Summary of Key Audit Findings for Quarter 4 2018/19

Risk-Based Budget Monitoring

Increasing budget pressures mean that is it even more important that budgets are managed carefully to avoid over spending and to protect front-line services. In response to this, a risk-based approach to budget monitoring has been introduced in the Council, designed to provide a consistent approach and make the best use of limited resources. Budgets are now risk-assessed based on factors, such as their size, volatility, complexity and the budget holder's experience. The level of budget support is then determined based on the outcome.

This review assessed these arrangements, where a selective approach could lead to too little focus being given to medium or low risk budgets, potentially resulting in these being poorly managed. It also covered the effectiveness of the risk assessment process that prioritises budgets and responsibilities for managing these.

As a result of our work, we were able to provide an opinion of **substantial assurance** over the arrangements. We found that an effective system for assessing risk for each cost centre has been employed and that this includes a post-evaluation sense check so that the evaluation is not overly process driven and reflects the needs of budget holders.

A small number of opportunities to improve controls were also identified which were agreed with management. These included the need to strengthen the recording of meetings to ensure that actions arising from these are clearly understood by both Finance Officers and budget managers.

Staff Travel and Expenses

Employees authorised by their manager to travel on County Council business, including training, are entitled to claim reimbursement of the costs associated with their journeys. The Council provides a range of options to pay for travel, including reimbursement of mileage and associated costs (such as car parking), travel warrants which can be exchanged for a rail ticket at a ticket office, on-line booking of public transport through procurement cards, hire cars and, for those with two or more permanent workplaces, workplace travel allowances (these are reimbursement of additional ordinary commuting costs associated with attendance at a secondary workplace).

The purpose of this review was to ensure that:

- There are clear and comprehensive policies and procedures in place, associated with all aspects of staff travel and expenses;
- Robust controls exist in relation to the authorisation of staff travel and expense claims;

- Travel and expenses are claimed and paid in accordance with the Council's policies and procedures; and
- There are appropriate monitoring and reporting arrangements in place.

Overall, we found a range of control weaknesses in this area, including aspects of non-compliance with the travel and expenses system and within the operation of the system itself. As a result, we were only able to provide an opinion of **partial assurance**.

In completing sample testing, we identified instances where incorrect mileage had been claimed, resulting in inaccurate payments to staff, including both under and overpayments. This included occasions where normal commuting mileage had not been deducted from the total mileage claimed as required under ESCC policy, and also where the mileage claimed did not reflect the journeys made. Whilst the incorrect payments were not material, this demonstrated the need to strengthen controls in relation to staff travel claims; specifically to ensure mileage claimed is accurate.

Other areas that required improvement included the need to ensure that claims are:

- submitted on the correct forms to ensure all required details are recorded, including full details of the journey(s) and why this was necessary;
- properly approved by the appropriate line manager and signed by the claimant; and
- rejected by the processing team where key details are not supplied or claims are not submitted in a timely manner.

In addition, we also found that there was inconsistency in the level of checking/validation undertaken by managers.

In discussing the findings of the review with management, a comprehensive management action plan was agreed to address the issues identified. This included a number of key revisions to the 'Travelling on County Council Business' policy and, within this, the inclusion of a 'charter of responsibility' for both claimants and approvers of travel and expense claims. Management also felt that the majority of control issues identified would be addressed through the implementation of an automated IT system for travel and expenses; a project group has been formed to further investigate this, which includes appropriate advice and support from Internal Audit.

A follow-up audit in this area is scheduled to take place in 2019/20.

Accounts Receivable

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

The purpose of the audit was to provide assurance that:

- All income generating activities are identified and accurately raised to customers;
- A customer account maintenance process is in place and operating effectively;
- Amendments to invoices are correct and authorised;
- Collection and debt recovery is managed efficiently and effectively;
- Writes-offs are processed accurately and correctly authorised;
- Payments are received and recorded against the correct debtor account in a timely manner;
- Reconciliations between the debtors system and the general ledger are undertaken on a regular basis; and
- Debt recovery performance is monitored and reported.

In completing this work, we were able to provide an opinion of **substantial assurance** as robust processes and controls were found to be in place. Only some minor areas for improvement were identified and actions to address these were agreed in full with management.

SAP Upgrade

The SAP system is the Council's key software system for financial management, accounting, budgeting and reporting functions, as well as payments to employees, suppliers and billing of revenue. During 2018/19, a significant upgrade to SAP within ESCC was completed.

The purpose of our work in this area was to provide assurance on whether the potential risks associated with the upgrade, including the loss of on-system controls, interface failures and data loss were being properly managed, prior to any upgrade go-live decision by the Project Board. This included looking at whether:

- Appropriate governance arrangements were in place for the upgrade project;
- Sufficient testing was being completed to ensure the control environment within SAP was unaffected by the upgrade;
- Sufficient testing was happening to ensure all interfaces between SAP and the Council's other key financial systems were operating satisfactorily; and
- Appropriate rollback procedures were available should the upgrade not work.

In completing this work, we found that the key controls operating in the pre-upgrade SAP environment had been identified by the project and were being appropriately tested in the post-upgrade environment to ensure they continued to operate in the same way. No issues were identified by the project team in this area.

However, we found that some areas required strengthening prior to the upgrade taking place. These included the need to ensure that:

- there was consistency in the number of transactions tested as part of system testing, between teams, to ensure completeness;
- both system and interface testing was undertaken in a timely manner to allow sufficient time for rectification of issues prior to the upgrade taking place;
- high risk issues identified as part of testing were properly communicated to the Project Board for consideration and decision; and
- formal upgrade sign-off procedures were in place.

The results of our work were communicated to the Project Board who sought assurance from the project team that appropriate actions were in place to address the issues identified. The Board subsequently made the decision to go-live and the upgrade took place successfully in March 2019.

Third Party Systems

Third party systems relate to all computer systems and applications used within ESCC but are outside the control of the Information Technology and Digital (IT&D) department. Where these are hosted outside of the Council's network infrastructure and with limited or no technical support from IT&D, there are increased risks to the security and availability of data.

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

- Adequate governance arrangements are in place to ensure all third party systems are reviewed and approved by IT&D;
- System access is restricted to appropriately authorised individuals and the permissions provided to those users are in line with business requirements and this is kept up-to-date with role changes;
- Leavers are promptly and consistently removed from all systems;
- Access to Council data is held in accordance with relevant legislation and data is sufficiently protected by the service provider;
- A process or agreement is in place for externally hosted systems to identify and manage vulnerabilities as they arise (including ensuring that patches and other updates are applied in a timely manner); and
- Service providers have sufficient disaster recovery and business continuity arrangements in place.

Based on the work carried out, we were able to provide an opinion of **reasonable assurance** in this area, with a number of areas of good practice identified, including in relation to there being:

- a robust technical risk assessment process in place for new systems prior to them being implemented by the Council;
- adequate controls to prevent employees being able to circumvent IT governance arrangements as software cannot be downloaded onto the network without IT&D approval; and
- formal agreements in place (for the systems reviewed as part of the audit) in relation to how Council data should be stored to ensure compliance with relevant data protection legislation.

Some areas for improvement were identified, albeit not considered high risk. These included the need to ensure system owner's roles and responsibilities are clearly understood and documented, and actions raised as part of the technical risk assessment process are addressed by management within the service area. Actions to address these and other minor weaknesses identified were agreed in full with management.

Property Disposals

In September 2018, we were advised that the Council had sold a property in November 2014 but it had transpired that only a 15% deposit had been received and not the remainder of the payment due. As a result, we agreed to review the case to highlight any gaps in the control environment.

In completing this work, we found that the sale was complex and involved deferred income which would fall due when the purchaser met milestones towards developing the site to provide accommodation for elderly residents, as part of the Agewell Programme in Adult Social Care.

It is uncommon for a property sale to involve staged payments and we found that unclear governance arrangements, the lack of a consolidated management information system and the departure of nearly all the officers involved in the sale resulted in the outstanding debt not being identified by the Council.

The outstanding sum was received on 16 November 2018 and no further sums are due. Actions have been agreed with management to help prevent similar reoccurrences of this in the future.

East Sussex Better Together - Information Governance

East Sussex Better Together (ESBT) is a transformation programme that aims to integrate health and social care for the local population. As part of these arrangements, information held by ESCC is shared with ESBT partner organisations, including the East Sussex Healthcare NHS Trust (ESHT), in order to facilitate the delivery of integrated commissioning and care activity. Both ESCC and ESHT have signed up to a Sussex-wide overarching Information Sharing Protocol.

The objective of the audit was to provide assurance that controls are in place and operating effectively to facilitate the sharing of, and protect, information shared between ESBT partner organisations for the provision of effective care.

In providing an audit opinion of **reasonable assurance**, we found a high level of awareness of the importance of information governance existed within the Adult Social Care (ASC) department. Overall accountability for this had been assigned and officer responsibilities clearly outlined in formal documentation. Information governance officers, both at a corporate level and within ASC, provide effective support to staff in this area.

We also found that initiatives to further facilitate the secure sharing of information were being developed and that oversight from information technology teams helped to ensure that patient information is adequately protected when held on ESCC systems and data in transmission is secure.

Two opportunities to improve the control environment were, however, identified. Specifically, the need to formally sign-off the Information Sharing Protocol between ESCC and ESHT, and also to ensure adequate data sharing agreements are in place across all operational services that share information with NHS partner organisations. Actions to address these were agreed with management.

Home to School Transport

The Department for Education has issued statutory guidance to local authorities to provide home to school transport (HTST) for eligible children within the authority's area in order to facilitate attendance at school. Eligibility for HTST is determined within the Children's Services Department (CSD) whilst service delivery is administered by the Communities, Economy and Transport Department (CET). The cost of service provision is recharged by CET to CSD on a quarterly basis.

In 2017/18, we completed an audit on the application of HTST eligibility criteria within CSD to determine whether children receive the right level of assistance in accordance with statutory obligations and Council policies. An audit opinion of reasonable assurance was provided.

The purpose of this 'second-phase' audit was to provide assurance that adequate controls are in place in relation to HTST procurement and commissioning, service delivery, payments, budget management/forecasting and governance arrangements.

Whilst we found adequate arrangements operating in relation to governance, decision-making, budget setting and monitoring and payment processes, we were only able to provide **partial assurance** in this instance as a result of the following:

- Although contract documentation places responsibility on providers to ensure that safeguarding checks are carried out on its employees, in accordance with Department of Education and ESCC guidance, the Council has a duty to exercise appropriate checks over the suitability of those working on the Council's behalf whose work or other involvement brings them into contact with children. At the date of the audit, although enquiries were being made with providers to ensure that appropriate checks were being done, this had not been happening regularly, which has the potential to put children at risk.

Following discussions with the service during the audit, all providers have been requested to, and have now supplied, full details of enhanced DBA checks undertaken for all drivers and escorts. This will now happen on an ongoing basis.

Other opportunities for improvement included the need to ensure that:

- signed contractual documentation with providers is retained in the event of future disputes;
- providers advise the Council of any drivers or escorts who have who have lived or worked abroad for more than three months in the last five years and, where this is the case, that they have obtained appropriate documentation to confirm that these individuals have not been convicted of any act which would render them inappropriate to work with children and/or vulnerable adults;
- prior written consent is given by the Council to providers who wish to use sub-contractors; and
- there is a mechanism in place to ensure that providers have valid insurance policies in place, including in relation to employers liability, public liability and motor insurance.

A comprehensive action plan was agreed with management to address the findings of the review and to make the necessary improvements required. A follow-up audit will be undertaken later in 2019/20.

Community Infrastructure Levy

The Community Infrastructure Levy (CIL) is a planning charge, introduced by the Planning Act 2008 as a tool for local authorities in England and Wales to help deliver infrastructure to unlock new developments in the respective local plan area. It came into force on 6 April 2010 through the Community Infrastructure Levy Regulations 2010.

In England, levy charging authorities are district and metropolitan district councils, borough councils, unitary authorities, national park authorities, The Broads Authority, Mayoral Development Corporations and the Mayor of London. The CIL regulations 2010, which govern what the CIL can be spent on, require charging authorities to set out a list of projects or types of infrastructure that they intend to fund, or may fund, through the levy.

ESCC is not a charging authority but can apply for CIL funding from the CIL charging authorities to secure monies to deliver Council infrastructure required to support the housing and employment growth identified in its Local Plans. Each charging authority has, and manages, its own bidding and governance processes.

The purpose of the audit was to provide assurance that the Council has in place appropriate mechanisms to identify opportunities for CIL funding (which meet its own infrastructure priorities), and develops and submits strong bids that will put it in the best possible position of securing these. In confirming this, we were able to provide an opinion of **substantial assurance.**

We also found that:

- individual CIL bids are reviewed and approved by senior management prior to submission to the charging authority who award funding;
- CIL funding applications are made using the charging authority's prescribed application form with all relevant sections completed in full;
- the Council submits CIL funding applications to charging authorities in a timely manner by the prescribed deadline; and
- the Council obtains feedback from unsuccessful bids so that lessons can be learnt on improving future bids.

Only one opportunity for improvement was identified where the role and responsibilities of the CIL working group in helping to secure CIL funding should be clearly defined through a formal terms of reference. This was agreed with management as part of the audit.

Safeguarding in Schools

Schools are responsible for safeguarding and promoting the welfare of children in education. They should create safe environments for children and young people through robust safeguarding practices. Keeping an accurate Single Central Record (see below) is an essential part of keeping children safe in education but recruitment procedures, the security of buildings and the managing of visitors are also fundamentally important.

This was a themed review and controls were tested at a sample of schools across the county, the purpose of which was to provide assurance that:

- The recruitment & pre-employment checks recommended by the Department for Education (DfE) Keeping Children Safe in Education 2018 are being implemented;
- The Single Central Record (SCR) is kept up to date and includes all who have been chosen by the school to work in regular contact with children; and
- Access controls to school buildings are appropriate and entry is restricted to authorised staff and visitors.

In providing an opinion of **reasonable assurance**, we were able to confirm that all schools carried out pre-employment checks on employees and maintained SCRs in accordance with DfE requirements. We also found that sites were generally maintained securely and that procedures were in place to manage visitors.

We did, however, identify some areas for improvement relating to the need to:

- clarify the information needed on SCRs for some types of contractors and volunteers;
- strengthen the way some schools document their pre-employment checks;
- promote the use of visitors' identification lanyards at all schools; and
- use leavers' checklists to help ensure that access to schools and their records is removed from individuals who no longer require access.

Management in Children's Services agreed to the findings of the review and have put in place measures to ensure all schools are reminded of the importance of these.

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 began in 2012/13. The programme is intended to support families who experience problems in certain areas, with funding for the local authority received from the Ministry for Housing, Communities and Local Government (MHCLG), based on the level of engagement and evidence of appropriate progress and improvement.

Children's Services submit periodic claims to the MHCLG to claim grant funding under its 'payment by results' scheme. The MHCLG requires internal audit to verify 10% of claims prior to the local authority's submission of its claim. We therefore reviewed 14 of the 138 families included in the December 2018/March 2019 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.