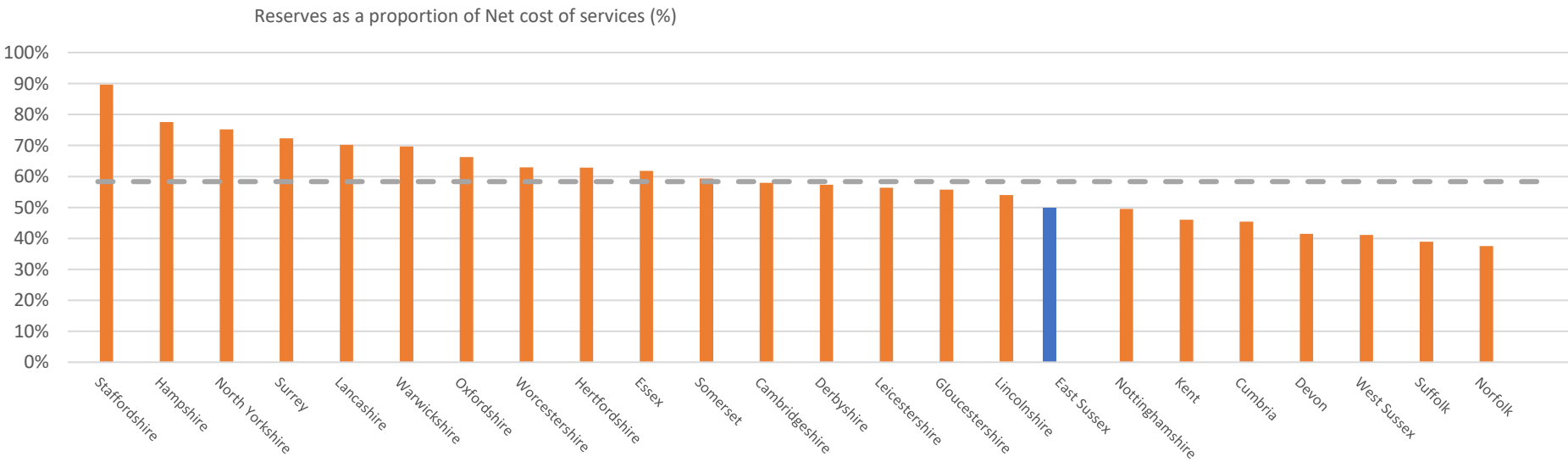
# Financial sustainability

## Reserves and contingencies to manage financial risk

At the 2021/22 year end the Council’s usable reserves as a proportion of the cost of services stood at 50%, as displayed in the chart below (based on available published draft accounts for 2021/22 compared to other English county councils). This is slightly above the bottom quartile, and just below the average for county councils which is 58%. The Council therefore achieves a good balance between maintaining sufficient levels of reserves to manage risk and invest in future priorities, without retaining reserve levels that are disproportionate to its needs.

The revised MTFP 2022/23 to 2024/25 includes an analysis of reserves, including those that would be available to manage future funding pressures, primarily the strategic reserve. The paper estimates that the opening balance on the strategic (earmarked) reserve in 1 April 2023 is £54m in addition to a General (unallocated) Reserve of £10m. In addition to reserves, the Council holds a budgeted contingency of £4.9m to manage any unplanned pressures in year. Taken together, these indicate that the Council has sufficient resources to cover the projected deficits over the MTFP period, should additional funding for social care not be forthcoming or if there were delays to delivering any future savings programme. The Council therefore maintains a robust position in regard to the management of financial risk.

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# Financial sustainability

## Financial Planning for the medium term

The Council has seen a steady decline in income from the local government funding settlement over the last ten years, and the Council's Medium Term Financial Plan (MTFP) assumes a continuation of this. There were hopes within the Council that the plans to provide a two-year funding settlement for local government would come to fruition in summer 2022, but the recent government turbulence has delayed this and a one year settlement was provided for 2023/24.

Scenario planning across the most likely outcome assumptions and less likely outcome assumptions is undertaken in developing the MTFP and communicated as part of budgetary reports to members and report users. Scenarios presented are reasonable in the current environment, including appropriate consideration of demographic pressures expected for a local authority of this size.

As a result of the pressures anticipated by the Council's base scenario, a funding gap of £17.5m for 2023/24 was initially projected, rising to £31.5m (prior to any mitigating action). This was initially presented to members in September 2022 alongside a significant update to the MTFP and some initial options for closing the gap.

We noted that the revised MTFP includes changes to key assumptions about Adult Social Care Reform. In 2022/23, local authorities were to be provided with a Market Sustainability and Fair Cost of Care Grant. This was to be raised from the 1.5% National Insurance Health and Social Care Levy. However, government plans for this levy have been withdrawn, initially leaving a funding gap for the Council relating to Adult Social Care. Even with the Market Sustainability and Fair Cost of Care grant included, the initial MTFP projection displayed a net pressure of £20.6m on the Council in 2023/24 relating to Adult Social Care Reform alone. As a result, the Council presented the Impact of Adult Social Care Reform as an Appendix to the MTFP. This was due to the distorting effect it would have.

Following the announcement of the Government funding settlement, a revised 2023-24 budget and 2 year MTFP was presented to Members in January 2023. This included a reconciliation of how the original £17.5m funding gap and additional inflationary pressures for 2023/24 had been mitigated to a balanced budget position, primarily through additional social care grant received through the settlement and increased revenue from local taxation. This included a small contribution from targeted savings.

We noted that the Council's MTFP has a limited 2 year horizon beyond the budget year 2023/24, where as increasingly, in response to CIPFA guidance, other councils are maintaining a 3-5 year forward projection, which would help to illustrate how medium term pressures are expected to build and will be dealt with over an extended period in order to balance the budget in future years [Recommendation 1.1].

The revised MTFP sets out a small deficit of £2.2m for 2024/25 before the increasing pressures around social care and other factors drive an increased deficit of £40.7m by 2025/26. This deficit is partly driven by the assumption that additional social care funding announced for the next two years, does not continue into 2025/26. The Council acknowledges that a more fundamental review of service priorities will be necessary, if no further funding is obtained and the medium term impact of the delayed social care reforms is not accompanied by additional government funding by 2024/25. However, the Council has sufficient resources at present to avoid major cost cutting or service reductions in the short term.

We note that the implementation of adult social care charging reforms initially planned for October 2023 was confirmed to be delayed until 2025. The associated reform funding for the next two years was reallocated as part of the funding settlement and this has helped the Council to mitigate some of the forecast pressures in the social care system over this period.

In the other key area of financial pressure, the Council's Children's Services directorate has developed a sustainability plan based primarily on the implementation of the nationally trialled Family Safeguarding model. This increases the scope for specialist interventions to enable more children to live safely at home with their families. This is achieved through early intervention in cases that could otherwise lead to increased numbers of children needing to be placed outside of their immediate family, which has cost implications for the Council as well as quality of life implications for the child. Implementation of this plan is at a relatively early stage and it will be important for the Council to closely monitor the financial benefits over the medium term, to ensure that the expected contribution is made towards establishing a financially sustainable service. [Recommendation 1.2]

The Capital Programme has been extended to maintain a 10 year outlook and included budgets for school places, SEND provision and highways infrastructure and to support the Council's commitment to carbon neutrality.

# Financial sustainability

## Alignment to Council Priorities

The Council’s priorities are defined and articulated in the Council Plan 2022/23 which sets out what the Council plans to achieve by 2025. The Council’s priorities are driving sustainable economic growth, keeping vulnerable people safe, helping people help themselves and making best use of resources. These are referenced in the MTFP, budget documents and quarterly council monitoring reports and indeed, the Council plan is presented alongside the budget and MTFP papers.

The Capital Programme to 2031/32 is included in the State of County report, which shows an approved programme of £676m to 2031/32. Alongside this, there is a 20 year Capital Strategy 2022/23 to 2042/43. The financing of the Capital Programme is outlined in the MTFP and supported by the Treasury Management Strategy 2022/23.

## Managing risks to financial resilience

Risks are considered within the budget and MTFP, with quarterly reporting to Cabinet which highlights these risks. The Reserves and Budget Robustness Statement includes a Financial Assessment of risks, including the monetary magnitude of the potential impact associated with each risk. Of particular concern recorded, is the risk that inflation on energy prices and other materials becomes unmanageable for the Council. This demonstrates the Council’s awareness, and ongoing work to ensure members are aware, of the impact that key estimates within the budget and MTFP could have should they be subject to certain changes.

## Delivery of Savings Plans

The Council relies on its Reconciling Policy, Performance and Resources (RPPR) process to ensure that it is able to provide services at the required level. The Council is not seeking to achieve further savings since these would bring the Council below its Core Offer of service provision.

Savings (£m)	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Planned	9,125	17,082	5,131	3,541	864	1,257	1,347	0
Delivered	12,480	18,825	11,232	3,531	1,878	N/A	N/A	N/A

## Conclusion

We found no evidence of significant weaknesses related to the financial sustainability of the Authority. The Council has a strong understanding of its financial position and awareness of the challenges that it will be facing in the coming years.

There are appropriate procedures in place to ensure these challenges are managed in the best way possible, with strong governance, reporting and review processes. The evidence we reviewed for the 2021/22 financial year demonstrated effective management in this respect.

We have identified two areas relating to the MTFP horizon and the management of Childrens Services Overspends where Council should consider improvement as set out on the following slides.



# Improvement recommendations



## Financial sustainability

### Recommendation 1.1

The Council should consider implementing a longer MTFP horizon (e.g. 5 years) to improve visibility to members and the public on how the impact of the large in year funding deficit currently projected for 2025/26 could be mitigated over multiple years. This could be used to highlight the Council's expectations for the path of funding and cost pressures in key areas such as social care.

### Why/impact

There is a risk that members and the public are not informed of the likely impact of key developments such as social care reform and the Council's expectations of how demand and cost pressures are likely to build in the medium to long term, potentially denying them the opportunity to make sure the Council is anticipating and addressing financial issues beyond the relatively short term.

### Auditor judgement

We have recommended improvement here to ensure that the MTFP is reflective of the true financial position of the Council over the medium term, based on the best available information, particularly where financial challenges increase over time and may require service transformation which may take a number of years to realise.

### Summary findings

We noted that the Council's MTFP has a limited 2 year horizon, where as increasingly in response to CIPFA guidance, other councils are maintaining a 3-5 year projection, which would help to illustrate how medium term pressures are expected to build and will be dealt with over an extended period in order to balance the budget in future years. We reviewed the MTFP and found evidence that the Council has appropriately extracted the impact of Adult Social Care reform due to the distorting effect it would have to the overall Council deficit in the medium term. However, it is likely that funding reform will need to take place in future years and it may be beneficial to include an assumptions based projection over a longer time horizon.

### Management Comments

In setting the 2023/24 balanced budget, the MTFP projected a further 2 years to 2025/26. The Local Government Financial Settlement was detailed for 2023/24, with only national allocations of some funding streams for 2024/25. No funding has been confirmed for 2025/26. National policy agendas, particularly for Adult Social Care and Children's Services provide significant uncertainty. Whilst wishing to be able to present a longer term MTFP, this is only really appropriate with confirmation of longer term funding and service clarity.

The range of recommendations that external auditors can make is explained in Appendix C

# Improvement recommendations



## Financial sustainability

### Recommendation 1.2

The Council should continue to focus on solutions to manage the ongoing financial pressures in Children's Services, including monitoring the delivery of financial benefits expected to accrue from the new Family Safeguarding initiative. The budget overspend should be closely monitored, by Cabinet to ensure that any short term measures form part of a longer term strategy to provide a sustainable service.

### Why/impact

Children's Services was the principal area of overspend in the financial year 2021/22, driven by costs related to Looked after children and Home to school transport. This department is facing pressures that are not unique to the area, with these cost pressures and staff shortages seen across the country. Ensuring that Cabinet are kept informed of these pressures is the most effective way of maintaining strong governance as the department continues to face these challenges.

### Auditor judgement

Without this communication and oversight, there is a risk that members have limited understanding of the plan to address pressures related to Children's Services.

### Summary findings

We reviewed the Council Monitoring update for the year end 2021/22 which sets out the pressures faced by Children's Services, as well as the Quarter Four Performance Report 2021/22 from Children's Services to SMT. The strains on Children's Services should be monitored closely, as they have been to date, to ensure the pressures are managed effectively.

### Management Comments

The MTFP and budget for 23/24 has added almost £15m of net revenue spend to Children's Services for 23/24, recognising both the ongoing pressures that have continued (alongside many other Local Authorities) into 22/23 and the Family Safeguarding initiative. Monitoring and reporting through the Council's RPPR process, including to Cabinet, will continue to be key through 23/24 and into 24/25 as the benefits of the Family Safeguarding approach should start being delivered.

The range of recommendations that external auditors can make is explained in Appendix C

# Governance



## We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

## Monitoring and assessing risk

The Council has an established risk management framework. The arrangements are documented in the Risk Management Framework 2021/22. The Council maintains a Strategic Risk Register (SRR) which details risks with the potential to adversely impact the Council's objectives.

The SRR risks are assessed and given a risk score which is translated into a RAG rating. This allows risk prioritisation of actions and resources. The SRR is reported to CMT and Cabinet on a quarterly basis as well as to the Audit Committee.

In our 2020/21 report, we noted that the SRR as reported to Cabinet does not detail the scoring of risks or present the risk movement to demonstrate how work on risk mitigation is progressing. Having reviewed the SRR for 2022/23 Q1, there is now a clear presentation of the RAG rating both pre- and post-risk alongside one another. Furthermore, at the top of the SRR a matrix is presented which uses icons to display the pre- and post-mitigation rating for each strategic risk. This snapshot view is easy to digest and enables an 'at a glance' view of where resources should be prioritised.

In our 2020/21 report we also noted that it would be a minor improvement for the strategic risks to be mapped against the Council's strategic priorities. This does not appear to have been implemented to date since the Council feels the risks apply to multiple priorities, therefore doing so would be unnecessarily complex.

## Budget setting process

The overall process for budget setting at the Council is encompassed within the Reconciling Policy, Performance and Resources (RPPR) processes. These are well embedded into the regular financial processes.

The starting point for budget setting is at departmental level, before being consolidated into the budget setting process prior to input to the overall budget. The budget and MTFP are aligned by use of a single, rolling document. The budget is reviewed by the Heads of Finance, CMT and Chief Finance Officer to sign off the figures before they go to Cabinet for approval.

One example of a structure that has been implemented to ensure informed decision making is the placement of the Finance Lead for Adult Social Care on the management team of this directorate. This is good practice and ensures a tangible link between the financials and performance of this directorate is consistently present, leading to better quality reporting through to central budgets and Cabinet.

## Assurance over the effective operation of internal controls

The Council develops an Annual Corporate Governance statement which is aligned to its Local Code of Corporate Governance.

Internal audit services are provided to the Council as part of the Orbis shared services arrangement, a partnership with Surrey County Council and Brighton & Hove Council.

The Internal Audit annual report for 2021/22 contains the opinion of the Chief Internal Auditor and provides 'substantial assurance' that there is 'an adequate and effective framework of governance, risk management and internal control'. This is an improvement on the opinion of 'reasonable assurance' in 2020/21. In total, 30 out of the 35 Internal Audit reports concluded in substantial or reasonable assurance. No reports concluded in minimal assurance.

# Governance

## Budgetary control

Monthly budget monitoring takes place through Directorate Leadership Teams, and quarterly budget monitoring takes place through CMT and Cabinet. Budget monitoring is reported to Cabinet in the aforementioned Council Monitoring reports. This links in with reporting on the main Council priorities, performance indicators and risk metrics.

In 2021/22 finance, HR and business operations moved from the Orbis shared services arrangement to in-house provision within the Council. From our review, it appears that this transition has been smooth, with successful re-integration.

The governance around the Capital Programme is led by the Capital Strategic Asset Board and the Programme is refreshed as part of the annual RPPR process.

## Leadership and committee effectiveness/decision making

Appropriate leadership is in place through a Leader and Cabinet form of executive management arrangement.

There are three scrutiny committees in place with the remits of Health, People and Place respectively.

As well as this, an Audit Committee is in place to challenge key issues. We reviewed the attendance of Audit Committee members and we were satisfied that nearly all of the seven members had attended at least five out of six sessions in the past year.

The Audit Committee members cover a range of political parties and vary in their professional backgrounds and experience.

In our 2020/21 report, we recommended that a self-assessment of the effectiveness of the Audit Committee should be undertaken in line with NAO guidance. This has not been completed to date, and therefore we suggest this is undertaken during 2022/23 [Recommendation 2.1].

The Council has a broad range of policies in place covering anti-fraud and corruption which helps to ensure a culture is embedded that focuses on thorough, independent decision making. The Council has policies in place on declaration of interests, gifts and hospitality which are published in the Code of Conduct and Conflicts of Interest policy.

## Modernising Back Office Systems (MBOS) programme

The MBOS programme is currently at a critical point, recently entering the phase of user acceptance testing. At the inception of the programme, the Authority appointed a programme lead and programme manager. There are also project sponsors for each workstream, with weekly meetings between the project sponsors to ensure the programme remains on track and to mitigate slippage in the timetable. We note that regular progress updates are being provided to CMT and Cabinet and that these indicate that the project had fallen behind the original implementation timetable at the end of 2021/22 and into the current financial year.

The Council has a contingency plan should the programme fall further behind, and the impact of the programme overrunning by three months has been calculated with nil budget impact. Alternatively, a six month delay would have a £1.5m impact. We reviewed the MBOS report to the Audit Committee sub-group, targeted at the programme specifically, from May 2022 which demonstrates that the management of the project has an appropriate level of Member oversight and mitigating action is being taken.

## Monitoring and ensuring appropriate standards

The Annual Governance Statement is compliant with the CIPFA code. An appropriate level of care is taken to ensure the Council's policies and procedures comply with all relevant codes and legislative frameworks.

## Conclusion

We found no evidence of significant weaknesses in the Council's governance arrangements. The structures in place and that are adhered to by the Council ensures that risks are managed appropriately and reported in a timely and effective way to Members.

On the following slides, we set out one opportunity for improvement that should be considered by the Council.

# Improvement recommendations



## Governance

### Recommendation 2.1

Consider whether the Audit Committee would benefit by carrying out a self-assessment of the effectiveness of the Committee as per guidance issued by the National Audit Office (NAO).

### Why/impact

In our last report, it was noted that with a number of new members in the Audit Committee it may be appropriate to undertake a self-effectiveness review as per guidance issued by the NAO.

### Auditor judgement

The NAO has issued guidance on how Audit Committees can carry out a self-assessment of the effectiveness of the Committee. This can be very useful in allowing Audit Committees to assess the effectiveness of previous training, and how robust discussion/challenge is at the Committee.

### Summary findings

We reviewed the operation of the Audit Committee, including the attendance of members. We noted strong attendance from the Audit Committee members and also the attendance of independent members during a number of Committee meetings which is representative of strong governance. A self-assessment, in line with NAO guidance, would be a strong means of reinforcing this.

### Management Comments

This recommendation will be considered as part of the work to review and implement the revised CIPFA position statement: Audit Committees in local government.



The range of recommendations that external auditors can make is explained in Appendix C.

# Improving economy, efficiency and effectiveness



## We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

## Performance review, monitoring and assessment

In its Council Plan 2022/23, the Council sets out its four overarching priority outcomes. These are:

1. Driving sustainable economic growth
2. Keeping vulnerable people safe
3. Helping people help themselves
4. Making best use of resources now and for the future

These are referred to throughout the strategic and reporting documents, including the annual budget and MTFP. This ensures that the priority outcomes are consistently monitored and ensures the Council maintains a clear direction in its work.

The Council Plan, annual RPPR process and quarterly monitoring reports are used effectively to demonstrate progress that has been made against the four Council priority outcomes, from a qualitative sense and also through a RAG rating system. Overall, these various documents present a comprehensive picture that the Council has clear priorities, updates them regularly and ensures Cabinet are aware of their performance level against targets.

## Benchmarking and evaluation

The Council produces a State of the County report on an annual basis which presents socio-economic and demographic information and helps to provide context to financial decisions that are being made. Through our review, it was clear that the senior officers within the Council are acutely aware of the Council's level of performance and how this compares to both neighbouring authorities and their respective departments on a national level.

For Children's Services, alongside the qualitative interviews and inspections that take place there is a quantitative monitoring framework and regional dataset that tracks performance for benchmarking purposes. Furthermore, some indicators within this regional dataset have recently been expanded to report on a national scale.

Adult Social Care similarly use clear benchmarking data to help inform decision making and ensure that performance levels are appropriate for services provided. Through the Association of Directors of Adult Social Services (ADASS), a dashboard with 30 indicators is completed and distributed on a quarterly basis across 18 local authorities. This includes information on spend, income rates, proportion of people in receipt of direct payments, and various other measures.

## Partnership working and engaging with stakeholders

During our review there was evidence of the Council successfully working with others on numerous occasions. This includes other local authorities, the NHS, regional and national bodies, and voluntary and community organisations. Key partnerships include the Health and Care Partnership, South East LEP, Strategic Property Asset Collaboration in East Sussex (SPACES), and aforementioned Orbis partnership.

In regular monitoring to Cabinet and other Committees, detailed reporting and updates are provided on the progress that these partnerships are making and what value they bring to the Council as a whole. These partnerships are also consistently reviewed to ensure they are adding value. An example of a major adjustment to a partnership is with the Orbis agreement, and this is explained below.



# Improving economy, efficiency and effectiveness

## Procurement

Procurement is one of the key services delivered by the Orbis joint-working agreement that is outlined above. The ongoing Procurement Modernisation Programme aims to be transformative for the platforms and information management protocols currently used by the procurement function. A uniform platform will be applied across all three authorities, and since this recently passed the user acceptance testing stage it is likely to be at 'go live' within the next three months. Since a similar transition recently occurred at Surrey County Council under the Orbis agreement, there is a proven pathway for delivery that will help to mitigate implementation risks.

While the Procurement Modernisation Programme is ongoing, the Council is aware that systems and processes are in a state of transition and this may cause deficiencies in the service procurement is able to provide. We note that an Internal audit opinion of 'partial assurance' for Procurement Data Analytics relating to the Council's Contracts Register

The key issues reported included:

- Three instances where POs had been raised in excess of £189,330 against individual creditors during the twelve-month period reviewed, with no contract or waiver in place (£189,330 is the threshold above which contracts should be publicly advertised via full tender, in consultation with the Procurement Team). The Procurement Team are now taking action to address this with the service areas involved.
- 59 Creditors where at least one PO with a spend between £25,000 and £189,300 had been raised during the twelve-month period reviewed, but there was no corresponding contract or waiver in place. It should be noted, however, that work in relation to these instances was limited to a high-level analysis and no further in-depth review was completed at the time of the audit. Consequently, there may be some instances where a contract was not required, due to exemptions.

Although these issues do not reflect a significant weakness from a VfM perspective at this stage, we would expect prompt and effective action to be taken to address them. The Council should prioritise the implementation of Internal audit recommendations arising from this review, and reported to the Audit Committee in November 2023 to ensure that the lapses in control do not lead to financial or reputational damage to the Council.

In addition, we recommend that the Council undertake further testing to ensure that that when the Procurement Modernisation Programme is implemented the Council's Contract Register is working appropriately with sufficient controls to avoid loss of data. [Recommendation 3.1].

We also noted through our discussions with officers on procurement that there were some opportunities to improve the training available to officers on contract management. However, in our document review we acknowledge that the Council has met its target of 10% of contract value achieved in Social Value. We have made a recommendation to provide additional contract management training and review the handover process between procuring a contract and its delivery and management once it is ongoing, to help maintain the achievement of this target. [Recommendation 3.2]

Through our review of the documentation on procurement, we noted that a whistleblowing allegation was raised related to the re-procurement of a framework agreement. This allegation related to a lack of clear information and governance over the procurement process, leading to an inappropriate outcome.

In response, the procurement function conducted an independent review and re-run of the procurement process. It was found that the same outcome as the original process would have occurred.

# Improving economy, efficiency and effectiveness

## Orbis

In 2018/19, the Council entered into an operational agreement with Brighton and Hove City Council and Surrey County Council, known as 'Orbis'. The original services for the agreement were Finance, Internal Audit, Human Resources, IT, Procurement and Business Support. However, as of April 2022, a restructuring took place and the remaining services within the Orbis arrangement are internal audit, procurement and IT. All staff at Orbis are employed by one of the three Councils, since this is a joint working arrangement rather than formal entity.

## Climate Emergency Targets

In October 2019, the Council declared a Climate Emergency in East Sussex and set the commitment to be carbon neutral as soon as possible, and by 2050 at the latest. This target will be achieved if the Council reduces its use of carbon by 13% per year, a target set through the Tyndall Local Carbon Budget Tool, used by over 250 local authorities.

The Council has taken practical steps to meet this target, such as applying LED bulbs to all street lighting, placing solar panels on County Hall, conducting feasibility studies on EV charging point roll out and looking at school building energy efficiency.

Steps toward net zero have also been taken within procurement. For example, two thirds of suppliers are local to the County. In the recent highways procurement, 7% of the score was based on actions to reduce emissions during delivery.

The Authority is currently reviewing its Local Transport Plan, which will be the fourth iteration and run from 2023-2050. This will align the plan with the latest Department for Transport guidance.

## Conclusion

With regard to the arrangements in place for improving economy, efficiency and effectiveness we found no significant weaknesses. From work toward the authority's climate emergency target to the range of work with partner organisations, this is a clear strength for the authority. We have set out two improvement recommendations on the following slides.



# Improvement recommendations



Improving economy, efficiency and effectiveness

## Recommendation 3.1

Undertake testing to ensure that that when the Procurement Modernisation Programme is implemented the Council's Contract Register is working appropriately with sufficient controls to avoid loss of data.

### Why/impact

An internal opinion of 'partial assurance' was provided against Procurement Data Analytics. This means that there are 'weaknesses in the system of control'. This may cause discrepancies since there is no control within the current financial system linking purchase orders to a contract.

### Auditor judgement

Internal audit concluded that there were deficiencies in place related to Procurement Data Analytics. Testing the improvements to this system is a means of ensuring improved assurance is achieved.

### Summary findings

Through our document review, it was recognised that internal audit commented on omissions in the data held on the Council's Contracts Register, and offered an opinion of 'partial assurance' as a result.

### Management Comments

The implementation of the DB&I programme software (Oracle) with new controls around the requisition of services and the production of Purchase Orders will enhance the ability of the Council to have a better control environment around its contract register. Contracts not maintained centrally and are held within Controcc and Tech forge will be monitored through a new reporting structure. Once the Oracle system has gone through a data cleansing exercise and Service/Directorate contract managers have been suitably trained, Procurement will monitor the adherence to the controls.

The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations



Improving economy, efficiency and effectiveness

## Recommendation 3.2

Consider introducing further contract management training for Council employees, particularly given the constraints on resourcing that leads to contract management being added to primary officer responsibilities. As noted previously in our report, the effectiveness of the contract management training currently delivered should be reviewed.

## Why/impact

We noted in our review that the passing of contracts between procurement and the Council, when contracts are being managed, could be more effective to ensure that value is not lost.

## Auditor judgement

Our enquiries with the procurement team indicates that there are opportunities to improve contract management through enhanced training for relevant officers.

## Summary findings

A review of the effectiveness of contract management training was previously a recommendation of internal audit. As Council budgets are stretched further, the need to arm officers with appropriate knowledge and expertise becomes greater so that multiple responsibilities can be managed effectively.

We reviewed the targets for social value and the Council achieved the equivalent of 11% of contract value. This is above the target of 10%, however further training may provide opportunities for efficiencies to be gained. This is particularly important since we understand that many contract management responsibilities have to be carried out as an addition to primary job roles, which is naturally detrimental to the management of contracts.

## Management Comments

A new process and document has been developed for the effective handover of the contract from Procurement to the Service. The Implementation of Oracle will see a new emphasis placed on Contract managers within the service, regarding maintaining contractual data integrity, training will be provided by the DB&I team on the system and Procurement will signed post contract managers to internal e-learning packages and external contract manager training through the Contract Management Capability Programme Civil Service: helping you with managing contracts and suppliers - GOV.UK ([www.gov.uk](http://www.gov.uk)).

The range of recommendations that external auditors can make is explained in Appendix C.

# Follow-up of previous recommendations

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	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	Consider expanding the detail of reporting on the capital programme within the regular quarterly outturn budget reporting.	Improvement	March 2022	In the equivalent Capital Programme reporting for 2021/22, a description of where slippage has occurred in each project is presented, accompanied by the reason for the slippage and action being taken to mitigate against it.	Yes	No
2	Consider either redefining what the Core Offer is with respect to the RPPR process, or if it is no longer relevant ensuring this is consistent, to clarify how discretionary spend is prioritised within the funding envelope.	Improvement	March 2022	The Council achieved the core offer and is currently not in the position to seek any further savings. Council documents are clear to state that discretionary spend is prioritised based on the priority Council outcomes.	Yes	No
3	Consider improving how the Capital Programme is linked back to the Council's Corporate Priorities and Priority and Delivery outcomes so that readers understand more clearly how the Programme aligns to the overarching strategy.	Improvement	March 2022	The Capital Programme from June 2022 states that its delivery focuses on targeted basic need. This is described clearly as to how it will benefit the County and its residents.	Yes	No
4	Consider whether the Strategic Risk Register reporting at Cabinet could be presented more concisely for ease of oversight by members	Improvement	March 2022	Having reviewed the SRR for 2022/23 Q1, there is clear presentation of the RAG rating both pre- and post-mitigation. A matrix is also presented at the top of the SRR to show these movements in an 'at a glance' view.	Yes	No
5	Consider whether mapping of strategic risks against the Council's strategic priorities would be useful for management in monitoring and reporting on risks	Improvement	March 2022	In response, the Council stated that the strategic risks are reported in a way that covers the spectrum of the Council's strategic priorities. Since many risks span more than one priority, mapping is unlikely to show clear links between risk and priorities.	Yes	No

# Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
6	Consider whether the Audit Committee would benefit by carrying out a self-assessment of the effectiveness of the Committee as per guidance issues by the National Audit Office (NAO).	Improvement	March 2022	This has not yet been undertaken. Therefore, we have made this recommendation in our 2021/22 report.	No	Yes – we maintain the recommendation that this should be carried out
7	The Council should consider agreeing an entity-level Procurement Strategy.	Improvement	March 2022	The Council articulated that due to the ongoing Procurement Modernisation Programme, the current implementation of an entity-level procurement strategy would not be appropriate. Furthermore, there is a procurement strategy in place within the Orbis agreement which includes ESCC.	Yes	No
8	We would recommend that given the complexity of contract management, the Council reviews the effectiveness of the training given and continues to keep under review the need to deliver further training in contract management and procurement as necessary.	Improvement	March 2022	This has been undertaken but the Council recognise that there is still room for improvement with contract management. Therefore, we have made this recommendation in our 2021/22 report.	No	Yes – we maintain the recommendation that this should be carried out
9	The Council should consider additional reporting of the progress/risks/milestones in the MBOS project to Cabinet.	Improvement	March 2022	In our review, we noted appropriate governance arrangements for the MBOS programme that includes reporting to Audit Committee and Cabinet. There is an Audit Committee sub-group specifically for the MBOS programme, and within the programme there are appointed workstream leads alongside a full time Programme Manager and Programme Lead. These represents appropriate governance mechanisms.	Yes	No

# Opinion on the financial statements



## Audit opinion on the financial statements

Our audit of the Council's financial statements is ongoing following some delays in receiving responses to audit requests/queries in the area of land and building valuations. An indicative Audit Findings Report was issued to the November Audit Committee meeting and this set out the areas of delays and outstanding work, some of which remain ongoing at the date of issuing this report. We are in discussion with your finance team to agree arrangements to complete the audit.

## Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee in November 2022.

## Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

This work will be completed after the main audit of the financial statements is completed.

## Preparation of the accounts

The Council provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

There were some delays in receiving responses to our audit queries during the audit which have delayed this work. This particularly related to the area of land and buildings valuation where the Council's expert valuer has taken a long time to respond to queries, but also there were delays in responses by Council officers in this area. Our work in Land and buildings valuation is ongoing, and as a result the overall senior management review of the audit file has also been delayed until a completed audit file is ready for review. This means that in this senior management review there could be further queries raised.

## Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation



# Appendices

# Appendix A – Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



# Appendix B – An explanatory note on recommendations

A range of different recommendations can be raised by the Council’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	Yes	Financial Sustainability – page 10 and 11 Governance – page 14 Improving economy, efficiency and effectiveness – page 17 and 18



# Appendix C – Sources of evidence



## Staff involved

- Ian Gutsell, Chief Finance Officer
- Ros Parker, Chief Operating Officer
- Darron Cox, Head of Procurement, Orbis
- Rupert Clubb, Director of Communities, Economy and Transport
- Alison Jeffery, Director of Children's Services
- Mark Stainton, Director of Adult Social Care
- Philip Baker, Assistant Chief Executive
- Russell Banks, Chief Internal Auditor



## Documents Reviewed

### Financial Sustainability

- Medium Term Financial Plan
- Capital Programme
- Council Monitoring Quarterly Reports
- Statement of Accounts
- Council Plan 2022-23
- Budget Summary 2022-23
- Savings Schedules 2023-2025
- Reconciling Policy, Performance and Resources - State of the County report 2022
- Reserves and Budget Robustness Statement
- Treasury Management Strategy 2022-23

### Governance

- Pension Fund Risk Register
- ESCC Audit Plan 2021-22
- Annual Governance Statement 2021-22
- MBOS sub group audit committee update may 2022
- Strategic Risk Monitoring Q3 2021-22

- Strategic Risk Register Q1 2022-23

### Economy, Efficiency and Effectiveness

- Annual Progress Report of the Looked After Children's Service 2020-21
- Annual Progress Report on East Sussex County Councils Climate Emergency Plan – 30 September 2021
- Auditors Annual VFM Report on East Sussex County Council 2020-21
- Health and Social Care Integration – update for Cabinet 29 June 2021
- Highway Services Re-procurement Project – update for Cabinet 13 July 2021
- Home Care and Extra Care Contract Re-tender – update for Cabinet 30 September 2021
- Capital Programme update to Cabinet – 13 July 2021
- Capital Programme update to Cabinet 27 June 2022
- Local Cycling and Walking Infrastructure Plan – report to Cabinet 30 September 2021
- Orbis Internal Audit report – Procurement Data Analytics September 2022

# Appendix D - Key acronyms and abbreviations

The following acronyms and abbreviations have been used within this report

**ADASS** – Association of Directors of Adult Social Services

**AGN** – Auditor Guidance Note

**AGS** – annual governance statement

**CIPFA** – Chartered Institute of Public Finance and Accountancy

**CMT** – Corporate Management Team

**DLT** – Director Leadership Team

**ESCC** – East Sussex County Council

**IT** – Information Technology

**LED** – Light-emitting diode

**LEP** – Local Enterprise Partnership

**MBOS** – Modernising Back Office Systems

**MTFP** – Medium Term Financial Plan

**NAO** – National Audit Office

**RAG** – Red Amber Green rating

**RPPR** – Reconciling Policy, Performance and Resources

**SPACES** – Strategic Property Asset Collaboration in East Sussex



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**Report to:** Audit Committee

**Date of meeting:** 31 March 2023

**By:** Chief Finance Officer

**Title:** External Audit Progress Update 2021/22

**Purpose:** To provide the Committee with an update on Grant Thornton's progress with the 2021/22 audit

---

## **RECOMMENDATION:**

**The Committee is recommended to note the update.**

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### **1. Background**

- 1.1 The Audit Committee, at its meeting on 18 November 2022, received Grant Thornton's draft audit report for the audit of the 2021/22 Statement of Accounts. The national deadline for the closure of the audit for 2021/22 was 30 November 2022. Grant Thornton advised the Audit Committee in November that it would be likely, due to the work remaining, that the audit would not be completed by this deadline. Grant Thornton will attend the Audit Committee on 31 March 2023 to provide an update on the progress made in completing the 2021/22 audit.

### **2. Grant Thornton Progress Update 2021/22**

- 2.1 "Due to a significant delay in response primarily from the Council's professional valuer, but also on queries to the Council's officers regarding information about the revalued assets, our audit was placed on hold until we have received these responses. We have obtained some further responses on these audit queries in the last week of February 2023 and first week of March 2023, which was over 2 months after the information was requested. This being significantly after the period of audit fieldwork, we do not have audit team members available immediately to complete the work.
- 2.2 We are in discussions with your Finance Team and discussing internally with our firm's Resource Planning Team when audit team members can be identified to complete the audit. Note that Manager and Engagement Lead review of the audit file was also put on hold where significant risk areas of the audit could not be completed for review. When we identify the period to complete the audit, this review of the file could raise further audit queries in those areas of the audit."

### **3. Grant Thornton External Audit 2022/23**

- 3.1 "Although we have not been able to complete the 2021/22 audit, we will still progress planning processes for the 2022/23 Audit, with a view to issuing a 2022/23 Audit Plan by June 2023, which would ensure that we are able to start the audit in July 2023."

### **4. Conclusion and Recommendation**

- 4.1 The Committee is recommended to receive Grant Thornton's update and note the report.

**IAN GUTSELL**  
Chief Finance Officer

Contact Officer: Ian Gutsell, Chief Finance Officer  
Tel. No: 01273 481399  
Email: [ian.gutsell@eastsussex.gov.uk](mailto:ian.gutsell@eastsussex.gov.uk)

Local Member(s): All  
Background Documents  
None

Report to: **Audit Committee**

Date: **31 March 2023**

By: **Chief Operating Officer**

Title of report: **Internal Audit Progress Report – Quarter 3 (01/10/22 – 31/12/22)**

Purpose of report: **To provide Members with an update on all internal audit and counter fraud activity completed during the quarter, including a summary of all key findings. To also provide an update on the performance of the internal audit service during the period.**

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## **RECOMMENDATIONS: Committee Members are recommended to:**

- 1) Note the report and consider any further action required in response to the issues raised.
- 

### **1. Background**

1.1 This progress report covers work completed between 1 October 2022 and 31 December 2022.

### **2. Supporting Information**

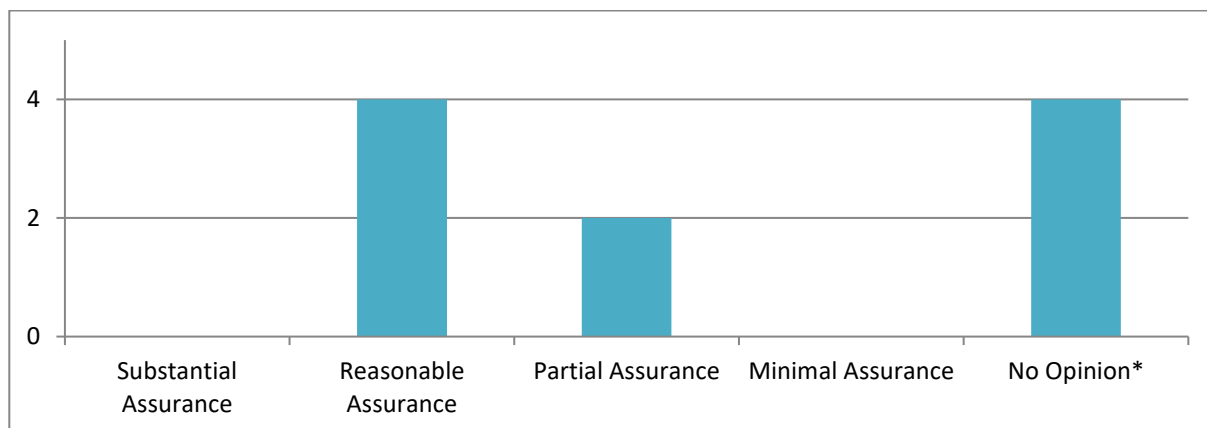
2.1 The current annual plan for internal audit is contained within the Internal Audit Strategy and Annual Plan 2022-23 which was approved by Audit Committee on 29 March 2022.

### **3. Conclusion and Recommendations**

3.1 Key audit findings from final reports issued during Quarter 3 are summarised in Annexe A.

3.2 Overall, of the six formal audits finalised during the quarter in which a formal audit opinion was given, four received an opinion of 'reasonable assurance' (one of which was a school) and two received opinions of 'partial assurance' including a follow-up review where the opinion remained unchanged. At the time of writing this report, there were nine audits at draft report stage awaiting finalisation (these are not included in the graph below and will be summarised in our Quarter 4 report).

#### Graph to show assurance levels of formal audits completed in Quarter 3



\* No opinion (4 areas): Typically, this tends to be proactive advice and support activity where, due to the advisory nature of the audit work, provision of formal assurance-based opinions is not appropriate. It also includes grant certification work.

3.3 Although the same range of internal audit opinions is issued for all audit assignments (where an opinion is relevant), it is necessary to also consider the level of risk associated with each area under review when drawing an opinion on the Council's overall control environment. **Taking into account these considerations, the Chief Internal Auditor continues to be able to provide assurance that the Council has in place an effective framework of governance, risk management and internal control.**

3.4 The overall conclusion above has, therefore, been drawn based on all audit work completed in the year to date and considers the management response to audit findings and the level of progress in subsequent implementation.

3.5 As at the end of Quarter 3, 92.9% (13 of 14) of high priority actions due had been implemented. Full implementation was not achieved as a result of one action having been only partially implemented. It relates to the need to provide additional oversight of major procurement activity, following an audit investigation relating to the re-procurement of a large framework agreement. Whilst some improvement action had been undertaken, further action is necessary to complete this (full details can be found in Section 3 of the report at Annexe A). This is something which will continue to be monitored and reported on throughout the year.

3.6 Formal follow-up reviews continue to be carried out for all audits where 'minimal assurance' opinions have been given and for higher risk areas receiving 'partial assurance'. Two follow-up reviews were completed during the quarter (included within the six opinion audits above). One of these (Building Condition Asset Management) has resulted in an improved audit opinion of reasonable assurance. However, the other (Vehicle Use) remains unchanged at partial assurance where we found that, despite the agreed action being taken by the service, compliance with guidance in relation to the use of vehicles across departments remains low. Further detail on this can be found in Section 1.26 of the report at Annexe A.

3.7 Progress against our performance targets (focussing on a range of areas relating to our service) can also be found in Annexe A (section 5). All but one of these are rated as green and on track. The one area relates to action tracking, as above.

**ROS PARKER**  
**Chief Operating Officer**

Contact Officers: Russell Banks, Orbis Chief Internal Auditor, Tel: 07824 362739,  
Nigel Chilcott, Audit Manager, Tel: 07557 541803

**BACKGROUND DOCUMENTS:**

None



# Internal Audit and Counter Fraud Quarter 3 Progress Report 2022/23

## CONTENTS

1. Summary of Completed Audits
2. Counter Fraud and Investigation Activities
3. Action Tracking
4. Amendments to the Audit Plan
5. Internal Audit Performance

## 1. Summary of Completed Audits

### Building Condition Asset Management Follow-Up

1.1 In 2018/19, an audit was conducted to assess the adequacy of the arrangements in place to maintain the Council's properties and to ensure that property assets comply with relevant health and safety regulations. In completing this work, we were only able to provide an audit opinion of partial assurance, with a number of areas for improvement being identified, including the need to:

- Carry out a full programme of building condition surveys across the estate to facilitate an effective preventative maintenance programme; and
- Consolidate property records held across a number of different platforms which, at the time, was making them more difficult to access, subsequently impacting on management's ability to make informed decisions.

1.2 The purpose of our follow-up review was to assess the extent to which the actions agreed with management to improve control had been implemented. Having reviewed the action taken, we were able to provide a revised opinion of **reasonable assurance**. We found that the commissioning and procurement of a programme of condition surveys across the estate was completed, and this programme was subsequently carried-out between 2019 and 2021. We also found that, through the implementation of Tech Forge (the new Property Asset Management System), information is generally held centrally and is accessible to authorised officers.

1.3 Only one issue was identified where improvement was necessary. This related to the need to ensure information and records relating to non-maintenance work completed are also easily accessible and held in one place to facilitate decision-making, where currently it can be held on several platforms to allow access by teams across the Council. In response, management have agreed to address this through the further consolidation of information to as few platforms as possible.

### i-Connect Application Audit

1.4 i-Connect is the cloud-based portal used by organisations, including ESCC, that are part of the East Sussex Pension Fund (ESPF) to help manage the flow of employee information and changes from payroll to the pensions administrator system (Altair). ESPF is keen to roll-out i-Connect to all employers within the ESPF by 31st March 2023 and ESPF have their own "employer on-boarding" manual/guide.

1.5 The purpose of this review was to provide assurance that:

- Access is restricted to appropriately authorised individuals and the permissions provided to those users are in line with job functions;
- Data processed through interfaces is authorised, accurate, complete, securely processed and written to the appropriate file;

- Outputs produced are complete, accurate, reliable, distributed on time and with confidentiality where appropriate;
- Updates and enhancements are performed in a consistent manner and subject to sufficient testing and authorisation before implementation, and;
- Appropriate support arrangements are in place to manage changes within the application.

1.6 In providing an opinion of **reasonable assurance**, we found a number of areas of good practice, including that:

- A system owner has been assigned;
- A contract is in place between the ESPF and the provider which details service requirements and responsibilities;
- The Information Security Team is aware of the i-Connect portal and a technical risk assessment is planned imminently;
- Appropriate access controls are in place, with the use of complex passwords and different levels of access;
- Full administrative rights are restricted to a small number of users within the ESPF administration team;
- Employer i-Connect users are only able to view information that is applicable to their organisation;
- Data validation takes place within i-Connect using set tolerance levels; and
- Appropriate detail and support is provided to the ESPF and onboarded employees, for scheduled and completed updates.

1.7 Only minor areas for improvement were identified and actions to address these were agreed with management.

### **Modernising Back Office Systems (MBOS)**

1.8 The MBOS programme was approved by the Corporate Management Team (CMT) in September 2019 to enable the Council to go to market for a replacement to the current version of SAP. Following a procurement process, Oracle Fusion was selected as the replacement.

1.9 Whilst our planned work has been paused to reflect delays in programme delivery, we continue to provide ad-hoc advice, support and guidance to the Programme Board, Programme Director, key workstreams and key stakeholders.

1.10 Plans to continue to deliver a programme of work to support the implementation of the system remain in place and timelines will be updated to reflect the revised programme timetable.

### **LCS / ContrOCC**

1.11 The Liquid Logic Children's System (LCS) is the Council's records/case management and authorisation system for children in need, looked after children and adoption, whilst ContrOCC is the

Council's contracts and budget management system for Children's Social Care clients. The system is used to make payments to care providers. An automated interface allows LCS and ContrOCC to share key information. In 2020/21, £30 million was paid to care providers in over 57,000 payments from ContrOCC.

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

- Robust system administration controls ensure that access to the system is secure (including any third-party access);
- Service provision only takes place after appropriate approval has been received;
- Payments are complete, accurate and timely, and are only made to genuine providers of care in respect of approved services provided to ESCC care clients;
- Scheduled system processes are adequately controlled to ensure that automated interfaces between ContrOCC and SAP run complete and as expected; and
- Client contributions are correctly calculated, received in full, and accurately recorded.

1.13 As a result of our work, we were able to provide an opinion of **reasonable assurance**. We found that the system maintains adequate audit trails for all users, that management are required to approve payments before they are made with sufficient reminder processes in place to reduce delays, and that there are robust controls to prevent duplicate accounts from being created.

1.14 Whilst, generally, we found robust controls in place, some areas for improvement were identified. These included ensuring that:

- New user account requests are supported by appropriate authorisation;
- Inactive users (those who have not used the system in three months) are removed; and
- Guidance documents are up-to-date with appropriate version control, and sensitive information is removed from these.

1.15 Actions to address these issues were agreed with management within a formal management action plan.

### Children's Data Handling

1.16 It is important for organisations to ensure that data is retained, handled, and held securely over its entire life cycle. Data handling and data integrity controls are important to ensure the data is managed appropriately in a secure environment and is accurate and reliable. Within Children's Services, front-line staff use a number of tools to obtain records relating to the service users in a digital format, including audio recording and video recording, photographs etc.

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

- Clear roles and responsibilities are in place to ensure the accountability for data access;

- There are documented retention and disposal procedures to include provision for permanent preservation of archival material and secure disposal of information at the end of its life;
- Processes and procedures are in place to ensure information is secure from accidental alteration or erasure, and the accuracy and reliability of data provided to management that will be used to inform decisions; and
- Clear policy, guidance and training is available to Council officers in relation to the information/data handling of personal and/or sensitive information and keeping responsibilities, through learning or awareness programmes and guidance.

1.18 In completing this work, we were only able to provide an audit opinion of **partial assurance**. We found that, whilst there are sufficient controls in place over the service's case management system, Liquid Logic, including in relation to the restriction of records, user access to the system, and monitoring of amendments to client records, there were areas where controls could be improved through ensuring that:

- There is appropriate guidance in place for staff over the handling of video, photo and voice media relating to service users;
- There is appropriate guidance in place in relation to how videos, photos and voice media relating to service users are obtained and retained in accordance with relevant data protection legislation; and
- Policies and guidance relation to data handling are up-to-date, and that staff are required to formally confirm that they have read and understood these.

1.19 A formal management action plan to address the issues identified was agreed with management. We will conduct a follow-up review in 2023/24 to assess the extent to which the agreed improvement actions have been implemented.

### **UK Community Renewal Fund**

1.20 The UK CRF invests in skills, community and place, local business, and supports people into employment. The Fund is managed by the Department for Levelling up, Housing and Communities (DLUHC) working in collaboration with local partners and communities across England, Wales, Scotland and Northern Ireland.

1.21 ESCC was assigned as a lead authority to issue invitations for bids within East Sussex, and to assess and submit a shortlist of bids/projects to the DLUHC. In 2021, the Council submitted eligible bids which, in its view, most strongly met the fund and local priorities. When this was taking place, we reviewed the arrangements to ensure that procedures for bid applications from project deliverers were in accordance with government guidelines, that the application process developed was clear and accessible, and that the assessment and selection process was fair and transparent. As reported to Audit Committee previously (in our 21/22 Q1 Progress Report), we found robust arrangements in place over these areas, with a small number of opportunities for improvement which were agreed with management.

1.22 More recently, we have reviewed the adequacy of the monitoring arrangements in place within the Council to ensure that the projects selected to receive funding are complying with the terms and conditions of the agreements. As per our previous review, this was advisory work with no audit opinion. It was undertaken with the aim of supporting the project in ensuring robust monitoring arrangements are in place to reduce the associated risks of projects not being delivered and/or an inability to reclaim funding at the end of the delivery period / funding being withdrawn.

1.23 Overall, we found a number of areas of good practice, including the monitoring, and financial monitoring of projects, with project deliverers being required to provide updates on project delivery against agreed milestones, for review.

1.24 Some areas for improvement were, however, identified, where there is a need to ensure that project deliverers comply with key conditions of the grant funding agreements, including that they have sufficient levels of insurance, an appropriately managed conflict of interest process, are maintaining records relating to the UK CRF for the specified period, and sound administration and audit processes.

1.25 Actions to address these areas have therefore been agreed with management who have committed to ensuring appropriate monitoring and necessary processes are in place moving forward.

#### **Council Vehicle Use Follow-Up**

1.26 An audit of Council Vehicle Use was completed in 2020/21 following allegations of inappropriate use. An audit opinion of partial assurance was given due to weaknesses in control. Specifically, that, where Council vehicles were being used, vehicle mileage logs were not always being completed properly, meaning that it was difficult to confirm that vehicles were only being used for official Council business. In addition, we found that guidance over Council vehicle use required updating to provide clarity over managers' responsibilities to ensure mileage logs are retained and reconciled to journeys undertaken.

1.27 We have, therefore, undertaken a follow-up review to assess the extent that the actions to improve control, agreed with management in the original audit, had been implemented. Whilst it is acknowledged that this is not a strategic risk for the Council or an area of high materiality, it is important that Council vehicles are only used for official Council business, where inappropriate use has reputational and financial implications.

1.28 In completing this follow-up review, we were only able to provide an unchanged opinion of **partial assurance**. One of the key actions agreed in the original audit was that the Fleet Management Team within Communities, Economy and Transport (CET) would issue an awareness email to provide clear guidance over the use of vehicles, including reminders to line managers to retain and review vehicle mileage logs and fuel receipts, and to undertake reconciliations of journeys made. This was duly actioned.

1.29 However, our work found that compliance with the guidance within departments remains low. We found that vehicle mileage logs continue to be poorly completed, and reconciliation of fuel



receipts to mileage logs is not always being carried out, therefore reducing the ability to be able to verify the legitimacy of vehicle use. Services are also not always checking the driving licences and insurance details of their staff to ensure their suitability to drive on official Council business.

1.30 In discussing these issues with management, it was agreed that further targeted communication would be issued to the Heads of Service where non-compliance was identified within their teams, clearly outlining expectations and requirements, and guidance further clarified where appropriate.

### School Audit Work

1.31 We have a standard audit programme in place for all school audits, with the scope of our work designed to provide assurance over key controls operating within schools. The key objectives of our work are to ensure that:

- Governance structures are in place and operate to ensure there is independent oversight and challenge by the Governing Body;
- Decision making is transparent, well documented and free from bias;
- The school is able to operate within its budget through effective planning;
- Unauthorised or inappropriate people do not have access to pupils, school systems or the site;
- Staff are paid in accordance with the schools pay policy;
- Expenditure is controlled and funds are used for an educational purpose. The school ensures value for money on contracts and larger purchases;
- All income due to the school is collected, recorded and banked promptly;
- All Voluntary Funds are held securely, and funds are used in accordance with the agreed aims; and
- Security arrangements keep data and assets secure and are in accordance with data protection legislation.

1.32 At the time of writing, school audits are being undertaken through remote working arrangements.

1.33 The table below shows a summary of the one school review completed in Q3, together with the final level of assurance it received and areas for improvement.

Name of School	Audit Opinion	Areas Requiring Improvement
Maynards Green Follow Up	Reasonable Assurance (was previously minimal assurance)	<ul style="list-style-type: none"> <li>• Safe keys to be removed from premises overnight and list of key holders to include safe keys;</li> <li>• Asset register to be maintained and reviewed annually;</li> </ul>



Name of School	Audit Opinion	Areas Requiring Improvement
		<ul style="list-style-type: none"> <li>• Develop and implement a capital plan for premises and assets;</li> <li>• Ensure purchase orders are always raised and appropriately authorised prior to goods and services being ordered from suppliers;</li> <li>• Complete and maintain a contract register.</li> </ul>

## **Grants Related Audit Work**

### **Supporting Families**

1.34 The Supporting Families (SF) programme has been running in East Sussex since January 2015 and is an extension of the original Troubled Families 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 Department of Levelling Up, Housing and Communities (DLUHC), based on the level of engagement and evidence of appropriate progress and improvement.

1.35 Children's Services submit periodic claims to the DLUHC to claim grant funding under its 'payment by results' scheme. The DLUHC requires Internal Audit to verify 10% of claims prior to the Local Authority's submission of its claim. We therefore reviewed 7 of the 71 families included in the October/December 2022 grant cohort.

1.36 In completing this work, we found that valid 'payment by results' (PbR) claims had been made and outcome plans had been achieved and evidenced. All the families in the sample of claims reviewed had firstly met the criteria to be eligible for the SF programme and had either 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 SF grant determination programme had been complied with.

## **2. Counter Fraud and Investigation Activities**

### **Counter Fraud Activities**

2.1 We supported Fraud Awareness week in November 2022 through producing and publishing on the intranet, a fraud awareness bulletin which focussed on current emerging risks. The team also continue to monitor intel alerts and share information with relevant services when appropriate.

## Summary of Completed Investigations

2.2 Following an allegation that an employee was submitting excessive overtime claims, we conducted an analysis of claim forms and rota information. However, due to poor record keeping by the service, we were unable to establish whether any overpayments had occurred. Because of this, no action was taken against the member of staff, but the managers responsible for approving claims within the team are being performance managed to ensure that claims are properly checked before being approved for payment. To assist with this, Human Resources have worked with the service to implement a more robust and clear rota system. Audit work is planned early in 2023/24 to confirm that proper processes and controls are in place and being complied with.

### 3. Action Tracking

3.1 All high priority actions agreed with management as part of individual audit reviews are subject to action tracking, whereby we seek written confirmation from services that these have been implemented. As at the end of quarter three, 92.9% (13 of 14) of high priority actions due had been implemented.

3.2 The one action outstanding relates to the work we completed in relation to the re-procurement of a large framework agreement within the Council (as reported to Audit Committee in our 21/22 Q3 progress report), where we had received an allegation of improper procurement practices. Whilst we concluded that the procurement was carried out fairly and complied with Public Contract Regulations, we identified areas to strengthen governance arrangements around procurement. One of these was to provide additional oversight of major procurement activity through the introduction of the Orbis Procurement Approval Group (OPAG) which would provide an additional level of quality assurance.

3.3 At the time of this report, the action had only been partially implemented. The implementation of a new project management system in the Procurement Team has improved oversight, but the proposed OPAG is now to be replaced by a Procurement Review Board, which is due to be implemented in March 2023.

### 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:

Review	Rationale for Addition
Ukraine	Support and advice in relation to cash payments to Ukrainian guests.
Broadband Grant	Additional grant that required certification.

Review	Rationale for Addition
Covid Bus Services Support Grant 22/23	New grant that required certification.
Additional Dedicated Home to School and College Transport Grant 22/23	New grant that required certification.
Department for Levelling Up, Housing and Communities Deep Dive	The provision of support to CET who were compiling a response to DLUHC, which was carrying out a detailed review of expenditure made under grants that were disbursed through the Council.
Reporting Services Database	Informed of a potential system issue which could have resulted in a significant data breach.
Appointeeships and Deputyships	A new review requested by management to provide assurance over the Council's management of clients' financial affairs, where individuals no longer have the mental capacity to do so themselves.

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 2023/24 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:

Planned Audit	Rationale for Removal
ASC Charging Reform	In November 2022, there was an announcement of a delay to the implementation of the charging reforms and there is some uncertainty as to how and when this will progress.
Beacon/Grove Park Project – Project Management	The project has not progressed as expected with little to review to date.
Edge of Care Programme	Whilst we will continue working to understand where we can add value on this programme, no focus areas for review have been identified to date.
Kofax IT Application Audit	A lower priority/risk audit in the original 22/23 audit plan which has been replaced in-year where emerging risks and ad-hoc pieces of work have superseded it.
Proactis IT Application Audit	A lower priority/risk audit in the original 22/23 audit plan which has been replaced in-year where emerging risks and ad-hoc pieces of work have superseded it.

4.3 The following audit work is currently in progress (including those at draft report stage, as indicated) or is scheduled for quarter 4:

In Progress:

- Public Health Grant (draft report)
- Climate Change (draft report)
- Accounts Receivable (draft report)
- Meta Compliance IT Application Audit (draft report)
- Contract Management Group Cultural Compliance Follow Up (draft report)
- MBOS Security, Roles and Permissions (draft report)
- Use of Consultants (draft report)
- Pension Fund Cash Management (draft report)
- IT Asset Procurement (Value for Money) – (draft report)
- Contract Management
- Adult Safeguarding
- Accounts Payable
- Payroll
- Administration of Pension Benefit Payments
- Pension Fund Investments and Accounting
- External Funding - Grants and Loans
- South Malling School
- Little Horsted School
- Westfield School
- Cyber Security
- Techforge IT Application Audit

Scheduled:

- Financial and Benefit Assessments
- Corporate Governance
- Health and Safety
- Waste Management
- Appointeeships and Deputyships
- Home to School Transport Follow Up
- MBOS Key Control Work – Phase 2
- Pension Fund Cyber Security Arrangements
- Procurement of IT Systems
- Mobile Device Management
- Information Governance – Subject Access Requests and Freedom of Information Reporting Arrangements

- MBOS Business Continuity Arrangements
- Project Asset Management System – Rent Payments and Collection
- Project Asset Management System – Project Management
- Tollgate School

## 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 (RAG)	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee	By end April	<b>G</b>	The Annual Plan was and approved by the Audit Committee on 29 March 2022.
	Annual Audit Report and Opinion	By end July	<b>G</b>	The Annual Report and Audit Opinion was approved by the Audit Committee on 8 July 2022.
	Customer Satisfaction Levels	90% satisfied	<b>G</b>	100%
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	<b>G</b>	76.9% achieved to the end of Q3, against a Q3 target of 67.5%.
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	<b>G</b>	Dec 2022 - External Quality Assurance completed by the Chartered Institute of Internal Auditors (IIA). Orbis Internal Audit assessed as achieving the highest level of conformance available against professional standards with no areas of non-compliance identified, and therefore no formal recommendations for improvement arising. In summary the service was

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score (RAG)	Actual Performance
				<p>assessed as:</p> <ul style="list-style-type: none"> <li>• Excellent in: Reflection of the Standards Focus on performance, risk and adding value</li> <li>• Good in: Operating with efficiency Quality Assurance and Improvement Programme</li> <li>• Satisfactory in: Coordinating and maximising assurance</li> </ul>
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms	<b>G</b>	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	<b>A</b>	92.9% - see Section 3 above.
Our staff	Professionally Qualified/Accredited	80%	<b>G</b>	90%

## Audit Opinions and Definitions

Opinion	Definition
<b>Substantial Assurance</b>	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Reasonable Assurance</b>	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Partial Assurance</b>	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.
<b>Minimal Assurance</b>	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: **31 March 2023**

By: **Chief Operating Officer**

Title of report: **Internal Audit Strategy and 2023/24 Annual Audit Plan**

Purpose of report: **To present the Council's Internal Audit Strategy and 2023/24 Annual Audit Plan**

---

**RECOMMENDATIONS: Committee Members are recommended to:**

- 1) Review and endorse the Council's Internal Audit Strategy and 2023/24 Annual Audit Plan;
  - 2) Review and endorse the Internal Audit Charter.
- 

**1. Background**

1.1 The Council's Internal Audit Strategy and 2023/24 Annual Audit Plan (Annex A and Appendix A) sets out how the Council will meet its statutory requirements for internal audit, as defined within the Accounts and Audit Regulations 2015. The plan focusses primarily on core assurance areas (such as all key financial systems), high-priority areas, known key priority projects/programmes, and grant claims, with the remainder of the direct audit days earmarked as emerging risks/contingency.

1.2 The plan has been developed in consultation with departments. A workshop was also held with members of the Audit Committee on 31 January 2023 and comments made have been fed into the planning process.

**2. Supporting Information**

2.1 The Strategy and Plan will be delivered in line with proper internal audit practices as set out within the Public Sector Internal Audit Standards (PSIAS).

2.2 The Internal Audit Charter sets out the scope and responsibility of internal audit. It is attached to this report as Appendix B.

**3. Conclusion and Recommendations**

3.1 Members are recommended to review and endorse the Internal Audit Strategy and Plan, and the Internal Audit Charter.

**ROS PARKER**  
**Chief Operating Officer**

Contact Officers: Russell Banks, Orbis Chief Internal Auditor, Tel: 07824 362739,  
Nigel Chilcott, Audit Manager, Tel: 07557 541803

**BACKGROUND DOCUMENTS:**

None



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# Internal Audit Strategy and Annual Audit Plan 2023-2024

## 1. Role of Internal Audit

1.1 The full role and scope of the Council's Internal Audit Service is set out within the Internal Audit Charter and Terms of Reference (attached as Appendix B).

1.2 The mission of Internal Audit, as defined by the Chartered Institute of Internal Auditors (CIIA), is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. Internal Audit is defined as *"an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."*

1.3 The organisation's response to internal audit activity should lead to a strengthening of the control environment, thus contributing to the overall achievement of organisational objectives.

## 2. Risk Assessment and Audit Planning

2.1 East Sussex County Council's Internal Audit Strategy and Annual Audit Plan is updated annually and is based on a number of factors, especially management's assessment of risk (including that set out within the strategic and departmental risk registers) and our own risk assessment of the Council's major systems and other auditable areas. This allows us to prioritise those areas to be included within the audit plan on the basis of risk.

2.2 The annual planning process has once again involved 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. In order to ensure that the most effective use is made of available resources, to avoid duplication and to minimise service disruption, efforts will continue to be made to identify, and where possible, rely upon, other sources of assurance available. The following diagram sets out the various sources of information used to inform our 2023/24 audit planning process:



2.3 Through this process, we have been able to identify key areas for audit activity in 2023/24, including strategic risks and issues, key priority projects and programmes, priority service reviews, key financial systems, and grant claims. The remainder of the direct audit days are earmarked as emerging risks/contingency which enables us to respond to the rapidly changing risk landscape across the Authority.

2.4 In order to ensure audit and assurance activity is properly focussed on supporting the delivery of the Council's priorities, the audit plan has taken into account the key corporate priority outcomes of the Council as set out within the Council Plan. These are:

- Helping people help themselves;
- Keeping vulnerable people safe;
- Driving sustainable economic growth; and
- Making best use of resources in the short and long term.

2.5 In producing the audit plan (which is set out in Appendix A to this report) the following key principles continue to be applied:

- Key financial systems are subject to a cyclical programme of audits covering, as a minimum, compliance against key controls;
- Previous reviews which resulted in 'minimal assurance' or 'partial assurance' audit opinions will be subject to a specific follow-up review to assess the effective implementation by management of agreed actions; and
- Any reviews which we were unable to deliver during the previous financial year will be considered once again as part of our audit planning risk assessment, and prioritised as appropriate.

2.6 It should be noted that the 2023/24 audit plan is more flexible than ever before. This is in part due to uncertainties over timing of the go-live of the new ERP system, and also because the changing nature of the risk landscape across the public sector. Given the likelihood of the plan needing to flex within the year ahead we have identified, at the end of Appendix A, a number of additional audit assignments that may, on a risk-prioritized basis, be drawn into our workload if planned audits are postponed or cancelled.

2.7 In addition, formal action tracking arrangements are in place to monitor the implementation by management of all individual high-priority agreed actions, with the results of this work reported to CMT and the Audit Committee on a quarterly basis.

2.8 Since 2018, East Sussex County Council, Surrey County Council and Brighton and Hove City Council have been working together to establish and develop the Orbis Internal Audit Partnership. In doing this, we are able to deliver high quality and cost effective assurance services to each partner, drawing upon the wide range of skills and experience from across the various teams. The size and scale of the partnership has also enabled us to invest in specialist IT Audit and Counter Fraud services, to the benefit of each partner council and external fee paying client.

### 3. Key Issues

3.1 In times of significant transformation, organisations must both manage change effectively and ensure that core controls remain in place. In order to respond to the continued reduction in financial resources and the increased demand for services, the Council needs to consider some radical changes to its service offer in many areas.

3.2 Internal Audit must therefore be in a position to give an opinion and assurance that covers the control environment in relation to both existing systems and these new developments. It is also essential that this work is undertaken in a flexible and supportive manner, in conjunction with management, to ensure that both risks and opportunities are properly considered. During 2023/24, a number of major organisational initiatives and/or risks will feature within the audit plan, with the intention that Internal Audit is able to provide proactive advice, support and assurance as these programmes progress. These include:

- Modernising Back Office Systems (MBOS) programme (SAP replacement)
- Adult Social Care and Health – Regulatory Changes
- Workforce Capacity and Working Arrangements
- Managing Service Demand
- Supplier Failure
- Ukraine Funding
- Health and Safety
- Highways Maintenance Contract Management
- Recovery and Resilience (including Cyber Security) Arrangements

3.3 As explained previously, in recognition of current uncertainties and that in some cases, sufficient information regarding the full extent of future changes and associated risks may not yet be known, the 2023/24 audit plan will, as in previous years, include a proportion of time classified as ‘Emerging Risks’. This approach has been adopted to enable Internal Audit to react appropriately throughout the year as new risks materialise and to ensure that expertise in governance, risk and internal control can be utilised early in the change process.

3.4 In view of the above, Internal Audit will continue to work closely with senior management and Members throughout the year to identify any new risks and to agree how and where audit resources can be utilised to best effect.

3.5 Other priority areas identified for inclusion within the audit plan include:

- Procurement Regulatory Changes
- Property Services Programme Management
- Adult Social Care Debt Management and Recovery
- Schools
- Childrens Services Quality Assurance Framework

3.6 The results of all audit work undertaken will be summarised within quarterly update reports to CMT and the Audit Committee, along with any common themes and findings arising from our work.

#### 4. Counter Fraud

4.1 Managing the risk of fraud and corruption is the responsibility of management. Internal Audit will, however, be alert in all its work to risks and exposures that could allow fraud or corruption and will investigate allegations of fraud and corruption in line with the Council's Anti-Fraud and Corruption Strategy.

4.2 The Chief Internal Auditor should be informed of all suspected or detected fraud, corruption or irregularity in order to consider the adequacy of the relevant controls and evaluate the implication for their opinion on the control environment.

4.3 In addition, Internal Audit will promote an anti-fraud and corruption culture within the Council to aid the prevention and detection of fraud. Through the work of the Counter Fraud Team, Internal Audit will maintain a fraud risk assessment and deliver a programme of proactive and reactive counter fraud services to help ensure that the Council continues to protect its services from fraud loss. This will include leading on the National Fraud Initiative data matching exercise on behalf of the Council.

#### 5. Matching Audit Needs to Resources

5.1 The overall aim of the Internal Audit Strategy is to allocate available internal audit resources so as to focus on the highest risk areas and to enable an annual opinion to be given on the adequacy and effectiveness of the Council's governance, risk and control framework.

5.2 In addition to this, resources have been allocated to the external bodies for whom Orbis Internal Audit also provide internal audit services, at an appropriate charge. These include Horsham District Council, Elmbridge District Council, East Sussex Fire Authority and South Downs National Park.

5.3 Internal audit activities will be delivered by a range of staff from across the Orbis Internal Audit Service, maximising the value from a wide range of skills and experience available. In the small number of instances where sufficient expertise is not available from within the team, mainly in highly technical or specialist areas, the option of engaging externally provided specialist resources will continue to be considered.

5.4 The following table summarises the level of audit resources expected to be available for the Council in 2023/24 (expressed in days), compared to the equivalent number of planned days in previous years. As can be seen, there is a slight reduction in the number of planned days from 2022/23 to reflect current recruitment challenges. We see this as a temporary adjustment to ensure prudent planning in 2023/24. It is not a reflection of any change in risk profile of the organisation and we anticipate resource levels returning to previous levels in future years. In the

meantime, wherever possible, we will look to source additional capacity from outside of the service. It should also be noted that part of the reduction in days relates to reduced pension fund coverage (from 100 to 75 days) as agreed with the Chief Finance Officer. Despite the minor reduction, the overall level of planned resource continues to be considered sufficient to allow Internal Audit to deliver its risk-based plan in accordance with professional standards<sup>[1]</sup> and to enable the Chief Internal Auditor to provide his annual audit opinion.

**Table 1: Annual Internal Audit Plan – Plan Days**

	2020/21	2021/22	2022/23	2023/24
<b>ESCC Audit Plan Days</b>	1,350	1,495	1,495	1,445
<b>East Sussex Pension Fund Plan Days</b>	100	100	100	75
<b>Total</b>	<b>1,450</b>	<b>1,595</b>	<b>1,595</b>	<b>1,520</b>

## 6. Audit Approach

6.1 The approach of Internal Audit is to use risk-based reviews, supplemented in some areas by the use of compliance audits and themed reviews. All audits have regard to management's arrangements for:

- Achievement of the organisation's objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

6.2 In addition to these audits, and the advice on controls given on specific development areas which are separately identified within the plan, there are a number of generic areas where there are increasing demands upon Internal Audit, some of which cannot be planned in advance. For this reason, time is built into the plan to cover the following:

- Contingency – an allowance of days to provide capacity for unplanned work, including special audits and management investigations. This contingency also allows for the completion of work in progress from the 2022/23 plan;
- Advice, Management, Liaison and Planning - an allowance to cover provision of ad hoc advice on risk, audit and control issues, audit planning and annual reporting, ongoing liaison with service management and Members, and audit management time in support of the delivery of all audit work, planned and unplanned.

6.3 In delivering this strategy and plan, we will ensure that liaison has taken place with the Council's external auditors, Grant Thornton, to ensure that the use of audit resources is maximised, duplication of work is avoided, and statutory requirements are met.

<sup>[1]</sup> Public Sector Internal Audit Standards (PSIAS)  
East Sussex County Council

## **7. Training and Development**

7.1 The effectiveness of the Internal Audit Service depends significantly on the quality, training and experience of its staff. Training needs of individual staff members are identified through a formal performance and development process and are delivered and monitored through on-going management supervision.

7.2 The team is also committed to coaching and mentoring its staff, and to providing opportunities for appropriate professional development. This is reflected in the high proportion of staff holding a professional internal audit or accountancy qualification as well as numerous members of the team continuing with professional training during 2023/24.

## **8. Quality and Performance**

8.1 With effect from 1 April 2013, all of the relevant internal audit standard setting bodies, including CIPFA, adopted a common set of Public Sector Internal Audit Standards (PSIAS). These are based on the Institute of Internal Auditors International Professional Practices Framework and replace the previous Code of Practice for Internal Audit in Local Government.

8.2 Included within the new Standards is the requirement for the organisation to define the terms 'Board' and 'senior management' in the context of audit activity. This has been set out within the Internal Audit Charter, which confirms the Audit Committee's role as the Board.

8.3 The PSIAS require each internal audit service to maintain an ongoing quality assurance and improvement programme based on an annual self-assessment against the Standards, supplemented at least every five years by a full independent external assessment. The outcomes from these assessments, including any improvement actions arising, will be reported to the Audit Committee, usually as part of the annual internal audit report. The results of our latest external assessment, completed by the Chartered Institute of Internal Auditors (IIA) in autumn 2022, are being reported to Audit Committee in March 2023.

8.4 For clarity, the Standards specify that the following core principles underpin an effective internal audit service:

- Demonstrates integrity;
- Demonstrates competence and due professional care;
- Is objective and free from undue influence (independent);
- Aligns with the strategies, objectives, and risks of the organisation;
- Is appropriately positioned and adequately resourced;
- Demonstrates quality and continuous improvement;
- Communicates effectively;
- Provides risk-based assurance;
- Is insightful, proactive, and future-focused;
- Promotes organisational improvement.



8.5 In addition, the performance of Orbis Internal Audit continues to be measured against key service targets focussing on service quality, productivity and efficiency, compliance with professional standards, influence and our staff. These are all underpinned by appropriate key performance indicators as set out in Table 2 below.

8.6 At a detailed level, each audit assignment is monitored and customer feedback sought. There is also ongoing performance appraisals and supervision for all Internal Audit staff during the year to support them in achieving their personal targets.

8.7 In addition to the individual reports to management for each audit assignment, reports on key audit findings and the delivery of the audit plan are made to the Audit Committee on a quarterly basis. An Annual Internal Audit Opinion is also produced each year.

8.8 Whilst Orbis Internal Audit liaises closely with other internal audit services through the Sussex and Surrey audit and counter fraud groups, the Home Counties Chief Internal Auditors' Group and the Local Authority Chief Auditors' Network, we are continuing to develop joint working arrangements with other local authority audit teams to help improve resilience and make better use of our collective resources.

**Table 2: Performance Indicators**

Aspect of Service	Orbis IA Performance Indicators	Target
<b>Quality</b>	<ul style="list-style-type: none"> <li>Annual Audit Plan agreed by Audit Committee</li> <li>Annual Audit Report and Opinion</li> <li>Satisfaction levels</li> </ul>	<p>By end April</p> <p>By end July. To inform Annual Governance Statement (AGS)</p> <p>90% satisfied</p>
<b>Productivity and Process Efficiency</b>	<ul style="list-style-type: none"> <li>Audit Plan – completion to draft report stage by 31 March 2024</li> </ul>	90%
<b>Compliance with Professional Standards</b>	<ul style="list-style-type: none"> <li>Public Sector Internal Audit Standards</li> <li>Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act</li> </ul>	<p>Conforms</p> <p>Conforms</p>
<b>Outcomes and degree of influence</b>	<ul style="list-style-type: none"> <li>Implementation of management actions agreed in response to audit findings</li> </ul>	97% for high priority actions

#### Our Staff

- Professionally Qualified/Accredited 80%

Russell Banks  
Orbis Chief Internal Auditor

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# INTERNAL AUDIT PLAN

## 2023/24



### Planned Audit Reviews

Review Name	Outline Objective
<b>Key Financial Systems</b>	
Accounts Payable (Procure to Pay)	To review compliance with key controls within the accounts payable system, including controls in place for ordering, the creation and maintenance of supplier details, goods receipting and the payment of invoices.
Accounts Receivable	To review compliance with key controls within the accounts receivable system including controls in relation to the accuracy of customer details, completeness, accuracy and timeliness of invoicing, recording and matching payments to invoices, and debt recovery.
Payroll	To review compliance with key controls within the payroll system, including controls in relation to pre-employment checks, starters, leavers, temporary and permanent variations of pay.
General Ledger	To review controls in relation to the Council's general ledger, including in relation to year-end procedures, journal transfers and bank reconciliation.
Treasury Management	To assess the adequacy of controls and procedures across the Council's treasury management arrangements, including in relation to cash flow forecasting, financial investments and use of treasury advisors.
Adult Social Care and Health (ASCH) Liquidlogic (LAS) and Controcc	To assess the adequacy of controls within the LAS (client information system for ASCH) and Controcc (the social payments and billing system), to provide assurance that payments are complete, accurate, timely and are only made to bona fide care providers, where approved services have been provided to ESCC care clients.
<b>East Sussex Pension Fund</b>	
Collection of Contributions	The Fund collects in excess of £130m annually in contributions, without access to prime accounting records to provide assurance that contributions have been collected accurately from all members of the scheme and have been paid over in full. We shall assess the availability and quality of sources of assurance over employers' payroll, and other systems for collecting and paying over employees' and employers' contributions.
Investments and Accounting	To provide assurance that fund managers and custodians have adequate controls in place over the Fund's investments, including in relation to the safeguarding and

# INTERNAL AUDIT PLAN

## 2023/24



Review Name	Outline Objective
	performance of investments, the valuation of assets, compliance with investment regulations and receipt of, and accounting for, investment income.
Cash Management	We shall review the arrangements in place to ensure the effective management of cash flow, including the Fund's ability to meet its liabilities when they fall due.
Administration of Pension Benefits	We shall review controls over the calculation and payment of pension benefits, transfers to and from the Pension Fund and the maintenance of the data.
<b>Key Governance Arrangements</b>	
Business Continuity Planning	To assess the adequacy of business continuity arrangements within the Council, including a review of overall governance arrangements, impact/risk assessments, and continuity planning.
Corporate Governance	To review the adequacy of corporate governance arrangements within the Council, including assessing the extent to which previously identified governance improvement actions have been implemented.
Risk Management	To assess the arrangements in place to identify, assess and mitigate risk across the organisation.
<b>Strategic Risks/Projects</b>	
Modernising Back Office Systems (MBOS)	We will continue to provide independent advice, support and challenge on risk, control, probity and governance issues in respect of this programme, including the provision of post go-live assurance activity as agreed with the Board.
Managing Service Demand	Increasing demand for statutory services continually puts pressure on Council budgets. We will review the actions being taken to manage this ongoing pressure against a sample of volatile budget areas.
Workforce Capacity and Working Arrangements	With the current challenges in being able to recruit and retain skilled staff, we will complete a review to assess the adequacy of arrangements in place within the Council to maximise its workforce capacity, including management of risks associated with potential single points of failure. The may also cover aspects of hybrid working arrangements.
Adult Social Care Regulatory Changes	During 2023/24, there will be significant areas of change in the area of Adult Social Care and Health, including integration with the NHS, Care Quality Commission Inspection Framework, Financial Services programme and the 'Being Digital' programme. We will work with management to identify and agree how best we can

# INTERNAL AUDIT PLAN

## 2023/24



Review Name	Outline Objective
	support these areas through the provision of audit advice, support and assurance.
Ukraine Funding	We will review the governance arrangements in place to provide assurance that government funding in relation to the Ukraine crisis is being properly managed and safeguarded.
Health and Safety Phase 2	Following our assessment of the framework of health and safety within the Council in 2022/23, we will undertake a review of overall compliance with this across the organisation.
Supplier Failure	A review to determine the resilience the Council has in the face of supplier failure. This review will seek to provide assurance on the controls to identify critical suppliers at risk of failure and to mitigate the effects of any failures that occur, including, where relevant, the wider supply chain.
Highways Maintenance Contract Management	A new contract for highways and infrastructure services has been awarded to Balfour Beatty Living Places Ltd. The contract, which will start from May 2023, will run for an initial seven years with an option to extend to a maximum of fourteen years. We will undertake a contract management review which will include the arrangements over governance, performance management, payment mechanisms and new processes.
Integrated Waste Management Services - Contract Management	ESCC and Brighton and Hove City Council have held a Private Finance Initiative with Veolia South Downs Ltd since 2003 for the delivery and operation of waste facilities, including recycling and disposal services for household waste across both authorities. We will audit the contract management arrangements for this contract.
<b>Other Known Areas of Risk</b>	
Procurement Regulatory Changes	Major changes to procurement regulations are expected in late 2023 which are likely to include more stringent transparency requirements. These will need to be reflected in the Council's own regulations, including Procurement and Contract Standing Orders. We will provide support and advice in relation to the updating of these.
Children's Disability Services – Direct Payments	To examine the system of control associated with the administration, payment and monitoring of direct payments within Children's Disability Services.
Children's Services – Quality Assurance Framework	In order to ensure that children and families in East Sussex receive a high quality service, robust quality assurance arrangements need to be in place. We will examine the

# INTERNAL AUDIT PLAN

## 2023/24



Review Name	Outline Objective
	underpinning principles and practices within the Children's Services quality assurance function and seek assurance over its effectiveness in driving improvement within service practice.
Adult Social Care and Health (ASCH) - Debt Management and Recovery	Due to the cost of living crisis, there has been an increase in the level of debt within ASCH. We will review the arrangements for debt management within the department, including the timeliness of invoicing, recording and matching of payments received to invoices and debt recovery.
Property Services Programme Management	To provide assurance that the overall programme of work within Property is effectively managed, including the planning, prioritisation and allocation of resources, and how overall performance and delivery is monitored.
Milton Grange Nursing Home - Cultural Compliance Audit	To provide assurance that management and financial controls are in place and operating effectively within the home, assessing compliance with key Council policies and procedures. Further similar reviews of other care homes may subsequently take place.
Mental Health Services - Compliance with Corporate and Local Procedures	To provide assurance that management and financial controls are in place and operating effectively within the Mental Health Service, assessing compliance with key Council policies and procedures, and also their own local procedures.
Parking – Procurement and Monitoring of External Service Providers	We will look to ensure that the engagement, through the Parking Team, of service providers for key parking related activities, complies with the Council's Procurement and Contract Standing Orders and other key Council policies. We will also assess the adequacy of monitoring arrangements in place to ensure providers are delivering services in accordance with contracts.
<b>School Audits</b>	
Schools	We will continue our audit coverage in schools which will involve a range of assurance work, including key controls testing in individual schools and follow-ups of previous audit work where appropriate. We will also work with our Orbis partners to provide information bulletins and guidance for schools on risk, governance and internal control matters.

# INTERNAL AUDIT PLAN

## 2023/24



Review Name	Outline Objective
<b>ICT Audit</b>	
Property Asset Management System (PAMS) Replacement	To provide pro-active support, advice and assistance to the property asset management system replacement programme, including the evaluation of the effectiveness of any key control changes arising from the implementation of the system.
Robotics (Governance Arrangements)	Robotic Process Automation (RPA) is a form of business process automation that allows a user to define a set of instructions for a robot to perform automatically, often repeating the task quickly. The review will evaluate the effectiveness of the controls to govern the use of Robotics within the Authority, including review of the controls to ensure the accuracy of all data processed by 'robots' and ensuring appropriate failure reports are built into the decision making routines.
Adult Services Data Handling	Social workers/safeguarding teams sometimes use video to record interviews and other interactions with service users. This audit will seek to ensure there is an appropriate Data Protection Impact Assessment (DPIA) in place and being complied with, appropriate permissions are sought, and data is encrypted in transit and deleted as appropriate.
Patch Management	We will review the controls in place to support effective patch management, ensuring that patches and system updates are tested prior to being applied and that patches are applied in a timely manner.
New Home to School Transport System	This application audit will review all major input, processing, and output controls, including access controls and the interfaces with other systems, and to ensure appropriate system ownership and responsibilities are known.
Recovery and Resilience (including Cyber Security) Arrangements	This audit will review the key controls operating to ensure that Council arrangements are resilient and robust in the event of a cyber attack or other technology-related outage. The audit will also seek assurance over controls to allow the Authority to recover from any technology-related disaster, focussing on corporate systems (supported by IT&D) as well as those procured and managed within departments.
<b>Follow-Up Reviews</b>	
Contract Management Group Cultural Compliance	A follow-up of the previous audit completed which received an audit opinion of partial assurance.
Climate Change	A follow-up of the previous audit completed which received an audit opinion of partial assurance.



# INTERNAL AUDIT PLAN

## 2023/24



Review Name	Outline Objective
Children's Services Data Handling	A follow-up of the previous audit completed which received an audit opinion of partial assurance.
Procurement Data Analytics	A follow-up of the previous audit completed which received an audit opinion of partial assurance.
External Funding – Grants and Loans	A follow-up of the previous audit completed which received an audit opinion of partial assurance.
<b>Grant Certification</b>	
Local Transport Capital Block Funding- Integrated Transport & Highways Maintenance (Including Traffic Signals/Pot Holes)	To check and certify the grant in accordance with the requirements of the Department for Transport.
Bus Services Operators Grant	To check and certify the grant in accordance with the requirements of the Department for Transport.
Broadband Grant	To check and certify the grant in accordance with the requirements of the Department of Digital, Culture, Media and Sport.
Contain Outbreak Management Fund	To check and certify that the funding is used in accordance with the requirements of the Department of Health and Social Care.
Supporting Families Programme	Certification of periodic grant claims returns in-year on behalf of Children's Services to enable the release of funds from the Department for Levelling Up, Housing and Communities.
European Social Fund Transform Project	To provide assurance that quarterly returns submitted to the European Social Fund are accurate and reflective of apprenticeship activity within the reported period.
Schools Basic Needs Allocation	To check and certify various capital grants in accordance with the requirements of the Department for Education.
<b>Service Management and Delivery</b>	
Review Name	Outline Objective
Action Tracking	Ongoing action tracking and reporting of agreed, high risk actions.
Annual Internal Audit Report and Opinion	Creation of Annual Report and Opinion.
Audit and Fraud Management	Overall management of all audit and counter fraud activity, including work allocation, work scheduling and Orbis Audit Manager meetings.

# INTERNAL AUDIT PLAN

## 2023/24



Review Name	Outline Objective
Audit and Fraud Reporting	Production of periodic reports to management and Audit Committee covering results of all audit and anti-fraud activity.
Audit Committee and other Member Support	Ongoing liaison with Members on internal audit matters and attending Audit Committee meetings and associated pre-meetings.
Client Service Liaison	Liaison with clients and departmental management teams throughout the year.
Client Support and Advice	Ad hoc advice, guidance and support on risk, internal control and governance matters provided to clients and services throughout the year.
Orbis IA Developments	Audit and corporate fraud service developments, including quality improvement and ensuring compliance with Public Sector Internal Audit Standards.
Organisational Management Support	Attendance and ongoing support to organisational management meetings, e.g. Financial Management Team (FMT), Statutory Officers Group (SOG).
Strategy and Annual Audit Planning	Development and production of the Internal Audit Strategy and Annual Audit Plan, including consultation with management and Members.
System Development and Administration	Development and administration of Audit and Fraud Management systems.
<b>Contingencies</b>	
Anti-Fraud and Corruption	To cover the investigation of potential fraud and irregularity allegations as well as proactive counter fraud activities, including the National Fraud Initiative (NFI) data matching exercise.
Emerging Risks	A contingency budget to allow work to be undertaken on new risks and issues identified by Orbis IA and/or referred by management during the year.
Contingency	A contingency budget to allow for effective management of the annual programme of work as the year progresses.

### Other Auditable Areas Identified During the Audit Planning Process

Some of these reviews may be brought forward into the plan if there is additional capacity during the year. In addition, we will consider any emerging risks and prioritise audits accordingly.

Procurement Cards

Beacon/Grove Park Project Management

Controller of Premises

# INTERNAL AUDIT PLAN

## 2023/24



Microsoft Cloud Environment – Governance Review
Active Directory/Identity Management (incl. 3 <sup>rd</sup> Party)
Digital Data Preservation Strategy
Data Breach Management
Surveillance Cameras
Life Certification
Direct Payments
Home Care Contract
Health Visiting Contract
Women’s Refuge Contract
Care Home Cultural Compliance
Hospital Discharges
Financial and Benefit Assessments
Children’s Placement Contracts
Alternative School Provision

# INTERNAL AUDIT CHARTER

## 1. Introduction

This Charter describes for the Council the purpose, authority and responsibilities of the Internal Audit function in accordance with the UK Public Sector Internal Audit Standards (PSIAS).

The PSIAS require that the Charter must be reviewed periodically and presented to “senior management” and “the board” for approval. For the purposes of this charter “senior management” will be the Corporate Management Team (CMT) and the board will be the Audit Committee.

The Charter shall be reviewed annually and approved by CMT and the Audit Committee. The Chief Internal Auditor is responsible for applying this Charter and keeping it up to date.

## 2. Internal Audit Purpose

The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Internal Audit is defined in the PSIAS as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

Internal Audit supports the whole Council to deliver economic, efficient and effective services and achieve the Council’s vision, priorities and values.

## 3. Statutory Requirement

Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2015, which require every local authority to maintain 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.

These regulations require any officer or Member of the Council to:

- make available such documents and records; and
- supply such information and explanations;

as are considered necessary by those conducting the audit.

This statutory role is recognised and endorsed within the Council’s Financial Regulations.

In addition, the Council's S151 Officer has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the authority's financial affairs. To perform that duty the Section 151 Officer relies, amongst other things, upon the work of Internal Audit in reviewing the operation of systems of internal control and financial management.

#### **4. Internal Audit Responsibilities and Scope**

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

Internal Audit is not responsible for control systems. Responsibility for effective internal control and risk management rests with the management of the Council.

Internal Audit activity must be free from interference in determining the scope of activity, performing work and communicating results.

The scope of Internal Audit includes the entire control environment and therefore all of the Council's operations, resources, services and responsibilities in relation to other bodies. In order to identify audit coverage, activities are prioritised based on risk, using a combination of Internal Audit and management risk assessment (as set out within Council risk registers). Extensive consultation also takes place with key stakeholders and horizon scanning is undertaken to ensure audit activity is proactive and future focussed.

Internal audit activity will include an evaluation of the effectiveness of the organisation's risk management arrangements and risk exposures relating to:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Efficiency and effectiveness of operations and activities;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

#### **5. Independence**

Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a way that allows them to make impartial and effective professional judgements and recommendations. Internal auditors should not have any operational responsibilities.

Internal auditors will not review specific areas of the Council's operation in which they have previously worked, until a period of at least 12 months has elapsed.

Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. The Chief Internal Auditor has direct access to, and freedom to report in their own name and without fear of favour to, all officers and Members and particularly those charged with governance. This independence is further safeguarded by ensuring that the Chief Internal Auditor's formal appraisal/performance review is not inappropriately influenced by those subject to audit. This is achieved by ensuring that both the Chief Executive and the Chairman of the Audit Committee have the opportunity to contribute to this performance review.

All Internal Audit staff are required to make an annual declaration of interest to ensure that objectivity is not impaired and that any potential conflicts of interest are appropriately managed.

## **6. Appointment and Removal of the Chief Internal Auditor**

The role of Chief Internal Auditor is a shared appointment across the 3 Orbis partner authorities (East Sussex County Council, Surrey County Council and Brighton & Hove City Council).

In order to ensure organisational independence is achieved, all decisions regarding the appointment and removal of the Chief Internal Auditor will be made following appropriate consultation with Member representatives from each of the authorities' audit committees.

## **7. Reporting Lines**

Regardless of line management arrangements, the Chief Internal Auditor has free and unfettered access to report to the S151 Officer; the Monitoring Officer; the Chief Executive; the Audit Committee Chair; the Leader of the Council and the Council's External Auditor.

The Audit Committee will receive reports on a periodic basis – as agreed with the Chair of the Audit Committee – on the results of audit activity and details of Internal Audit performance, including progress on delivering the audit plan.

## **8. Fraud & Corruption**

Managing the risk of fraud and corruption is the responsibility of management. Internal Audit will, however, be alert in all its work to risks and exposures that could allow fraud or corruption and will investigate allegations of fraud and corruption in line with the Council's Anti Fraud and Corruption Strategy.

The Chief Internal Auditor should be informed of all suspected or detected fraud, corruption or irregularity in order to consider the adequacy of the relevant controls and evaluate the implication for their opinion on the control environment.

Internal Audit will promote an anti-fraud and corruption culture within the Council to aid the prevention and detection of fraud.

## 9. Consultancy Work

Internal Audit may also provide consultancy services, generally advisory in nature, at the request of the organisation. In such circumstances, appropriate arrangements will be put in place to safeguard the independence of Internal Audit and, where this work is not already included within the approved audit plan and may affect the level of assurance work undertaken; this will be reported to the Audit Committee.

In order to help services to develop greater understanding of audit work and have a point of contact in relation to any support they may need, Internal Audit has put in place a set of service liaison arrangements that provide a specific named contact for each service; and, regular liaison meetings. The arrangements also enable Internal Audit to keep in touch with key developments within services that may impact on its work.

## 10. Resources

The work of Internal Audit is driven by the annual Internal Audit Plan, which is approved each year by the Audit Committee. The Chief Internal Auditor is responsible for ensuring that Internal Audit resources are sufficient to meet its responsibilities and achieve its objectives.

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

The Chief Internal Auditor is responsible for appointing Internal Audit staff and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills. The Chief Internal Auditor may engage the use of external resources where it is considered appropriate, including the use of specialist providers.

## 11. Due Professional Care

The work of Internal Audit will be performed with due professional care and in accordance with the UK Public Sector Internal Audit Standards (PSIAS), the Accounts and Audit Regulations (2015) and with any other relevant statutory obligations and regulations.

In carrying out their work, Internal Auditors must exercise due professional care by considering:

- The extent of work needed to achieve the required objectives;
- The relative complexity, materiality or significance of matters to which assurance procedures should be applied;
- The adequacy and effectiveness of governance, risk management and control processes;
- The probability of significant errors, fraud or non-compliance; and
- The cost of assurance in proportion to the potential benefits.

Internal Auditors will also have due regard to the Seven Principles of Public Life – Selflessness; Integrity, Objectivity; Accountability; Openness; Honesty; and Leadership.

## 12. Quality Assurance

The Chief Internal Auditor will control the work of Internal Audit at each level of operation to ensure that a continuously effective level of performance – compliant with the PSIAS, is maintained.

A Quality Assurance Improvement Programme (QAIP) is in place which is designed to provide reasonable assurance to its key stakeholders that Internal Audit:

- Performs its work in accordance with its charter;
- Operates in an effective and efficient manner; and,
- Is adding value and continually improving the service that it provides.

The QAIP requires an annual review of the effectiveness of the system of Internal Audit to be conducted. Instances of non-conformance with the PSIAS, including the impact of any such non-conformance, must be disclosed to the Audit Committee. Any significant deviations must be considered for inclusion in the Council's Annual Governance Statement.

February 2023



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Report to: **Audit Committee**

Date: **31 March 2023**

By: **Chief Operating Officer**

Title of report: **Orbis Internal Audit – Independent External Assessment Report**

Purpose of report: **To present to Audit Committee the final report from the Chartered Institute of Internal Auditors (IIA) following its independent external assessment of Orbis Internal Audit (Orbis IA) against the Public Sector Internal Audit Standards (PSIAS).**

---

**RECOMMENDATIONS: Committee Members are recommended to:**

1. Note the findings from the report, including those areas identified where opportunities for further improvement may exist for the future.
- 

**1. Background**

1.1 At a meeting on 8 July 2022, the Audit Committee agreed the appointment of the IIA to carry out the independent external assessment of Orbis Internal Audit against PSIAS. These Standards require such an assessment to be undertaken at least once every five years, with the scope including assessment of compliance, benchmarking against best practice and assessment of Internal Audit's profile and impact within client organisations.

**2. Supporting Information**

2.1 The review was completed during the Autumn 2022 and incorporated a full validation of the service's own comprehensive self-assessment, interviews with key stakeholders from across all the Orbis partner councils and discussions with Internal Audit team members. A copy of the assessor's full report is attached as Appendix A, with the key headlines summarised below.

**3. Conclusion and Recommendations**

3.1 It is pleasing to report that Orbis IA have been assessed as achieving the highest level of conformance available against professional standards with no areas of non-compliance identified, and therefore no formal recommendations for improvement arising. In summary, the service was assessed as:

- **Excellent** in:
  - Reflection of the Standards
  - Focus on performance, risk and adding value
- **Good** in:
  - Operating with efficiency
  - Quality Assurance and Improvement Programme
- **Satisfactory** in:
  - Coordinating and maximising assurance

3.2 In order to provide some further context to this outcome, of the nineteen assessments carried out by the IIA in 2021/22 (covering both public and private sectors), only two others were assessed as 'Excellent' against the standards. In summarising their findings, the assessors commented that Orbis IA:

*'..are an established internal audit service, highly valued by the key stakeholders we spoke to in this EQA review';*

*‘..team members have diverse professional backgrounds, qualifications, experience and skills, making them a flexible and effective service’;*

*‘..can tackle a wide range of assurance and investigatory challenges and there is considerable ongoing investment in learning, development and upskilling’;*

*‘Key stakeholders are very confident in their competence, organisational knowledge, plans and reporting. Individual comments were very supportive, with no material areas for improvement identified’.*

3.3 As explained above, in conducting this review the assessors undertook interviews with a wide range of stakeholders from across the Orbis partner authorities and external clients, which included Chief Executives, Chief Officers/Executive Directors, Chief Finance Officers and Chairs of audit committees. It is extremely pleasing to report that the feedback received was overwhelmingly positive with high degrees of customer satisfaction throughout. Summaries of this feedback are provided in the last two pages within the assessor’s report attached as Appendix A.

3.4 Whilst no formal recommendations in relation to the Standards were raised, the assessors did take the opportunity to highlight some areas which could support the future development of the service. These have been summarised in Appendix B to this report, along with a response and commentary in relation to each area.

**ROS PARKER**  
**Chief Operating Officer**

Contact Officer: Russell Banks, Orbis Chief Internal Auditor, Tel: 07824 362739,  
Email: [russell.banks@eastsussex.gov.uk](mailto:russell.banks@eastsussex.gov.uk)

#### BACKGROUND DOCUMENTS:

Chartered Institute of Internal Auditors External Quality Assessment Report

# REPORT



## External Quality Assessment (EQA)

A report for Orbis Internal Audit



Prepared by John Chesshire, approved reviewer for  
The Chartered Institute of Internal Auditors

# Contents



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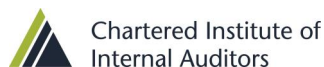
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## 1.1 Background and Scope

The Orbis Partnership is a Public Sector Partnership between Surrey County Council, East Sussex County Council and Brighton and Hove City Council. Orbis was formed to provide high quality services to its customers and retain public sector money and expertise within the partnership.

In April 2017, internal audit began working across East Sussex County Council, Surrey County Council and Brighton and Hove City Council, along with a number of external fee-paying clients. In the following year, a complete restructure took place and a fully integrated service was launched with effect from April 2018. At the same time, Orbis Internal Audit took over delivery of internal audit services to Horsham District Council. At 400 days per annum, Horsham immediately became Orbis Internal Audit's biggest external client, with the arrangement also involving the TUPE transfer of three staff members.

The Orbis Internal Audit headcount is now 35, with an FTE of approximately 33.5. The service is made of six teams, three sovereign teams focussing on each partner council, a general partnership team delivering to Horsham and across all partners, and two specialist teams in the areas of ICT audit and counter-fraud.

The Orbis Chief Internal Auditor (CIA) reports functionally to each of the audit committees (or their equivalent) across the partnership. Orbis Internal Audit previously had an external quality assessment in 2018, undertaken by SWAP. We are delighted that Orbis Internal Audit have commissioned us to undertake this subsequent external quality assessment.

Our review included a full validation of the Orbis Internal Audit team's own comprehensive internal self assessment, interviews with key stakeholders across the partnership, and discussions with Orbis internal audit team members.

We conducted this EQA in a hybrid format - both remotely and in-person in Autumn 2022.

## 1.2 Key Achievements

Orbis Internal Audit are an established internal audit service, highly valued by the key stakeholders we spoke to in this EQA review.

The governance framework over the internal audit service is mature, with audit committee (or equivalent) oversight, regular meetings, reporting and performance monitoring.

A very well-regarded CIA leads Orbis Internal Audit, directly supported by experienced colleagues, and with specialist teams undertaking ICT audits and counter-fraud work. Orbis Internal Audit team members have diverse professional backgrounds, qualifications, experience and skills, making them a flexible and effective service. They can tackle a wide range of assurance and investigatory challenges and there is considerable ongoing investment in learning, development and upskilling. The CIA has a budget for bringing in external, specialist expertise if required.

Engagement with key stakeholders is regular and effective, with the CIA viewed as a respected, objective, trusted, credible and professional leader.

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The Orbis Internal Audit team undertake a range of diverse assurance engagements. These include coverage of key systems and processes, a number of emerging areas of risk, such as climate change, and topical aspects of governance and control.

We received positive responses to our questions about Orbis Internal Audit from those we interviewed. Key stakeholders are very confident in their competence, organisational knowledge, plans and reporting. Individual comments were very supportive, with no material areas for improvement identified.

Orbis Internal Audit develop and deliver annual risk-based audit plans. Key stakeholders felt engaged in the design of these. The CIA and their managers actively monitor team performance using their MKI audit management software, and have implemented appropriate engagement-level quality assurance checks, as well as cold file/ peer reviews. We believe that the team's supporting operational, engagement-level procedures, documentation and associated templates are professional and fit for purpose.

### 1.3 EQA Assessment Conclusion

Orbis Internal Audit conforms with the vast majority of the Standards, as well as the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the PSIAS and the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard of quality in Internal Auditing.

To summarise, we are pleased to report that Orbis Internal Audit are excellent in their:

- Reflection of the Standards
- Focus on performance, risk and adding value

We believe that Orbis Internal Audit are good in their:

- Operating with efficiency
- Quality Assurance and Improvement Programme

We believe that Orbis Internal Audit are satisfactory in their:

- Coordinating and maximising assurance

The need to consider how best to map assurance provision, as well as relying on and coordinating with other assurance providers remains an emerging area of internal audit practice. It depends as much on the nature and effectiveness of the other assurance providers as it does on internal audit, and Orbis Internal Audit are refining their approach in these areas.

There is scope for further evolution in a few areas as summarised in Section 2.2 below.

We are pleased to report that our overall opinion is that the internal audit team “generally conforms” to the IIA Standards (See [Appendix A1](#) for our Grading definitions).

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## 1.4 SWOT Analysis

<b>Strengths</b> What works well	<b>Weaknesses</b> What could be done better
<ul style="list-style-type: none"> <li>• The CIA is experienced, respected and key stakeholders have confidence in their knowledge, skills and leadership</li> <li>• The Orbis IA team have a very good reputation and standing across the partner organisations, both with members and officers</li> <li>• The risk-based annual plans cover a number of relevant, emerging areas of risk and topical governance subjects</li> <li>• Orbis IA are a diverse, knowledgeable team with many different professional certifications and areas of specialism</li> <li>• Stakeholders value Orbis IA plans and flexibility to accommodate additional requests and ad hoc work</li> <li>• High investment in qualifications, learning and development</li> <li>• Well-established QAIP with cold file and peer reviews</li> </ul>	<ul style="list-style-type: none"> <li>• Some engagements have a lengthy elapsed time from start to draft report</li> </ul>
<b>Opportunities</b> What could deliver further value	<b>Threats</b> What could stand in your way
<ul style="list-style-type: none"> <li>• Data analytics strategy development and further ICT upskilling</li> <li>• Stakeholders would value further sharing of cross-organisational good practices by Orbis IA</li> <li>• Further cross-consortium reviews could add further value</li> <li>• Enhancing an appropriate approach to assurance mapping and potential formalising of reliance on second line teams, where appropriate, could improve risk-based coverage</li> <li>• Occasional CIA review of the Orbis IA structure and the overall partnership model to ensure it remains the best fit for adding value to the partners</li> </ul>	<ul style="list-style-type: none"> <li>• Failure to retain Orbis IA staff could threaten service resilience and delivery, with particular succession challenges in respect of the CIA</li> <li>• Emerging risks and increasing complexity in the external environment could threaten Orbis IA's ability to deliver insight and add value in specialist service areas</li> <li>• Ensuring Orbis IA remuneration remains competitive in a challenging market to ensure appropriate employee recruitment, engagement and retention</li> <li>• Lessened desire for the wider Orbis partnership could result in a rethink of how the internal audit service is delivered, and on what basis</li> </ul>



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### 1.5 Conformance Opinion

The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards.

There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles.

It is our view that internal audit activity conforms to 61 of the 64 relevant principles. Three of the principles were not relevant to Orbis Internal Audit as they relate to situations that have not occurred to date.

This is an excellent result and is summarised in the table below.

Summary of conformance	Standards	Generally conforms	Partially conforms	Does not conform	Not relevant	Total
Definition of IA and Code of Ethics	Rules of conduct	12				12
Purpose	1000 - 1130	8				8
Proficiency and Due Professional Care (People)	1200 - 1230	4				4
Quality Assurance and Improvement Programme	1300 - 1322	6			1	7
Managing the Internal Audit Activity	2000 - 2130	11			1	12
Performance and Delivery	2200 - 2600	20			1	21
<b>Total</b>		<b>61</b>	<b>0</b>	<b>0</b>	<b>3<sup>1</sup></b>	<b>64</b>

We have also reviewed Orbis Internal Audit's conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that Orbis Internal Audit generally conform with both the PSIAS and LGAN.

<sup>1</sup> These relate to circumstances which prior to the external quality assessment were deemed not relevant, most obviously the Disclosure of Non-conformance and Engagement Disclosure of Non-conformance, which have not been necessary to date.

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### 1.6 Further Improvement Opportunities

There is scope for further improvement and development in just a few areas as summarised below:

#### Enhancing internal audit proficiency

- Additional in-house focus on data analytics and ICT audit could help Orbis Internal Audit deliver further valuable insight as the partnership organisations become ever more digitalised and ICT-enabled.

#### Internal Assessments

- Consider revisiting the current Orbis Internal Audit Key Performance Indicators (KPIs) to ensure they meet the needs of the service and its primary stakeholders, particularly in terms of internal audit efficiency.

#### Planning

- When risk management matures, consider how best to further rely on management's view of risk, documented in risk registers, as a potential alternative - to maintaining a separate internal audit universe.

#### Resource Management

- Formalising a high-level Orbis Internal Audit 'career pathway' from internal auditor to audit manager, covering knowledge, skills, experience, qualifications and responsibilities (et al) could be useful for supporting recruitment and retention.
- Consider establishing a team to deal with unplanned requests and ad hoc tasks, while other team members focus on delivering planned work, with rotation through as appropriate
- Consider offering clients a more 'agile' internal audit engagement approach, where appropriate, compared to the longer, more methodical engagement option.

#### Policies and Procedures

- Including direct referencing of the IIA Standards in relevant sections of the 'Undertaking an Audit' document could help demonstrate to internal audit staff why particular activities, actions and steps are required.

#### Coordination and Reliance

- Further enhancing a proportionate approach to assurance mapping and potential formalising of reliance on second line teams, where appropriate, could improve the team's risk-based coverage.

### 1.7 Acknowledgement

We would like to thank the Orbis Internal Audit team, for their time, assistance and support during this EQA, and all of those who took part in the review, for their cooperation, together with their open and honest views.

## 2

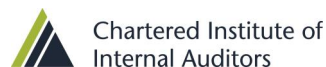
### Supporting continuous improvement



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The Chartered Institute regards conformance to the IPPF as the foundation for effective internal audit practice. However, our EQA reviews also seek feedback from key stakeholders and we benchmark each function against the diversity of professional practice seen on our EQA reviews and other interviews with chief audit executives/heads of internal audit, summarised in an internal audit maturity matrix.

We then interpret our findings into suggestions for further development based upon the wide range of guidance published by the Chartered IIA.

It is our aim to offer advice and a degree of challenge to help internal audit activities continue their journey towards best practice and excellence.

In the following pages we present this advice in two formats:

- A matrix describing the key criteria of effective internal audit, highlighting the level of maturity the internal audit team has achieved and the potential for further development, recognising that effective internal audit goes further than purely conformance with internal auditing standards. ([See 2.1](#))
- A series of improvement opportunities and suggestions which the internal audit team could use as a basis for an action plan. ([See 2.2](#))

# 2

## Supporting continuous improvement



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### 2.1 Internal audit matrix

		IIA Standards	Focus on performance, risk and adding value.	Coordination and maximising assurance	Operating with efficiency	Quality Assurance and Improvement Programme
Assessment levels	Excellent	Outstanding reflection of the IIA standards, in terms of logic, flow and spirit. Generally Conforms in all areas.	IA alignment to the organisation's objectives risks and change. IA has a high profile, is listened to, and is respected for its assessment, advice, and insight.	IA is fully independent and is recognised by all as a 3rd line. The work of assurance providers is coordinated with IA reviewing reliability of.	Assignments are project managed to time and budget using tools/techniques for delivery. IA reports are clear, concise, and produced promptly.	Ongoing efforts by IA team to enhance quality through continuous improvement. QA&IP plan is shared with and approved by AC.
	Good	The IIA Standards are fully integrated into the methodology – mainly Generally Conforms.	Clear links between IA engagement objectives to risks and critical success factors with some acknowledgement of the value-added dimension.	Coordination is planned at a high level around key risks. IA has established formal relationships with regular review of reliability.	Audit engagements are controlled and reviewed while in progress. Reporting is refined regularly linking opinions to key risks.	Quality is regarded highly, includes lessons learnt, scorecard measures and customer feedback with results shared with AC
	Satisfactory	Most of the IIA Standards are found in the methodology with scope to increase conformance from Partially to Generally Conform in some areas.	Methodology requires the purpose of IA engagements to be linked to objectives and risks. IA provides advice and is involved in change, but criteria and role require clarity.	The 3 lines model is regarded as important. Planning of coordination is active and IA has developed better working relationships with some review of reliability.	Methodology recognises the need to manage engagement efficiency and timeliness, but further consistency is needed. Reports are informative and valued.	Clear evidence of timely QA in assignments with learning points and coaching. Customer feedback is evident. Wider QA&IP may need formalising
	Needs improvement	Gaps in the methodology with a combination of Non-conformances and Partial Conformances to the IIA Standards.	Some connections to the organisation's objectives and risks but IA engagements are mainly cyclical and prone to change at management request.	The need to coordinate assurance is recognised but progress is slow. Some informal coordination occurs but reviewing reliability may be resisted.	Multiple guides that are slightly out of date and form a consistent and coherent whole. Engagement go beyond deadline and a number are deferred	QC not consistently embedded across the function. QA is limited / late or does not address root causes
	Poor	No reference to the IIA Standards with significant levels of non-conformance.	No relationship between IA engagements and the organisation's objectives, risks, and performance. Many audits are ad hoc.	IA performs its role in an isolated way. There is a feeling of audit overload with confusion about what various auditors do.	Lack of a defined methodology with inconsistent results. Reports are usually late with little perceived value.	No evidence of ownership of quality by the IA team.

Note: The maturity level of the function will depend on a number of factors, including the maturity and the risk appetite of the organisation. Consequently, not all audit functions will aspire to being "Excellent" across the board.

## 2

### Supporting continuous improvement



External Quality Assessment  
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### 2.2 Further improvement opportunities

This section of the report details additional feedback and observations which, if addressed, could further strengthen the impact of internal audit. These observations are not conformance points but support internal audit's ongoing evolution and development.

These suggestions do not require a response; they will not form part of any subsequent follow up if undertaken.

#### Opportunity A: Standard 1200 Proficiency and Standard 1220 Due Professional Care

Improvement opportunity	
1	<p>Additional in-house focus on data analytics and ICT audit could be useful and help Orbis Internal Audit continue to deliver valuable insight.</p> <p>Given the prevalence and criticality of ICT to every organisation, the CIA should continue to consider how best to develop further ICT audit capability.</p> <p>We also believe that the CIA should also consider how best to further enhance awareness and capability in the use of data analytics across the team to enhance the depth and breadth of assurance provided. Some leading internal audit teams have moved to a methodology position of having to justify why data analytics should not be employed on an engagement. The expectation is that use of data analytics is the default position for every engagement.</p>

#### Opportunity B: Standard 1311 Internal Assessments

Improvement opportunity	
2	<p>Consider revisiting the current Orbis Internal Audit Key Performance Indicators (KPIs) to ensure they meet the needs of the service and its primary stakeholders, particularly in terms of internal audit efficiency.</p> <p>Orbis employ a small number of KPIs and these could usefully be reviewed to assess their ongoing value and usefulness. We have shared some additional guidance on KPIs as part of this EQA review.</p>

#### Opportunity C: Planning

Improvement opportunity	
3	<p>When risk management matures, consider how best to further rely on management's view of risk, documented in risk registers, as a potential alternative - to maintaining a separate internal audit universe.</p> <p>Internal audit has reviewed risk management at the three sovereign teams in recent years, delivering two reasonable and one substantial assurance opinions.</p>

# 2

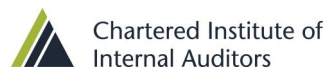
## Supporting continuous improvement



External Quality Assessment (EQA)

A report for:  
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### Opportunity D: Standard 2030 Resource Management

Improvement opportunity	
4	Developing an Orbis Internal Audit 'career pathway' from internal auditor to audit manager, covering knowledge, skills, experience, qualifications and responsibilities (et al) could be useful for supporting recruitment and retention. If potential, or new, recruits can see a clear, documented career pathway mapped out, with opportunities for progression and additional remuneration, then may foster increased engagement.
	Audit managers, and potentially principal auditors, could consider seeking the CMIIA designation via the Chartered by Experience route (see <a href="https://events.iaa.org.uk/cmiiia-workshops/chartered-by-experience-cbe-assessment/">https://events.iaa.org.uk/cmiiia-workshops/chartered-by-experience-cbe-assessment/</a> )
	Consider establishing a team to deal with unplanned requests and ad hoc work, while other team members focus on delivering planned work, with rotation through as appropriate. This would help ensure plan delivery is not impacted by additional requests and may help reduce the elapsed time from start to draft report on a proportion of the engagements.
	Consider offering clients a more 'agile' internal audit engagement approach, where appropriate, compared to the longer, more methodical engagement option. This alternative could help reduce elapsed engagement time and be more beneficial on some engagements. It would require internal audit and the client to block out calendar time to enable the engagement to be undertaken over a shorter horizon.

### Opportunity E: Standard 2040 Policies and Procedures

Improvement opportunity	
5	Including direct referencing of the IIA Standards in relevant sections of the 'Undertaking an Audit' document could help demonstrate why particular activities, actions and steps are required. This may be of value to new team members, showing how the approach maps to the PSIAS/IPPF.

### Opportunity F: Standard 2050 Coordination and Reliance

Improvement opportunity	
6	The CIA should further develop a proportionate, light-touch and value-adding approach to assurance mapping and placing reliance on the work of other internal assurance providers, to enhance team planning, delivery and the effectiveness of assurance provided to key stakeholders.

# 3

## Appendix

### A1 Global Grading Definitions

The following rating scale has been used in this report:

<b>Generally Conforms (GC)</b>	The reviewer has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the Standards or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.
<b>Partially Conforms (PC)</b>	The reviewer has concluded that the activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section, or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the Standards or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organisation.
<b>Does Not Conform (DNC)</b>	The reviewer has concluded that the activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity's effectiveness and its potential to add value to the organisation. They may also represent significant opportunities for improvement, including actions by senior management or the board.

Often, the most difficult evaluation is the distinction between general and partial. It is a judgement call keeping in mind the definition of general conformance above. The reviewer must determine if basic conformance exists. The existence of opportunities for improvement, better alternatives, or other successful practices does not reduce a "generally conforms" rating.



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## Appendix

### A2 Stakeholder Interviews and feedback

We interviewed the following individuals as part of the review.

Stakeholders	Title /Position
Philip Baker	Assistant Chief Executive, ESCC
Dominic Bradley	Director of Resources, HDC
Ian Gutsell	Chief Finance Officer, ESCC
Joanna Killian	Chief Executive, SCC
Victor Lewanski	Audit Committee Vice Chair, SCC
David Lewis	Audit Committee Chair, SCC
Nigel Manvell	Chief Finance Officer, BHCC
Ros Parker	Chief Operating Officer, ESCC
Geoff Raw	Chief Executive, BHCC
Stuart Ritchie	Audit Committee Chair, HDC
Colin Swansborough	Audit Committee Chair, ESCC
Leigh Whitehouse	Executive Director of Resources, SCC
Internal Audit Function	Title /Position
Russell Banks	Chief Internal Auditor, Orbis
Reem Burton	Principal Auditor, SCC
Nigel Chilcott	Audit Manager, ESCC (Sovereign)
Paul Miller	Audit Manager, Partnership



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Internal Audit Function	Title /Position
Liam Pippard	Senior Auditor, ESCC
Deb Read	Auditor, SCC
Carolyn Sheehan	Audit Manager, BHCC (Sovereign)
Mark Winton	Audit Manager, IT

### Feedback from stakeholder interviews

#### *Working with the business*

“Internal audit is genuinely independent, but it listens to its stakeholders.”

“I value internal audit’s competence and the way they work well with the other departments.”

“They are very constructive and not perceived as a wrecking ball! They are supportive and professional but can deliver hard messages.”

“They are very supportive, very responsive and helpful.”

“They are very well respected in the organisation - so they get the engagement they need.”

“I value internal audit’s competence and the way they work well with the other departments. The team are very competent, dedicated and loyal to the service.”

“Russ has built a strong team and can deploy the right combination of skills to help us better manage risks.”

“We have a grown-up relationship with internal audit and they look at the right sort of things, in the right sort of way for us.”

#### *Communication*

“They are good communicators at audit committee meetings.”

“The reports are good - the team are really competent and produce very useful reports.”

“Their presence with the audit committee is well-received, professional and their reports are very clear.”

“Their reports are thorough and presented well. Internal audit is respected and trusted by members and senior officers.”

“They have got reporting down to a fine art, with succinct reports that have definitely improved over the years.”

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### *Internal audit plans and coverage*

"I'm always consulted on the annual audit plan and internal audit visit all the DMTs to help put the plan together."

"There is a very sensible audit plan, focused on the highest risks."

"There is sufficient flex in the plan to deal with ad hoc requests and internal audit are involved in lessons learned reviews."

"The internal audit plans are drawn from the strategic risk framework and our judgement and instinct."

"Conversations cover what topics are covered in the plan, and importantly, what is not covered too."

### *Value*

"They are good at delivering and are a very flexible and responsive service."

"Russ and the Orbis team have been fundamental in strengthening our corporate governance and risk management practices."

"The quality in their work and approach is always there. I would rate them overall as a well-performing team."

"My only concern is the challenge of resourcing, but they are creative and flexible in filling vacancies."

"I value the increased resilience that the Orbis partnership brings and the perspective and experience of different organisations, as well as the wider expertise to draw upon."

"Russ is really well regarded. He has established really good relations with senior colleagues and has positioned internal audit as a service that can help the organisation improve."

"Internal audit really are our eyes and ears on the ground."

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## Appendix



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Disclaimer: This review was undertaken in Autumn 2022 by John Chesshire on behalf of the Chartered Institute of Internal Auditors. This report provides management and the partnership and client Audit Committees (or equivalent) with information about Orbis Internal Audit as of that date. Future changes in environmental factors and actions taken to address recommendations may have an impact upon the operation of Internal Audit in a manner that this report cannot anticipate.

Considerable professional judgment is involved in evaluating. Accordingly, it should be recognised that others could draw different conclusions. We have not re-performed the work of Internal Audit or aimed to verify their conclusions. This report is provided on the basis that it is for your information only and that it will not be quoted or referred to, in whole or part, without the prior written consent of the Chartered Institute of Internal Auditors.

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The table below summarises those areas where the external assessors believe there may be opportunities for further development of the Orbis Internal Audit Service, along with our response to each.

As explained in the assessors' report, these cover additional feedback and observations only, which are intended to help support Orbis Internal Audit's ongoing evolution and development.

Improvement Opportunity	Orbis IA Response	Timescale
Additional in-house focus on data analytics and ICT audit could help Orbis Internal Audit deliver further valuable insight as the partnership organisations become ever more digitalised and ICT-enabled.	This is an already ongoing area of development for our service with continued investment in ICT audit training and a new Data Analytics Audit Strategy recently finalised.	Ongoing
Consider revisiting the current Orbis Internal Audit Key Performance indicators (KPIs) to ensure they meet the needs of the service and its primary stakeholders, particularly in terms of internal audit efficiency.	Agreed. Important to note that the service already has a number of other measures which are not formally published in our committee reports given that they relate to operational service delivery.	March 2023
When risk management matures, consider how best to further rely on management's view of risk, documented in risk registers, as a potential alternative to maintaining a separate internal audit universe.	As referenced, the extent to which Internal Audit are able to rely on organisational risk registers in full for audit planning purposes depends entirely on the risk maturity of the partner organisations. This is an area of ongoing development and improvement for all the councils. However, it is our view that there will always be a place for this information to be supplemented with other sources when planning our work, including our own knowledge and experience of the organisations.	Ongoing
Formalising a high-level Orbis Internal Audit 'career pathway' from internal auditor to audit manager, covering knowledge, skills, experience, qualifications and responsibilities (et al) could be useful for supporting recruitment and retention.	We will look to further enhance this area although important to highlight that we have an extensive training and development programme already in place for all staff, aligned directly to the IIA's own skills and competencies matrix. This is supplemented with a significant increase in financial investment in training and development over recent years.	Ongoing
Consider establishing a team to deal with unplanned requests and ad hoc tasks, while other team members focus on delivering planned work, with rotation through as appropriate.	This is something we have considered but do not believe is in the best interest of our clients or staff at this time. One of the significant benefits of the way in which we currently work is that we allocate	N/A



Improvement Opportunity	Orbis IA Response	Timescale
	auditors to each activity based on their knowledge, skills and abilities, regardless of which team they work within. This not only allows each partner to benefit from our collective experience but also enables all of our staff the opportunity to work with different organisations and clients.	
Consider offering clients a more 'agile' internal audit engagement approach, where appropriate, compared to the longer, more methodical engagement option.	Agreed. As part of planning and scoping on individual audits we will in future offer clients this opportunity.	Immediate
Including direct referencing of the IIA Standards in relevant sections of the 'Undertaking an Audit' document could help demonstrate to internal audit staff why particular activities, actions and steps are required.	Agreed.	March 2023
Further enhancing a proportionate approach to assurance mapping and potential formalising of reliance on second line teams, where appropriate, could improve the team's risk-based coverage.	Assurance mapping is something that ideally should be developed and owned by the wider organisation, rather than internal audit. In the absence of this, we have an existing workstream in place to develop something within Orbis Internal Audit which will further strengthen our audit planning process.	Ongoing

Report to: **Audit Committee**

Date: **31 March 2023**

By: **Chief Operating Officer**

Title of report: **Strategic Risk Monitoring – Quarter 3 2022/23**

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.**

---

**RECOMMENDATIONS: Committee Members are recommended to:**

- 1) Note the process of strategic risk management.
  - 2) Note the current strategic risks and the risk controls / responses being proposed and implemented by Chief Officers.
- 

## **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**

### The Risk Management Process

2.1 The Council's risk management process is a continuous and developing process. In order to manage risk appropriately and effectively, it is necessary to adopt a systematic approach to risk identification, analysis, and control. This approach is referred to as the Risk Management Process and provides a system that can be applied to risks at all levels within the council.

2.2 As a minimum, all risk registers are formally reviewed and updated on a quarterly basis as part of the Council monitoring process. The Strategic Risk Register is reviewed and updated by the Corporate Management Team (CMT) prior to being reported to Cabinet and the Audit Committee. As part of the process, consideration must be given as to the escalation and de-escalation of risks between Departmental and Strategic Risk Registers. Risks are usually escalated to the Strategic Risk Register when it relates directly to a strategic objective and/or the outcome cannot be mitigated at an operational level.

## Strategic Risk Register – Quarter 3 2022/23

2.3 The Council's Strategic Risk Register, which is attached as Appendix 1, is formally reviewed by the CMT on a quarterly basis. Members should note that this version of the Strategic Risk Register, which relates to Quarter 3 of 2022/23, was reviewed by CMT on 8 February 2023 and presented to Cabinet on 7 March 2023 as part of the quarterly council monitoring process. Appendix 1 also includes additional summary information to present historic RAG ratings, as well as current pre and post mitigation RAG ratings.

2.4 The previous update to this Committee was in September 2022 to present the Strategic Risk Register as at Quarter 1 2022/23. This report therefore includes updates since Quarter 1 2022/23. There have been various updates to the Strategic Risk Register to reflect the Council's risk profile as follows:

- **Risk 12 (Cyber Attack)** has an updated risk definition.
- **Risk 5 (Reconciling Policy, Performance and Resource), Risk 6 (Local Economic Growth), Risk 9 (Workforce), Risk 15 (Climate) and Risk 17 (Safeguarding of Children and Young People)** have updated risk controls.
- **Risk 8 (Capital Programme)** has updated risk definitions and risk controls.
- **Risk 4 (Health)** has updated risk controls and a revised Amber post mitigation risk rating (previously Red).
- **Risk 1 (Roads)** has an updated risk definition and risk controls, together with a revised Red post mitigation risk rating (previously Amber).
- **Risk 14 (Post European Union (EU) Transition)** related to potential border control issues immediately following the transition and has been removed from the register.

2.5 Officers will continue to explore opportunities to further strengthen the Council's risk management arrangements and for mitigating the 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.

### **3. Conclusion and Recommendation**

3.1 The Committee is recommended to note the process of strategic risk management and the Strategic Risk Register including the risk controls / responses being proposed and implemented by Chief Officers.

**ROS PARKER**  
**Chief Operating Officer**

Contact Officers:  
Thomas Alty: Head of Finance (Planning and Reporting)  
Tel: 07701 394836

Steven Bedford: Finance Manager (Capital and Planning),  
Tel: 07701 394847

Local Member: All

Background documents: None

### Strategic Risk Register Summary - Q3 2022/23

Strategic Risks - Historic Post Mitigation RAG Ratings													
Ref	Strategic Risks	2019/20 Q4	2020/21 Q1	2020/21 Q2	2020/21 Q3	2020/21 Q4	2021/22 Q1	2021/22 Q2	2021/22 Q3	2021/22 Q4	2022/23 Q1	2022/23 Q2	2022/23 Q3
1	Roads	A	A	A	A	A	A	A	A	A	A	A	R
4	Health	R	R	R	R	R	R	R	R	R	R	A	A
5	Reconciling Policy, Performance & Resources	R	R	R	R	R	R	R	R	R	R	R	R
6	Local Economic Growth	G	G	G	G	G	G	G	G	G	G	G	G
7	Schools	A	A	A	A	A	A	A	A	A	**		
8	Capital Programme	A	A	A	A	A	A	A	A	A	A	A	A
9	Workforce	A	A	A	A	A	A	A	A	R	R	R	R
10	Recruitment	A	A	A	*								
12	Cyber Attack	R	R	R	R	R	R	R	R	R	R	R	R
14	Post European Union (EU) Transition		R	R	R	G	G	G	G	G	G	G	
15	Climate	R	R	R	R	R	R	R	R	R	R	R	R
16	Covid-19	R	R	R	R	R	R	R	R				
17	Safeguarding of Children and Young People							A	A	R	R	R	R
18	Data Breach							A	A	A	A	A	A
19	Schools and ISEND										R	R	R

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Risk 10 (Recruitment) was removed from the Strategic Risk Register as a stand-alone risk and incorporated into Risk 9 (Workforce)

Risk 7 (Schools) was removed from the Strategic Risk Register as a stand-alone risk

Strategic Risks - Pre ( ■ ) and Post Mitigation ( ◆ ) RAG Ratings (Q3 2022/23)										
Ref	Strategic Risks	High Risk ← → Low Risk								
1	Roads		■ ◆							
4	Health	■				◆				
5	Reconciling Policy, Performance & Resource	■	◆							
6	Local Economic Growth				■			◆		
8	Capital Programme		■			◆				
9	Workforce	■	◆							
12	Cyber Attack	■	◆							
15	Climate	■	◆							
17	Safeguarding of Children and Young People		■ ◆							
18	Data Breach		■		◆					
19	Schools and ISEND	■	◆							



## Strategic Risk Register - Q3 2022/23

Ref	Strategic Risks	Pre-mitigation RAG Rating	Risk Control / Response and Post Mitigation RAG score	Post-mitigation RAG Rating
Strat-12	<p><b>CYBER ATTACK</b> 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, particularly in light of the current Ukrainian situation.</p> <p>Cyber attacks are growing more frequent, sophisticated, and damaging when they succeed. The COVID-19 pandemic has increased the need to carry out many additional functions virtually and remotely. Changes in working practice give rise to more requests to relax security controls, with services more likely to take risks on the technology they procure and how they use it. Controls have been enhanced to manage these requests.</p> <p>The impacts of a cyber attack are far-reaching and it is difficult to put a figure on the cost, but authorities that have been subject to major attacks have calculated the disruption to have cost between £10m and £12m.</p>	R ↔	<p>Most attacks leverage software flaws and gaps in boundary defences. IT&amp;D use modern security tools to assure our security posture: Monitoring network activity and identifying security threats; 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 against them; Ongoing communication with the Security industry to find the most suitable tools and systems to secure our infrastructure. IT&amp;D continues to invest in new tools, which use pre-emptive technology to identify threats and patterns of abnormal behaviour.</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; and providing General Data Protection Regulation (GDPR) training and workshops to cascade vital skills and increase awareness of responsibilities under GDPR legislation. Business Continuity Scenario testing is currently being cascaded through Departmental Management Teams.</p> <p>Services hosted in ISO 27001 accredited Orbis Data Centres.</p>	R ↔

<p>Strat-5</p>	<p><b>RECONCILING POLICY, PERFORMANCE &amp; RESOURCES</b></p> <p>There is ongoing uncertainty in relation to future funding levels, the longer-term local government funding regime and the impact of national reforms, particularly to Adult Social Care. Rising inflation and cost of living are likely to lead to higher demand for Council services and increase the direct cost of providing services. Together these create a risk of insufficient resources being available to sustain service delivery at the agreed Core Offer level to meet the changing needs of the local community.</p>	<p>R ↔</p>	<p>We employ a robust Reconciling Policy, Performance and Resources (RPPR) process for business planning, which ensures a strategic corporate response to resource reductions, demographic change and regional and national economic challenges; and directs resources to priority areas. We take a commissioning approach to evaluating need and we consider all methods of service delivery. We work with partner organisations to deliver services and manage demand, making best use of our collective resources. We take a 'One Council' approach to delivering our priorities and set out our targets and objectives in the Council Plan. We monitor our progress and report it quarterly.</p> <p>Our plans take account of known risks and pressures, including social, economic, policy and demographic changes and financial risks. The Coronavirus pandemic has had, and will continue to have for a long time, profound impacts on our communities and services. However, we continue to operate in changing and uncertain contexts. Current and forecast economic conditions continue to shape a very challenging financial outlook both for the Council itself and many of the county's residents and businesses. Alongside this we continue to face fresh challenges as a result of the conflict in Ukraine, and national service reforms. We will continue to use the latest information available on these challenges to inform our business planning. We will also continually review our performance targets, priorities, service offers and financial plans, and will update these as required.</p> <p>We lobby, individually and in conjunction with our networks and partners, for a sustainable funding regime for local government in general and for children's social care and adult social care specifically, to meet the needs of the residents of East Sussex.</p>	<p>R ↔</p>
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Strat-9	<p><b>WORKFORCE</b>An inability to attract and retain the high calibre staff needed in the most competitive job market for 50 years could lead to a reduction in the expertise and capacity required to deliver services to our residents at the required level and standards.</p>	R ↔	<p>In September 2022 Cabinet agreed an investment of £270k across 2022/23 and 2023/24 to put in place a number of strategies to respond to the significant current recruitment and retention challenges. Current work includes: - further work on the development of an employer brand and updated recruitment materials to identify the Council as an employer of choice - on-going attendance at events such as careers fairs and shows to maximise our presence with job seekers - use of apprenticeships, traineeships, intern arrangements and more flexible work arrangements etc as a way of bringing in new talent to the Council- ensuring our workforce policies and approaches support individuals to remain in work, e.g. Wellbeing offer, occupational health and absence management services- completion of the workforce specific actions within the Corporate Equality action plan. - implementation of mental health first aiders in the workplace. We now have a network of over 100 trained individualsNew approaches being developed include:- linking in with organisations that support people back into employment to extend our reach into sections of the labour market that are underrepresented or face significant barriers to employment. A new post of 'Pre-Employment Coordinator' has been established to lead on this work and will be recruited to early in the New Year. - launching the refreshed 'financial wellbeing' resource to support our staff, particularly given the rising cost of living pressures - provision of a leadership development programme aimed at LMG3/4 managers, along with the continued delivery of our two leadership development programmes to support our talent management strategies: the 'Ladder to Leadership' programme and 'Head of Service Masterclasses' - forecasting of workforce 'gaps' and future need to enable bespoke approaches to be designed – engagements with departments are currently taking place to ensure a One-Council approach to this area of work.</p>	R ↔
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## Strat-15

**CLIMATE**

Failure to limit global warming to below 1.5°C above pre-industrialisation levels, which requires global net human-caused emissions of carbon dioxide (CO2) to be reduced by about 45 percent from 2010 levels by 2030, reaching 'net zero' by 2050 at the latest. The predicted impacts of climate change in East Sussex include more frequent and intense flooding, drought and episodes of extreme heat, as well as impacts from the effects of climate change overseas, such as on food supply. This will lead to an increase in heat-related deaths, particularly amongst the elderly, damage to essential infrastructure, increased cost of food, disruption to supply chains and service provision, and greater coastal erosion.

R ↔

**Climate change mitigation:** the science-based target is to reduce scope 1 and 2 carbon emissions by 50% every 5 years. The focus is on buildings, as they made up 79% of carbon emissions in 2020/21. Internal oversight of progress is by the corporate Climate Emergency Board.

**Climate change adaptation:** we work with partners on flood risk management plans and deliver a Heat Alert service during the summer months.

In Quarter 3:

1. **Carbon Reduction Target:** ESCC achieved a 7% carbon reduction in 2021/22. This was less than the 13% annual target due to increased energy use, as buildings began to resume normal operations alongside Covid-19 ventilation requirements, and colder than usual weather in Spring 2021.

2. **10 solar PV projects:** 3 sites have been completed. 4 further orders have been placed. The forecast outturn is for 9 sites to be completed.

3. **Delivery of two Decarbonisation of Heat Projects:** Ninfield school has been completed. Herstmonceux school will complete in Q4.

4. **Delivery of ten LED lighting projects:** 9 schemes have been completed. The remaining scheme to be completed in Q4.

5. **Climate Awareness Training:** 140 staff have had general climate awareness training and a further 3 sessions are available during 2022/23. Two Energy Saving Workshops provided training to 34 school site managers in November 2022. A further workshop for school and corporate building managers was run on 26 January and another is scheduled for 23 February 2023.

6. **Electric vehicle (EV) charge points:** A paper went to the Chief Management Team (CMT) in January 2023 on EV provision at County Hall and on-street. Further discussions are being held as to the most appropriate procurement route.

7. **Progress report to Members:** the annual report went to full Council in October 2022. An updated corporate Climate Emergency Plan up to March 2025 has been developed with a working group of the Scrutiny Place Committee. This went to Cabinet in January and will be going to full Council in February

R ↔

Strat-17	<p><b>SAFEGUARDING OF CHILDREN AND YOUNG PEOPLE</b> Failure to recruit and retain an effective children's social care workforce. This leads to poor quality safeguarding practice, failing to prevent harm to children and young people, impacting on the Council's strategic objective of keeping vulnerable people safe.</p>	R ↔	<p>Recruitment and Retention Strategy in place Streamlined recruitment process with removal of application and replacing with CV and interview as soon as application received Updated social work recruitment videos to be put on recruitment website Market Supplement implemented 2020, and will be reviewed annually. Job re-evaluation for Secure Residential posts Recruitment Manager and Comms officer posts recruited to (start date Sept 2022) High quality and regular managerial support and supervision of practitioners Delivery of high quality workforce development programme Senior management oversight of caseloads, mitigating actions undertaken to address high caseloads Wellbeing strategy-promoted to staff through dept events/SW toolkit/newsletters Updated advertising and recruitment materials Development of career pathways / recruitment pipeline Department Management Training Group tasked with looking at career pathways for hard to recruit posts. Organisational Development to report to the Senior Management Team (SMT) in November</p>	R ↔
Strat-19	<p><b>SCHOOLS AND ISEND</b></p> <p>For Children with Special Educational Needs. Inability to secure statutory provision.</p>	R ↔	<p>Effective use of forecasting data to pre-empt issues Work with statutory partners to develop contingency plans Work with the market to increase provision where needed Expanding internal interim offer for children</p>	R ↔

Strat-1	<p><b>ROADS</b></p> <p>Extreme weather events over recent years have 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>Post pandemic and recent events in Ukraine, and the economic impact of these, have had some effects on service delivery during this year, particularly with increased costs, shortages of suitable contractors and materials.</p>	R ↔	<p>While additional funding over the last few years has helped maintain road condition, the latest condition and funding modelling showed the potential for renewed deterioration over the next 10 years, if further investment was not introduced into road maintenance. This reflects the changing climate with more extreme events such as warmer wetter winters, drier summers (drying and shrinking the substructure of roads) punctuated by unseasonal heavy downpours, all now influencing the rate of road deterioration.</p> <p>However, further investment was approved by Cabinet in November 2021 and through the Reconciling Policy, Performance &amp; Resources (RPPR) process in February 2022 to maintain condition at current levels; and to help mitigate these factors over the next 10 years by increasing the capital budget for road maintenance by an additional £3.1m per year. In addition, a one-off investment of £5.8million to be spent on highway maintenance (roads, footways, lines and signs) in 2022/23 was also agreed.</p> <p>The wettest November on record, followed by one of the coldest starts to December and then further heavy rain, have led to a significant increase in the number of potholes appearing on our roads. This will also likely be reflected in a wider deterioration in road surfaces, which may manifest in our Road Condition Indicator (RCI) scores for this year, when survey works are undertaken later in the summer.</p> <p>We closely monitor the national economic situation; evaluate all options for service delivery; manage delays to materials with long lead in times; and allow for increased costs within the new Highways contract.</p>	R ↑
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Strat-18	<p><b>DATA BREACH</b> A breach of security/confidentiality leading to destruction, loss, alteration, unauthorised disclosure of, or access to, personal data. This includes breaches that are the result of both accidental and deliberate causes. A personal data breach is a security incident that has affected the confidentiality, integrity or availability of personal data regardless of whether information has been accessed, altered or disclosed via electronic or manual means. Risks to individuals, reputational damage, fines from the Information Commissioner's Officer (ICO), compensation claims.</p>	R ↔	<p>Policy and guidance procedures in place to support practice. Data Protection Officer (DPO), Caldicott Guardians and Information Governance Officers monitor breach reporting and put in place mechanisms to minimise recurrence. Staff training to develop awareness. Technical security measures operated by Information Technology and Digital (IT&amp;D), including access control.</p>	A ↔
Strat-8	<p><b>CAPITAL PROGRAMME</b> There are a number of risks and uncertainties regarding the capital programme over the current Medium Term Financial Plan period and beyond, which could impact on the ability to deliver the Council's priorities.</p> <p>The volatile national economic situation has increased uncertainties within the construction industry around supply chain issues and high-cost inflation, which are likely to impact project deliverability and affordability. This has been exacerbated by the invasion of Ukraine by Russia and the resultant global sanctions imposed on Russia.</p> <p>Additionally, there is a risk that, due to the complexity of factors and uncertainties impacting them, the level of government grants and other sources of capital programme funding such as developer contributions could be significantly reduced.</p>	R ↔	<p>The Council reviews and updates its 20-year Capital Strategy annually as part of the Reconciling Policy, Performance and Resources (RPPR) process, which sets the framework in which the capital programme is planned, and allows the Council to prioritise investment to support its objectives. The development and delivery of the capital programme is overseen by a Capital Strategic Asset Board (CSAB), which is a cross departmental group, who also hear from Departmental Capital Board/Sub Boards who oversee priority areas.</p> <p>The capital programme includes an element of 'normal' level of inflation for ongoing target-based core programmes (as opposed to programmes that have cash limited envelopes). Additionally, a capital risk provision in the form of additional borrowing flexibility is in place to provide the ability to react to emerging risks such as supply chain issues and inflationary pressures. The level of provision is reviewed and approved on an annual basis as part of the RPPR process and is maintained by the CSAB in adherence to financial regulations.</p> <p>The CSAB have oversight of all sources of capital funding, including grants, capital receipts and developer contributions, to ensure that resources are used effectively and to minimise the need to borrow. Funding announcements are actively monitored, and funding targets reviewed to minimise the impact on delivery of the capital programme, ensuring that there is sufficient liquidity to meet funding requirements.</p>	A ↔



Strat-4	<p><b>HEALTH</b></p> <p>Failure to secure maximum value from partnership working with the National Health Service (NHS). If not achieved, there will be impact on social care, public health and health outcomes and increased social care operational and cost pressures. This would add pressures on the Council's budget and/or risks to other Council objectives, as well as shared system objectives in the context of our Integrated Care System across workforce and patients who are medically ready for discharge (MRD) from hospital or community beds.</p>	R ↔	<p>Winter plans were agreed and signed off by the Sussex Integrated Care Board with strong involvement and leadership from East Sussex Council (ESCC) Adult Social Care and Health leads, and local East Sussex plans to implement improvements to hospital discharge pathways have been put in place to complement Sussex-wide winter surge plans. Intensive operational planning has also been undertaken over the festive and New Year period to support the NHS during the industrial action taken by Ambulance workers and Nurses during January 2023. Joint planning has also been taking place at pace to ensure the Sussex system and ESCC share of the national £500m Winter Discharge Fund is best deployed in our system, focussing on additional care sector capacity and workforce schemes to support people, who are medically ready to leave hospital into the appropriate onward care setting. System discussions have also started on the potential deployment of the recently announced further £200m nationally to support hospital discharge, as part of alleviating the current challenges being experienced by the urgent and emergency care system.</p> <p>The Sussex Integrated Care Strategy was developed and finalised for endorsement and approval by the East Sussex Health and Wellbeing Board (HWB) and Sussex Health and Care Assembly respectively on 13th and 14th December, with a framework to support collaboration on shared priorities for workforce, digital and implementing integrated care in neighbourhoods and communities. The strategy is built on and aligns with the East Sussex Joint Strategic Needs Analysis and HWB Strategy, and children and young people, loneliness and social isolation (all ages) will also be a focus throughout the strategy as part of a life course approach taking in improving population health, prevention and early intervention.</p>	A ↓
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Strat-6	<p><b>LOCAL ECONOMIC GROWTH</b> 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>	A ↔	<p>The Council and its partners have been successful in securing significant amounts of growth funding totalling £129m, 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 European Funding (EU) for complementary economic development programmes supporting businesses to grow, including: South East Business Boost (SEBB); Low Carbon across the South East (LoCASE); TRANSFORM Apprenticeships; South East Creative, Cultural &amp; Digital Support Programme (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 three years. Government issued a funding call in mid-June 2020 through the Getting Building Fund programme for pipeline projects to create jobs and deliver over the next 18 months, with East Sussex securing £11.2m on eight projects in late July. All eight projects were approved by SELEP. Unfortunately, the Fast Track business solutions, Hastings and the Riding Sunbeams powering the railways with solar energy have had to return the monies allocated to SELEP. However, we have been able to secure two further projects allocated to the pipeline and further monies to an existing approved project amounting to £615k, with East Sussex now delivering on circa £6.3m on eight projects. We have been actively working with partners in developing projects and submitting proposals to a number of recent funds, including: the Green Homes Fund (secured a further £1m); Future High Streets (secured £5m); Stronger Towns Fund (Hastings awarded £24.3m and Lewes awarded £19.3m); Levelling Up Fund bids (awarded £40m see below); the SELEP COVID-19 Skills and Business Support Fund (secured £500k), the UK Community Renewal Fund pilot programme (secured £2.5m), the Local Skills Improvement Plan (LSIP) for Sussex and the Bus Service Improvement Plan (BSIP) awarded £41.4m. The COVID-19 outbreak in early March 2020 is seemingly changing the funding landscape, and alongside the impacts of leaving the European Union, is having an impact on major funding decisions from Government. We officially launched in September 2020 the East Sussex Economy Recovery Plan, called 'East Sussex Reset'. The plan identifies deliverable actions in the short term, alongside more aspirational asks, and has already aligned and secured new monies totalling £220m investment into East Sussex. It has and will continue to be an important bidding document to Government and into the SELEP, with the new SELEP Recovery and Renewal Strategy approved in March 2021. Both</p>	G ↔
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documents will look at ways to address the Government's policy and Budget announcements that have a clear focus on the green revolution (net zero carbon reduction); the allocation of the new £4bn Levelling Up Fund (LUF); and the delivery of the new £1.5bn UK Shared Prosperity Fund (UKSPF) programme initially to 2025. On the LUF, the County Council submitted a transport package for Exceat Bridge of £8m, while four of the local Borough and District Councils (except Hastings) submitted in June 2021 major capital funding bids under this first round for town centre/regeneration and cultural investment. Outcomes were announced on 27 October 2021, with the following awarded monies: Exceat Bridge (£8m), Eastbourne (£19.8m) and Lewes (£12.6m) all to be delivered by March 2024. The other Borough and Districts were unsuccessful but have applied under Round 2 in July 2022 with bid outcomes expected to be known in Q3/Q4. Business cases now need to be worked on for the implementation of projects. On the UKSPF this had the pre-launch guidance officially released in February 2022 following the same day launch of the long-awaited Levelling Up White Paper. The UKSPF main prospectus was released mid-April 2022 with the award of allocations known to each Borough and District Authority, who are now the responsible accountable bodies for the delivery of the programme – with investment plans having been submitted to Government by 1 August 2022. The County Council has made the case with regards to pan East Sussex projects, which can continue to deliver against the main themes of the programmes and the Council's priorities. We await the outcome of the bids submitted by each Borough and District Council which is expected to be known in Q3/Q4. In addition, as part of the UKSPF, the Multiply programme was announced in late March 2022 to help adults to improve their numeracy skills up to Level 2. The responsibility for managing this programme from 2022-2025 has been awarded directly to the County Council with up to £2.5m available. We prepared an investment plan working with partners and submitted this by 30 June 2022 to the Department for Education and our plan has been approved for the full allocation. As a result contracts for tenders have been circulated and assessments are being undertaken with award of contracts to be made late Q3.

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**Report to:** Audit Committee

**Date of meeting:** 31 March 2023

**By:** Chief Operating Officer

**Title:** Audit Committee MBOS Sub Group Update

**Purpose:** To provide an update to the Audit Committee of the MBOS Sub Group's most recent update

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## **RECOMMENDATIONS**

- 1) **The Committee is asked to note that the Committee's MBOS Sub-Group has regularly reviewed the Council's Modernising Back Office Systems (MBOS) programme.**
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### **1 Background**

- 1.1 The Committee at its meeting in September 2021 approved the establishment of a Sub-Group to provide oversight of progress with the Modernising Back Office Systems (MBOS) programme, seeking assurance that the programme is performing to time, quality and budget.
- 1.2 The MBOS Programme was established by the County Council in 2019. Prompted by the expected expiry of support for the Council's existing Enterprise Resource Planning (ERP) software, SAP, the vision for MBOS is 'to implement a suite of back-office systems that best meet the current and future needs of the Council and which provides optimal return on investment'.

### **2 Supporting information**

#### ***Work of the Sub-Group***

- 2.1 The Sub-Group met again in November 2022 and a note of the meeting is attached at Appendix 1. The focus of the meeting was on the progress since the Sub-Group meeting in August.
- 2.2 The progress and key risks report from the MBOS Programme was discussed. The programme was noted to be making slower progress than had been anticipated but mitigations and actions to address were in place and under regular review.
- 2.3 The Sub-Group agreed to continue to meet with representatives from the Programme as needed and requested that written updates be provided. Due to a misunderstanding this was not actioned immediately but has now been rectified. A note of the March update is included in Appendix 2.

### **3. Conclusion and reasons for recommendations**

- 3.1 The Committee is asked to note that the Committee's MBOS Sub-Group has reviewed the Council's Modernising Back Office Systems (MBOS) programme in November to its satisfaction and continues to now receive monthly written updates.

**ROS PARKER**

**Chief Operating Officer**

Contact Officers: Graham Forsdyke, MBOS Programme Manager, Tel: 07342 242448

Email: [graham.forsdyke@eastsussex.gov.uk](mailto:graham.forsdyke@eastsussex.gov.uk)

**BACKGROUND DOCUMENTS:**

None

AUDIT COMMITTEE  
MBOS (MANAGING BACK-OFFICE SUPPORT) SUB GROUP  
22 November 2022

ATTENDEES:

Councillor Colin Swansborough  
Councillor Gerard Fox  
Councillor Matthew Beaver

OFFICERS IN ATTENDANCE

Ros Parker, Chief Operating Officer  
Graham Forsdyke, MBOS Programme Manager  
Mark Winton, Audit Manager  
Sophie Webb, Governance and Democracy Officer

APOLOGIES

Ian Gutsell, Chief Finance Officer

**1. VERBAL UPDATE from MBOS Programme Manager**

- 1.1 GF noted that the programme had moved through System Integration Testing (SIT) and moved into User Acceptance Testing (UAT) which has progressed significantly slower than planned.
- 1.2 GF advised that the programme continues to see good engagement across the organisation however resources for UAT remains an area of concern. It was intended that UAT would be complete by the end of November and this phase will need to be completed before starting Payroll Parallel Run (PPR) to ensure a high-quality solution prior to Go Live.
- 1.3 GF noted that data migration is continuing with a high success rate in terms of migrating from SAP and there is ongoing data cleanse work to ensure that data is corrected as much as possible for the new system.
- 1.4 GF explained that to pass UAT, all tests would need to be executed with no priority 1 or 2 defects. Currently 16.4% of tests passed and this figure should be closer to 95%. There have been more system defects than anticipated and the volume of defects to be fixed is taking time and slowing the testing phase.
- 1.5 Cllr Fox asked for examples of system defects identified. GF advised that system defects range from cosmetic issues such as menu options not ordered correctly from a user journey perspective to fundamental defects whereby processes such as workflow approvals are not working correctly. Each system defect is assessed by its severity with cosmetic defects having the lowest severity rating. It was noted that if something was not able to be tested due to a defect, this would be marked as 'blocked' as this test was not able to be progressed.
- 1.6 Cllr Fox asked if this level of defects identified in the programme is common for similar programmes. GF advised that it is common to find defects at this stage of a

programme and it was planned for approximately 20% of tests to fail, need fixing and retesting.

- 1.7 GF noted that advocates joining the programme will help support day-to-day implementation to ensure work continues and maintaining knowledge of BAU.
- 1.8 Cllr Beaver noted that one of his greatest concerns is about getting payroll correct to ensure that employees are paid the correct amount at the correct time. Cllr Beaver asked at which point does the programme decide that the project will never work to the quality required no matter how much extra cost and time assigned to it. GF confirmed that payroll is a high priority for programme and will not move to Go Live without a high quality PPR phase.
- 1.9 Ros Parker (RP) advised that the implementation date will be set with a high level of confidence. RP noted that it is possible to Go Live on some aspects of the programme and delay Go Live for other aspects rather than one Go Live date for all aspects of the programme. RP also noted that SAP will remain as a backup system and ESCC will continue to be able to use SAP until 2027.
- 1.10 Cllr Fox asked for more detail regarding partial Go-Live what aspects of the programme could Go-Live before others. RP advised that the programme is not yet considering partial Go-Live but is currently looking to bring in external testers and an alternate timeline for a complete Go-Live date.

## **2. VERBAL UPDATE from Audit Manager**

- 2.1 Mark Winton (MR) advised that Internal Audit (IA) is intending to look at whole control environment for phase 2 of the programme and noted that IA will be working with the programme to ensure communications do not slip as the programme timeframe is extended.
- 2.2 MW noted that IA will continue to provide independent oversight of how the board is functioning, escalating risks and reporting of the programme position. IA work will support the programme rather than working within the programme.
- 2.3 Cllr Swansborough noted the programme's situation as it stands and asked for a one-page summary each month going forward to provide the sub-group with concise information regarding the programme's progress and status.
- 2.4 Cllr Fox agreed that a brief summary would be useful especially if it were to include a graph to show where the programme is and the trajectory of the programme to be able to visualise deadlines and budget.
- 2.5 **ACTION** - RP agreed to send Members of the Sub-Group a summary inclusive of data showing progress on a monthly basis. The first of these updates will be at the end of November and then every 7<sup>th</sup> of the month starting from January 7<sup>th</sup>.

## **MBOS Audit Sub-Group Update**

**March 2023**

### **Progress Update**

Since the last update the MBOS User Acceptance Testing (UAT) focus has been in two areas, that of driving test progress and ensuring that we have sufficient test coverage to generate business confidence in the Oracle product. Quality being one of the programmes key requirements the functional teams have reviewed the testing scope and to ensure all elements are being thoroughly tested. This has resulted in a significant number of additional tests being added to UAT scope, approx. 55% more.

The issues encountered at the start of UAT which caused a significant slowdown in initial rates of testing have been addressed by Infosys as UAT has progressed. There remains a larger number of defects being raised at this stage of the testing than is ideal but the testing process has moved to a more normal cycle of test and defect resolution. As all defects need to be resolved and tested before exiting UAT and this creates a risk to closure of this phase.

The delays in progressing through the test process have continued to present challenges of balancing business as usual activities with programme demands for some of the specialist resources needed. Additional testing resources have been brought into the programme and changes to ways of working have been made to mitigate some of this contention.

Pace has ramped up after the Christmas period and significantly during February. In terms of closing UAT and moving into the next programme phase, payroll remains the biggest risk area and also the critical path area. Payroll testing paused over the Christmas period whilst changes to functionality have been built and data is reloaded. This addressed a core Oracle upgrade to their UK payroll software but also resolved some build defects that were preventing testing.

Testing for payroll recommenced on 28 January and good progress has been made since then and the programme has now reached 81% of UAT testing executed and 77% of 5012 test scenarios passed.

### **MBOS Go-Live Date**

The final go-live date is yet to be confirmed but the team are targeting the end of UAT testing during early April and a detailed evaluation has been conducted on potential go-live date options. There is often in Enterprise Resource Planning (ERP) programmes, never a perfect choice of go-live date as it must balance many considerations such as programme, team, cost and BAU operations across the whole organisation and it is sometime therefore thought of as finding the “least worst option”. For MBOS there are two options that fit this either November 2023 or February 2024 and the Programme Board will keep both options under review.

For a go-live to be possible completion of all phases of payroll testing, together with the technical and business readiness for cutover sit on the critical path. There are many other elements which need to be completed for a successful go-live, but these have more flexibility in how and when they must be completed. The key high-level tasks that need to be completed to remain on the critical path are:

- Complete Payroll UAT
- Complete PPR (Payroll Parallel Run) readiness and system preparation
- Complete PPR Phase 1, 2 and 3 testing. It is worth noting that each of these phases increase in the level of quality required to exit the phase
- Complete cutover preparations, business readiness and contingency planning



Alongside these key tasks there will be on-going planning and preparation for how risks are mitigated to a go-live and create contingency plans. There are lots of scenarios that will be considered and differing ways of mitigating and these may take the form of operational mitigations for example reducing payroll complexity for the first month or ensuring additional operational support; or they may be more technical in nature such as planning non-critical changes and issues to be delivered after go-live. The aim with these mitigations will be to avoid having to move to an alternative go-live date. In addition, the increase in number of tests undertaken in UAT reduces (though does not eliminate) the risk of issues arising during PPR. Even with the mitigations, there will still remain risks around delivery of the critical path in resource and quality.

In the resource area internal resource availability issues are mitigated and knowledge by augmenting with external specialist skills where needed. In terms of quality, there is a strong dependence on the timely resolution of defects within the UAT and PPR phases. To ensure visibility and focus whilst maintaining the supplier relationships there has been increased engagement with the Infosys senior team.

In the quality area high standards continue to be retained through the exit criteria and defect resolution process.

## 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
Modernising Back Office Systems (MBOS) Sub Group	Oversight of the MBOS programme	-
Training and Development		
Title of Training/Briefing	Detail	Date
Strategic Risk Management Deep Dive	Deep dive into the Strategic Risk Management framework to explore the processes and governance using Risk 12 Cyber Attack as an example. The session will be facilitated by Matt Scott, Chief Digital Information Officer and Nicky Wilkins, Head of Engagement & Digital Innovation	31 Mar 2023

Future Committee Agenda Items		Author
7 July 2023		
External Audit Plan 2022/23	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 2022/23.	Ian Gutsell, Chief Finance Officer & External Auditors

External Audit Plan for East Sussex Pension Fund 2022/23	To consider and comment upon the External Audit Plan for the East Sussex Pension Fund for the financial year 2022/23.	Ian Gutsell, Chief Finance Officer & External Auditors
Assessment of the Corporate Governance Framework and Annual Governance Statement for 2022/23	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 2022/23	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, 2022/23, (01/01/23 – 31/03/23).	Nigel Chilcott, Audit Manager / Russell Banks, Chief Internal Auditor
Follow-Up Audits in Communities, Economy and Transport	To provide an update in respect of the follow-up audits ('Contract Management Group Cultural Compliance' and 'Vehicle Use') which have both received unchanged opinions of partial assurance.	Rupert Clubb, Director of Communities, Economy and Transport
Annual Audit Letter 2020/21	To consider the Annual Audit letter and fee update from the External Auditor	Ian Gutsell, Chief Finance Officer
Counter Fraud Annual Report	Annual report on Counter Fraud work	Simon White, Audit Manager – Counter Fraud / Russell Banks, Chief Internal Auditor
Strategic Risk Monitoring	Strategic risk monitoring report – Quarter 4, 2021/22 (01/01/23 – 31/03/23)	Ros Parker, 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.	Governance and Democracy Officer
<b>29 September 2023</b>		
Review of Annual Governance Report & 2022/23 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 & 2022/23 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
Internal Audit Progress Report	Internal Audit Progress report – Quarter 1, 2023/24 (01/04/23 – 30/06/23)	Nigel Chilcott, Audit Manager/Russell Banks, Chief Internal Auditor
Financial Management Code	Report of the Financial Management Code	Thomas Alty, Deputy Chief Finance Officer / Ian Gutsell, Chief Finance Officer
Strategic Risk Management	Strategic risk monitoring report – Quarter 1, 2023/24 (01/04/23 – 30/06/23)	Ros Parker, 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.	Governance and Democracy Officer
<b>24 November 2023</b>		
Treasury Management	To consider a report on the review of Treasury Management performance for 2021/22 and for outturn for the first six months of 2022/23, including the economic factors affecting performance, the Prudential Indicators and compliance with the limits set within the Treasury Management Strategy before it is presented to Cabinet.	Ian Gutsell, Chief Finance Officer

Internal Audit Progress Report	Internal Audit Progress report – Quarter 2, 2023/24 (01/07/22 – 30/09/22)	Nigel Chilcott, Audit Manager/Russell Banks, Chief Internal Auditor
Property Asset Disposal and Investment Strategy	Consideration of an annual report on the implementation of the Property Asset Disposal and Investment Strategy.	Nigel Brown, AD Property
Committee Work Programme	Discussion of the future reports, agenda items and other work to be undertaken by the Committee.	Governance and Democracy Officer
<b>TBC March 2024</b>		
External Audit Plan 2023/24	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 2022/23.	Ian Gutsell, Chief Finance Officer & External Auditors
External Audit Plan for East Sussex Pension Fund 2023/24	To consider and comment upon the External Audit Plan for the East Sussex Pension Fund for the financial year 2022/23.	Ian Gutsell, Chief Finance Officer & External Auditors
Auditor's Annual (VFM) Report on East Sussex County Council 2022/23	To provide the Committee with Grant Thornton's Annual (Value for Money) Report for 2023/23	Ian Gutsell, Chief Finance Officer & External Auditors
Internal Audit Strategy and Plan	Consideration of the Internal Audit Strategy and Plan for 2024/25	Russell Banks, Chief Internal Auditor/ Nigel Chilcott, Audit Manager
Internal Audit Progress Report	Internal Audit Progress report – Quarter 3, 2023/24 (01/10/23 – 31/12/23)	Nigel Chilcott, Audit Manager/Russell Banks, Chief Internal Auditor

Strategic Risk Monitoring	Strategic risk monitoring report – Quarters 2 and 3, 2023/24 (01/07/23 – 31/12/23)	Ros Parker 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.	Governance and Democracy Officer

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