

Summary of Key Audit Findings

As referred to in 3.2 of the report, we moved from a range of five opinions to a choice of four during quarter 1. This has resulted in a combination of the two sets of opinions being used during the quarter. We have therefore summarised our work in two sections – those incorporating the previous range of opinions and those with the revised range.

Audits Completed Using Previous Range Of Opinions

Microsite Management Follow-Up

Microsites are Council owned or managed websites, with some having links from the main corporate website and others being independent. One of the key benefits of microsites is the ability to have additional functions and aesthetics which the current corporate website is not able to provide. However, development of separate microsites can be costly and resource intensive and the sites themselves are harder to maintain and may not necessarily comply with security standards, increasing the risk of unauthorised access and modification.

Microsites within ESCC are not managed by a central function. Control is devolved to individual business units who are responsible for adhering to agreed standards. The Information Technology and Digital Services (IT&D) division, together with the Communications Team, are responsible for ensuring the standards are upheld through checking business cases and risk assessment of support procedures, technologies, continuity and other critical elements.

Due to the control issues highlighted in our previous audit of this area and the audit opinion of minimal assurance, we have completed a follow-up review. Our previous work found a lack of formal governance arrangements and clear policy/procedure in relation to the development and maintenance of microsites within the Council, with the risk that microsites are implemented that do not comply with security standards or legislation, are not subject to robust change control procedures and are not fit-for-purpose. This could in turn result in inefficiencies, unauthorised access, data modification/theft and non-compliance with legislation (including the Data Protection Act), with ensuing reputational damage and possible litigation.

In completing our follow-up work, we found a significant improvement in control in this area, resulting in a revised opinion of **substantial assurance**.

Improvements in control had been made in the following areas:

- There is now strategic clarity concerning the use of microsites within the Council;
- Governance of microsites has improved significantly and includes a defined approval process for new sites;
- 'ESCC Microsite Standards' have been developed and published on the Council's intranet;
- Business units are required to complete 'request' and 'risk' templates for new sites prior to consideration for approval;
- Roles and responsibilities for ownership, accountability, management and monitoring of microsites have been defined;
- A retrospective risk assessment and gap analysis of existing microsites is taking place, and;
- A register of all microsites is now maintained.

The majority of agreed actions had been fully implemented, with the remainder being partially implemented. Only a small number of opportunities for further improvement remained and appropriate actions to address these were agreed with management.

LAS/Controcc

The LAS system is the Council's records management and authorisation system for client (adult) social care needs. The system was introduced in December 2015 to replace the Council's Carefirst system.

The ContrOCC system is the Council's contracts and budget management system for adult social care clients. It is used to make payments to care providers and to collect contributions from clients towards the cost of their care. An automated interface allows LAS and ContrOCC to share key information.

Between April and December 2016, average net monthly payments to providers were £11.1m. In the same period, the average net monthly billings were £915,000.

The key areas reviewed as part of this audit were:

- System access, security and administration;
- The accuracy and approval of care packages within LAS and Controcc;
- Financial assessments;
- Payment arrangements;
- Client contributions;
- Interface and reconciliation controls, and;
- Reporting mechanisms for decision-making and error identification.

Overall, based on the audit work carried out as part of this review, we were able to provide an opinion of **substantial assurance** over the controls in place. In particular, we found that approved care packages in LAS are accurately reflected within Controcc, providers are paid correctly for services provided and access to both LAS and Controcc is secure and strictly controlled.

Some opportunities for improvement were, however, identified, including the need to:

- Formally agree an approach or policy over the waiving of client contributions for periods where backlogs in financial assessments have occurred as a result of Council-caused delays;
- Report on the financial implications of any backlogs in financial assessments to ensure transparency and to assist decision-making;
- Ensure care plans are only approved by LAS users in accordance with the agreed Scheme of Delegation;
- Comply with the provider overpayments process to ensure any overpayments are recovered promptly, and;
- Undertake formal testing of the Business Continuity/Disaster Recovery plan.

Appropriate action to address all of the findings of this audit was agreed with management within a formal action plan.

Audits Completed Using New Range of Opinions

Contract Management – Managed Service Provider for Temporary Agency Workers

Adecco UK Limited is a managed service provider for temporary agency workers who provide staff from their own network of specialist agencies. They support hiring managers in sourcing candidates from other agencies by managing the relationship on East Sussex County Council's (ESCC) behalf and are responsible for ensuring that all workers supplied meet ESCC's needs and legal requirements, such as pre-employment checks and compliance with safeguarding measures. A four-year contract, commencing November 2015, is in place between ESCC and Adecco UK Limited.

The main purpose of this audit was to evaluate the adequacy and effectiveness of the management of the Adecco contract, as well as ensuring that services delivered are in accordance with the contract, that all payments are valid and accurate and that all contractual changes are adequately controlled.

In undertaking this work, whilst areas of good practice were identified, we found a number of opportunities for improvement in control. We were therefore only able to provide an opinion of **partial assurance**.

Areas for improvement included the need to ensure:

- Checks on the accuracy of Adecco's invoices are completed before they are paid in order to reduce the risk of payments being made for services not received, and/ or duplicate payments;
- All agreed key performance indicators (KPI), as per the contract, are included in performance monitoring reports and that appropriate and prompt action is taken where KPI's are not met;
- Off-contract spend is properly managed to help ensure value for money is achieved;
- Risks associated with the contract are identified and managed;
- Business continuity plans are in place, and;
- Routine checks are undertaken to ensure that Adecco is financially sound and has the appropriate levels of insurance in place, as required under the terms of the contract.

Actions to address the above issues were agreed with management as part of a formal action plan. It is our understanding that, in a number of cases, immediate action was implemented in response to the weaknesses identified. A follow-up review to confirm the progress made will be undertaken later this year.

Contract Management – Integrated Community Equipment Service

The integrated Community Equipment Services contract provides equipment such as bath lifts, hand rails and walking frames to assist with daily living. It is available for service users living independently and also those living in residential accommodation.

The contract for integrated community equipment services commenced in September 2016 and is for four-and-a-half years, ending in March 2021, with a provision for an extension of up to 24 months. The previous contract was also with Millbrook. It commenced in September 2011 and ended in September 2015, with an extension bridging the gap.

£20.6m has been spent with Millbrook since September 2011 with demand projected to rise over the next 10 years based on changing demographics and shifts in strategy for Health & Social Care delivery.

The scope of the audit was to ensure that:

- Governance arrangements are sufficiently robust to manage the contract effectively;
- Performance management ensures that the requirements of the contract are delivered in accordance with the contract specification and reimbursement is sought from the contractor for any failures;
- Procedures are in place to ensure that all payments are made correctly in accordance with contract terms. Payments are made in accordance with ESCC Financial Regulations and only for goods, works or services actually delivered;
- Change control processes ensure all requests for any amendments to the contract specification and/or requests for ad-hoc additional works/services are properly assessed, authorised and documented, and;
- A proportionate contingency plan/business continuity plan is in place in the event of a failure by the contractor and/or service provider.

In providing an opinion of **reasonable assurance**, we found a number of areas of good practice. However, some opportunities for improvement were identified, including ensuring that:

- The contract with Millbrook has been appropriately agreed and signed to ensure the Council is able to enforce the terms and conditions within it;
- Targets for agreed key performance indicators (KPI's) are properly established;
- Data used in the calculation of KPI's is complete and able to be validated;
- The process to record goods receipting and verify invoices is strengthened to reduce the risk of overpayment;
- Further guidance is established to manage off-contract expenditure on equipment to ensure the best use of the contract is made and value-for-money achieved, and;
- Generic user access to the electronic ordering system is prohibited to ensure adequate audit trails exist.

The findings from our review were reported to management and a number of actions were agreed to mitigate the risks identified.

Atrium – Works Delivery Module

In 2013, a business case was submitted for the procurement of a new property asset management system (PAMS) as the system then in use was no longer considered to be fit for purpose. The option selected was the procurement of an integrated PAMS through the South-East 7 partnership and the Atrium system was subsequently procured. This system has separate modules to control orders and payments for planned and reactive maintenance, capital works, rental income and expenditure, and disposals and acquisitions.

To date, our work on Atrium has focussed on the implementation of the Works Delivery Module (the first module to be introduced); providing assurance on whether risks associated with key aspects of the implementation were properly managed. The key areas included:

- Data quality and migration;
- New Business Processes;
- System Access;
- System Recovery;
- System Testing.

Our work in this area culminated in a report for the Board's go-live decision that summarised our activity and provided a commentary on issues that could impact their decision. These included the need to ensure that:

- Password complexity controls are in place;
- Penetration testing of the live system is undertaken prior to go-live;
- The use of generic user accounts within the system are prevented;
- Adequate back-up and restore capabilities are in place and have been tested;
- All user acceptance testing has been successfully completed and that any test fails have been properly investigated, resolved and retested, where appropriate;
- The interface mechanism between Atrium and SAP (the Council's financial system) is secure in order to prevent unauthorised amendments to payment data, and;
- All business risks and issues have been identified and appropriate actions have been implemented to mitigate the risks to an acceptable level.

In reporting to the Board, we concluded that, provided the above issues were resolved prior to go-live, then there would be no reason not to proceed with the proposed implementation.

Management of Staff Transfers and Leavers Follow-Up

Previous audits have been completed in this area to establish whether the processes for managing staff transfers and leavers are efficient and effective and to assess the adequacy of controls for removing access to network folders, systems, Council buildings and assets once an employee has left, or transferred to a different part of the organisation. Due to the weaknesses identified, only partial assurance audit opinions have been previously given, mainly as a result of ineffective and inefficient arrangements for controlling access to Council network folders and IT systems. This resulted in security risks for the organisation, with the potential for confidential data being vulnerable to unauthorised access after employees had left or transferred into new roles.

Given the previous opinions of partial assurance, we have now completed a further follow-up review; the main purpose of which was to assess the extent to which the outstanding agreed actions from the previous report had been implemented.

In undertaking this work, we found that significant progress and improvement had been made in addressing the remaining issues. We were therefore able to provide an improved audit opinion of **substantial assurance** as a result, with only a small number of relatively minor issues remaining and appropriate action being taken by management to resolve these prior to the conclusion of the audit.

Public Health: Sexual Health Open Access

Public health is about helping people to stay healthy, and protecting them from threats to their well-being. The council must exercise a number of health service functions, as set out in section 2B of the NHS Act 2006 (as amended) and the Local Authorities Regulations.

The national integrated sexual health service model aims to improve the sexual health of the local population by providing easy access to services through Open Access or "one stop shops" where the majority of sexual health and contraceptive needs can be met in one place, usually by one health professional, in services with extended opening hours and accessible locations.

There are two strands to Open Access – that provided by hospitals within the ESCC boundary, and that involving attendances and treatments provided to ESCC residents at Out of Area hospitals/clinics.

The contract with East Sussex Healthcare NHS Trust (ESHT) for the provision of sexual health services totals around £4million per annum. Out of Area spend on sexual health treatments is around £400k per annum.

The key risks associated with sexual health open access include:

- Inaccurate, incorrect or fraudulent claims for payment submitted by NHS providers which may result in overpayments being made and financial loss to the council;
- Disputes over invoice amounts are not promptly investigated or resolved which may skew financial forecasts and have an adverse variance on the reported budget position during the year, and;
- Overall poor budget monitoring and forecasting of spend which means that the true impact of demand for this service is not promptly or properly reported.

The objectives of this review were therefore to ensure that:

- Effective governance arrangements ensure that payments are made at agreed rates, within agreed timescales and only in respect of East Sussex residents who have been provided with sexual health services, and;
- Robust budget management is in place.

Our work in this area found that controls in relation to these objectives were in place and operating effectively and we were therefore able to provide an opinion of **substantial assurance**.

A small number of opportunities to strengthen control were identified, including the introduction of procedure notes for the invoice validation process and the need to ensure invoice retention is in-line with information governance best practice. Actions in relation to these were agreed with management.

Unaccompanied Asylum Seeking Children

Local Authorities in England and Wales have a duty under Sections 17 and 20 of the Children Act 1989 to provide support to Unaccompanied Asylum Seeking Children (UASC). An UASC is defined as an individual who is under 18, has arrived in the UK without a responsible adult, is not being cared for by an adult who by law or custom has responsibility to do so, or is separated from both parents and has applied for asylum in the United Kingdom in his/her own right. All children in the care of the Council who satisfy these criteria should be included in an application for funding unless they fall into one or more of the exclusion categories set by the Home Office (i.e. children who have the nationality of an EEA State, children who marry or form a civil partnership or children of a UASC).

As at the time of our work, the Council was providing support for 23 UASC clients. The Council receives funding of £114 or £91 per day for each UASC client under 16 and 16 & 17 years old respectively. For UASC legacy clients who arrived in East Sussex before 1st of July 2016, the funding rate is £95 per day for under 16s and £71 for 16 & 17 year olds. However, a funding gap exists due to the fact that the majority of UASC are accommodated in foster care agency placements that cost over £115 per day which is more than the maximum funding payable by the Home Office.

The number of USAC clients in the care of the Council is rising as a result of the national transfer scheme which began on 1st of July 2016 where a child arriving in one local authority area (i.e. Kent) already under strain caring for UASC may be transferred to another council with capacity. The Government has set maximum level of UASC for each local authority, the total number of UASC should account for a maximum of 0.07% of the total child population in an area. In East Sussex, this currently amounts to a maximum of 72 UASC. Whilst there is no obligation on the Council to take part in the scheme, ESCC has decided that it will. It is essential that the Council receives all eligible funding whilst managing its costs in order to minimise the impact and financial loss of the UASC funding gap and rising number of UASC clients.

The scope of the audit was to evaluate and test controls that ensure:

- Claims (submitted to the Home Office) for UASC support are timely, accurate and complete;
- The Council can substantiate the eligibility of UASC support and associated expenditure, and;
- Planned income and expenditure is adhered to as far as possible, and appropriate corrective action is taken where actual differs from budget plan.

Overall, we were able to provide an audit opinion of **substantial assurance** in this area, with controls found to be in place and operating effectively. Only one minor issue was identified and appropriate action to address this was agreed with management.

Troubled Families

The Troubled Families (TF2) programme has been running in East Sussex since January 2015 and is an extension of the original TF1 scheme that commenced 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 for Communities and Local Government (DCLG), based on the level of engagement and evidence of appropriate progress and improvement.

The Department of Communities and Local Government (DCLG) require Internal Audit to verify a proportion (10%) of claims prior to a grant submission by the Local Authority for the TF2 programme. We therefore reviewed 16 of the 159 families included in the April/June 2017 grant.

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 of the families in the sample of claims reviewed had firstly met the criteria to be eligible for the TF2 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 TF2 grant determination programme had been complied with.

Sustainable Drainage Systems (SuDS)

Sustainable Drainage Systems (SuDS) i.e. green roofs, soakaways, ponds, wetlands, shallow ditches or swales etc. are one way of managing flood risk associated with new developments because they can reduce the impact of a development on the environment by replicating the natural process of surface water management.

As a result of the changes to the National Planning Policy Framework, as well as the Town and Country Planning (Development Management Procedure) (England) Order in April 2015, the Lead Local Flood Authority (East Sussex County Council) became the statutory consultee to the planning process on the management of surface water. All planning authorities in East Sussex must therefore consult the Council on the appropriateness of surface water drainage systems within all major development proposals. The Council carries out a technical assessment of the proposed drainage systems design and must respond to the planning authorities within three weeks (21 days) of consultation being submitted, or such other period as may be agreed between the Council and the consultor. The Council's response is to issue advice and the planning authorities are not under any statutory obligation to accept the Council's position on SuDS designs.

The Council received 292 consultations during the financial year 2016/17 which is an increase of 71% on the 171 consultations received in 2015/16.

The scope of the audit was to evaluate and test controls that ensure:

- Relevant Members and Council officers have adequate knowledge and understanding of the Council's new statutory role as Lead Local Flood Authority in relation to SuDS;
- The Council fulfils its statutory role and responsibilities as Lead Local Flood Authority in relation to SuDS, including responding to consultations in a timely manner.

In providing an opinion of **reasonable assurance**, some opportunities to improve controls were identified, including ensuring that:

- consultation requests are responded to within the legally prescribed timescales;
- all relevant staff are appropriately trained in respect of the Council's statutory role in respect of SuDS, and;
- responses to consultation requests for minor developments on behalf of the Council are only provided by officers who have the delegated authority as per the Scheme of Delegation within the Communities, Economy and Transport department.

All issues identified were discussed with management who have committed to ensuring appropriate action is taken in respect of these.

School Audits

No school audits have been undertaken in the first quarter of the financial year. However, 23 school audits (20 Primary, 2 Secondary, 1 Special) and 5 follow-up visits are planned across the remainder of 2017/18. These have been determined through a risk assessment of factors, including the date of the last audit, Schools Financial Value Standard (SFVS) returns and input from the Schools Risk Review Group.

We have continued to provide advice, guidance and training to all schools to improve the level of financial control and scrutiny from Governors. This has included attending the Governor Local Area Forum with colleagues from Finance to provide an update on Schools Finance and other key topics. These sessions were aimed at further embedding the role of the Governing Body into school financial arrangements. We have also attended Bursar and Business Manager Forums to provide technical updates.

With our Orbis partners, we have also issued school information bulletins, providing guidance for Governors. These have recently been themed around Governance, Budget Setting & Financial Planning and Purchasing.

Specific and themed reviews of school activity, including audits of Academy Transition Arrangements, Preparation for the Schools Funding Formula, School Registration Arrangements and Education Improvement Partnerships are currently being undertaken and will be reported on in our quarter 2 progress report.

Investigations

During quarter 1, we received a number of referrals in relation to possible fraud and other concerns which required preliminary investigation by internal audit. These included investigation into:

- An allegation of disability benefit fraud, where no evidence of fraud was identified;
- An allegation that a school had not undertaken fire drills in accordance with Council Policy and expectations. Our enquiries found that the school had not conducted any fire drills in the academic year. Following discussions with the Council Fire Safety Officer and the Health and Safety team, arrangements were made with the school to undertake the necessary drills in the remaining period. In addition, we were able to obtain assurance that reasonable controls are in place to ensure schools that buy into the corporate service have suitable fire safety arrangements in place. We are also working with Health and Safety to remind all schools who do not buy into the service of their responsibilities in this area;
- An allegation into misuse of a blue badge and mobility car combined with concerns of neglect and falsification of an individual's care needs were investigated. Our investigation found no evidence of any fraud against the Council. We passed information in relation to the use of the mobility car and the falsification of the individuals care needs to Motability and Department for Works and Pensions respectively. The concern of neglect was escalated to the ESCC Safeguarding Service for further investigation, who also found no evidence to support the allegation;
- We reviewed the Council's working arrangements with two external contractors in response to specific allegations received in relation to potential overcharging. Our enquiries found the allegations were unfounded and controls were operating to manage the associated risks.

A number of other investigations are currently in progress, including the coordination of the responses to the matches received from the National Fraud Initiative (NFI) bi-annual exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. We will report on these once they are completed and the cases closed.

Additional Audit Reviews

Through discussions with management, the following reviews have been added to the audit plan during the course of the year on the basis of risk (see paragraph 3.8 of the report):

- Atrium – Works Delivery Module
- Schools Funding Formula Preparation
- SEND Budget Management
- Broadband – Annual Return to BDUK
- Proactive Counter Fraud Work – Grant Payments
- Payment Fraud Risk Review
- ASC Payment and Income Processes

Currently, no scheduled audits have been removed from the audit plan.

Audit Areas Scheduled for Future Follow Up

Audit Area	Original Audit Opinion	Date of Planned Follow Up
Compliance with Procurement Standing Orders	Partial	2017-18 or 2018-19
Corporate Contract Management	Partial	2017-18 or 2018-19
Contract Management – Adecco	Partial	2017-18 or 2018-19
Property Pre Contract Checks	Partial	2017/18
Schools Federations and Partnerships	Partial	2017/18
Information and ICT E-Safety Controls in Schools	Partial	2017/18
Peacehaven Community School	Minimal	2017/18
Langney Primary School	Minimal	2017/18
Staplecross Methodist Primary School	Minimal	2017/18
Harbour Primary and Nursery School	Minimal	2017/18
St Mary the Virgin CE Primary School	Minimal	2017/18