

### 1. Audits Completed in Q1 (April to June 2020)

#### Purchase to Pay (Key Financial System)

1.1 Purchase to pay is the end to end process from procurement of services to the payment of the suppliers. The central Accounts Payable team is responsible for the processing of payments to suppliers using SAP, the Council's main financial system.

1.2 The objective of the audit was to provide assurance that:

- Orders are raised for goods, work and services required by the Council, in accordance with Financial Regulations;
- Payments are only made for goods, works or services that have been received;
- Payment runs are subject to appropriate review and authorisation;
- Only creditors that meet the needs of the Council are that do not already exist in SAP are set-up and their details maintained correctly; and
- Transactions in the creditors system are completely and accurately transferred to, and are reflected in, the general ledger.

1.3 As a result of our work, we were able to provide **reasonable assurance** over the controls in place. We found that most controls were operating as expected and we did not identify any high-risk issues. However, our testing did highlight that there were opportunities to strengthen the process further, where:

- Additional checks will be carried out when setting up BACS payments to reduce the risk of error;
- Substitutes, set up in SAP to approve transactions in budget holders' absence, will be removed more promptly to improve oversight of expenditure by budget-holders;
- Departments will forward invoices to the payments team and 'goods receipt' deliveries more promptly, to ensure that payments are made to suppliers on time; and
- The raising of multiple orders, by the same team, on the same day, to the same vendor, which can reduce the overall purchase value to below the level at which approval is needed, will be reviewed as this can weaken management oversight of budgets and reduce efficiency.

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

## Declarations of Interests, Gifts, Hospitality and Secondary Employment

1.5 Where conflicts of interest exist, there is a risk that an individual's ability to act impartially is impaired or influenced. The Council requires all staff to disclose any potential conflict of interest on an annual basis, or when circumstances change. Declared conflicts must be approved by the employee's line manager and assistant director, who will determine the risk associated with the declaration and the extent of any conditions required to mitigate the conflict.

1.6 This audit assessed the adequacy of arrangements in place within the Council to manage staff declarations, including of secondary employment, and the declaration and acceptance of gifts and hospitality. It included an assessment of compliance with corporate policy and sought to confirm that declarations made were appropriately managed. The objectives of the audit were to provide assurance that:

- There are clear policies in place to ensure that employees are aware of their responsibility to declare a conflict of interest and offers of gifts and hospitality, and awareness of these is reinforced by management;
- Adequate controls exist to ensure that all employees complete a declaration of interest on an annual basis, irrespective of whether the declaration is a positive or 'nil' return;
- Adequate controls are in place to ensure all employees are aware of their responsibility to complete a declaration of interest where there is a change in their circumstances;
- Controls exist to ensure that positive declarations are appropriately acted upon. Where required, measures are put in place to mitigate the effect of the conflict; and
- Robust monitoring processes are in place to ensure that both online and offline declarations are managed and reviewed by management in a timely manner.

1.7 In providing an opinion of **reasonable assurance**, we found that arrangements were generally in place within the Council to manage staff declarations. The Council has a robust policy framework which sets clear standards and the responsibilities of staff in relation to conflicts of interest and the acceptance of gifts and hospitality. Controls exist to help ensure that declarations are completed annually or earlier if there is a change in circumstance, including through an online, automated system whereby employees are systematically prompted to complete an annual return.

1.8 Opportunities for improvement were, however, identified. Some of these were due to a lack of understanding of the resources and monitoring activities required to manage the online system when it was first introduced. We found that that system contained a high number of positive declarations that were awaiting review, approval or agreement by either management or staff, some of which were over a year old. It has therefore been agreed that appropriate roles and responsibilities for managing and monitoring the system will be established to ensure that the system's objectives are achieved and compliance with the declaration process maximised. In addition, a cleansing exercise to remove all staff that have left their employment with the Council is taking place, along with action to address the remaining 'live' declarations.

1.9 Further evaluation is required to determine the extent that the volumes of declarations awaiting review was down to administration or system configuration. This will be incorporated into the monitoring arrangements that are overseeing the agreed management actions.

1.10 Other areas for improvement included:

- Ensuring regular reports are generated from the system for monitoring purposes and so that prompt action can be taken where non-compliance with the process is identified;
- Providing further clarity over the process to be followed where staff do not have access to the online system and offline paper declarations are required; and
- Investigating whether on-system reminders for line managers and assistant directors can be introduced where offers and/ or acceptance of gifts/hospitality have been declared and are awaiting action.

1.11 A robust action plan has been agreed with management to address the findings of this review and the agreed actions for improvement are in progress.

### Library Asset Management

1.12 The Library and Information Service (LIS) has 17 libraries and a central warehouse at Ropemaker Park, holding stock of approximately 500,000 books (including reserve stock and specialist collections). In recent years, budget cuts have resulted in the closure of several libraries and the Schools' Library and Museum Service (SLAMS), with the service disposing of around 50,000 books a year. The SLAMS stock is also awaiting disposal.

1.13 The purpose of the audit was to provide assurance that controls are in place over Library assets, particularly in relation to (but not solely limited to) high value assets, to meet the following objectives:

- Clear governance arrangements provide adequate oversight of assets;
- Ownership of assets is clear and understood;
- Effective stock control facilitates the efficient use of assets and ensures the early identification of their loss;
- Security arrangements are effective in protecting the Council's assets;
- The service only disposes of, or sells, assets that are no longer of use to the Council;
- Disposal of assets complies with Financial Regulations, is transparent and secures value for money; and
- Income from disposals is received promptly, intact and is accounted for correctly in the general ledger.

1.14 Our work identified several areas where improvement was required and, as a result, we were only able to provide an opinion of **partial assurance**. In giving our opinion, we acknowledged that the Library Service is a small area of the Council and that high value/antiquarian assets form a very small proportion of the Communities, Economy and Transport Directorate's total assets. It also should be noted that some

control weaknesses identified within this audit (e.g. in relation to the Corporate Disposals Policy) were not within the direct control of the Library Service. A management action plan was, therefore, agreed with the Service and, where appropriate, with Finance. The action plan included measures to:

- ensure that policies covering the disposal of assets are brought up to date;
- reinforce segregation of duties in the disposal process to evidence that at least two people are involved;
- strengthen inventory controls to ensure that an appropriate record of assets is maintained;
- improve processes for the valuation and sales of assets to ensure that income from the disposal of the Service's assets is maximised;
- bring declarations in the register of interests up to date to demonstrate greater transparency in the sale process; and
- improve physical security at the storage facility at Ropemaker Park.

1.15 As we have given an opinion of partial assurance, we will carry-out a follow up review to ascertain progress made in implementing the agreed actions.

#### **Cultural Compliance – Contracts Management Group**

1.16 The Contract Management Group (CMG) within Communities, Economy and Transport is responsible for overseeing the Council's Highways and Infrastructure Contract. The Group monitors the performance of the service provider and ensures they are fulfilling the contract and tender obligations. The Group also manages the development of an asset management approach to looking after our highways and infrastructure, development of the service and all contract finance and budgets.

1.17 The objectives of this audit were to ensure that:

- CMG as a service is delivered effectively and in compliance with all appropriate Council policies and procedures and basic internal controls; and
- robust management arrangements are in place and all members of staff are subject to appropriate management and supervision.

1.18 Whilst controls in a number of areas were found to be operating in accordance with the Council's policies and procedures, our work also identified a number of areas of non-compliance and, as a result, we were only able to give an audit opinion of **partial assurance**. Management recognised the need to improve controls in a number of areas, including:

- retaining evidence to demonstrate that consultants were engaged in accordance with procurement requirements and of The Public Contracts Regulations 2015; and a copy of the contract, to help ensure that consultants' performance can be managed effectively;
- ensuring that all staff complete entries in the Council's register of interests to promote transparency and avoid the appearance of bias in decision-making;
- accounting for VAT consistently so that it can be recovered for all relevant transactions;

- documenting staff supervision meetings more fully to ensure that decisions are captured and used up to improve performance; and
- monitoring the use of the purchasing card more effectively to ensure that all expenditure represents appropriate use of public funds.

1.19 A robust action plan to strengthen controls was agreed with management and a follow-up review will be completed to assess the implementation of the agreed actions.

### **Powers of Entry – Follow-up**

1.20 A power of entry is a right for a person to enter land, or other premises, legally to enable investigation of alleged offences and allow for the necessary enforcement of regulations. Often, a power of entry is accompanied by what are known as ‘associated powers’, which set out what an official is allowed to do once they have entered the premises. Currently, there are around 1,200 separate powers of entry under a wide range of regulations (approximately 370 statutes) that are available to state officials.

1.21 A code of practice is in place to govern the exercise of powers of entry and associated powers to which Council officers must have regard when carrying out their duties.

1.22 The previous audit report within this area in April 2018 gave an opinion of partial assurance on the use of powers of entry within Communities, Economy and Transport e.g. Trading Standards. We therefore undertook a follow-up audit to provide assurance on the progress made in implementing the previously agreed actions.

1.23 We found that the majority of actions had been implemented and were therefore able to give a revised opinion of **reasonable assurance**. Only one action, relating to the need for authorised officers to have suitable ID cards that cite the relevant statute that staff can exercise, had not been put in place. Management has agreed a revised timetable for the implementation of this.

### **Network Security**

1.24 Information Technology (IT) systems enable the Council to provide critical services to their customers and are used to collect, process and retain ever increasing amounts of confidential information. The vulnerabilities that exist in these IT systems, as well as the infrastructure that supports them, combined with a perceived lack of awareness regarding security issues, have led to attackers targeting public organisations and may expose them to the risk of a cyber-security attack. Cyber security attacks can be launched from any internet connection and can have a significant financial and reputational impact.

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

- Policies and procedures are clearly defined, regular effective risk assessments are undertaken, network topology is kept up to date, access to routers is restricted through network protocols or IP addresses, separate virtual local area networks (VLANs) are managed for sensitive information assets, network policies encrypt using Wi-Fi protected access II (WPA2), and authentication controls use registered certificates and session tokens;
- Approved protocols are used for inward and outward traffic, demilitarised zones (DMZs) have appropriate segregation (front and back facing), third-party security contractual clauses are in line with internal policies, firewall and antivirus administration is restricted and adequately controlled, approved router rules are in place (filter traffic to critical hosts, from invalid addresses, and internet control message protocol (ICMP) traffic), network access controls have been enabled and validated for both wired and wireless networks, and network performance is overseen and predictive log reviews are undertaken;
- External penetration tests and internal vulnerability assessments are undertaken with remediation supported by executive management, server operating system (OS) patching is facilitated automatically, active directory domain administrator rights are restricted and password rules set, virtual private network (VPN) access is restricted to trusted clients, and manufacturer default passwords and settings (where applicable) have been changed;
- Both specialist and general staff awareness training is overseen and owned by executive management, and unnecessary server services have been disabled; and
- Recovery action plans are in place for manual operations, understood by key officers, regularly tested and updated.

1.26 We were able to provide an opinion of **reasonable assurance** over the controls operating in this area as we found that high level technical controls are generally in place and operating as expected. However, there are some findings that impact the overall level of control that could make the network vulnerable to attack.

1.27 For reasons of security, we are not able to share the detailed findings within this report, however, actions to manage the risks identified have been agreed with management.

### **Modernising Back Office Systems (MBOS) - Programme Governance and Risk Management Arrangements**

1.28 The Modernising Back Office Systems (MBOS) Programme has been established to enable the Council to go to market for a replacement to its current Enterprise Resource Planning (ERP) tool - SAP. The MBOS programme is seeking to implement a new system, or systems, that better meet the current and future needs of the Council and which provides optimal return on its investment.

1.29 The current SAP ERP system was implemented in 2004 and will no longer be supported beyond 2025. The MBOS programme is expected to run until August 2024 with the new system(s) expected to be implemented in August 2023. The overall cost of the programme is expected to be circa £25m.

1.30 In addition to providing independent support, advice and assurance to the Programme Board and working group meetings on risk, governance and internal control issues, we have identified several key areas on which to focus our work, including:

- Programme governance/risk management;
- Business processes (both on and off system);
- System security;
- User access, authentication and authorisations;
- Testing arrangements;
- Data cleansing and migration;
- Interfaces and reconciliation;
- Disaster recovery and business continuity; and
- Training.

1.31 Our first piece of work has therefore looked at the programme's governance and risk management arrangements, with specific regard to the following control objectives:

- There has been sufficient purpose, planning and preparation to support the programme;
- An appropriate governance structure is in place;
- Effective quality and cost controls exist;
- Risks are appropriately managed and addressed;
- Reporting and communication during the programme is well managed;
- Implementation of the programme is effective;
- The key deliverables of the programme are met;
- The closure of the programme and return to business as usual is well managed.

1.32 Given that the MBOS programme is still at an early stage, we were not able to provide assurance over the controls in place for the closure of the programme. We will give assurance in this area as the programme progresses.

1.33 Based on our testing, we were able to provide **reasonable assurance** over the programme governance and risk management arrangements with the following key findings:

- A robust business case which shows a clear purpose for the overall programme, with emphasis on linking programme objectives to the Council's strategic priorities, has been developed and received approval from the Programme Board. The business case is supported by a Programme Initiation Document;
- The Programme Board was found to be an effective decision-making body. We noted that as the programme and its supporting projects progress, the governance structure and their responsibilities should be reviewed in order to prevent a reliance for all decisions, regardless of their importance, on a select few individuals;

- Detailed costings for various proposals for the programme have been developed, considered by the Programme Board and approved along with the business case. A dedicated Finance Officer has been assigned to provide finance support to the programme and has been providing reports on the overall budget position;
- Subject Matter Experts (SMEs) for each of the business areas that will be impacted by and, therefore need to contribute to the MBOS programme, have also been assigned. The responsibilities for the SMEs are well documented and have been communicated to them;
- As expected, at this early stage, stakeholder engagement and communication strategies have not been formally developed or shared with the Programme Board for approval. Despite this, the initial engagement and communication that has taken place with stakeholders is promising and, with the plan to resource a dedicated communications officer, indicates that these areas are likely to be managed effectively;
- Effective risk management arrangements are in place to ensure that appropriate risks have been identified, with mechanisms in place to ensure they are evaluated and managed. We identified some additional risks in relation to staffing resources to support the programme and projects which should be considered by the Programme Board and added to the risk register if considered appropriate; and
- While still in the early stages of the programme, a robust and detailed plan for its entire lifecycle has been developed. The plan includes start and due dates for items at a micro-level, highlighting which tasks are required for each milestone, as well assigning responsible officers where appropriate and providing a RAG rating on its status.

1.34 A small number of medium and lower priority actions were agreed with the Programme Manager in response to our findings, with the final report presented to the Programme Board.

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

1.35 As an addition to the above planned programme of work to support the MBOS programme, we agreed with the Programme Board to review the requirements catalogue. The requirements catalogue is a critical document as it forms the basis of the specification for the replacement system against which potential suppliers are compared through the competitive procurement process.

1.36 As agreed with the Programme Board we:

- Reviewed the requirements catalogue to ensure that all the requirements that Internal Audit had identified, outside of the requirements gathering exercise, were included;
- Sense checked the requirements catalogue to ensure that appropriate system requirements have been covered.

1.37 Our review found the content of the 'Phase 2 Requirements' catalogue, which records all system requirements identified by Subject Matter Experts (SME), was robust and covered most areas of system functionality.

1.38 We did, however, identify some areas where requirements appear to have been overlooked or we felt were insufficiently detailed within the catalogue. These included:

- Detailed security requirements;
- The need to record every user who viewed a record, as well as those who made changes;
- System requirements relating to managing and tracking Pension Fund activity;
- Functionality to manage assets and disposals, including non-property assets;
- Functionality to record depreciation by multiple methods;
- Functionality to fully support Treasury Management capability, including a Logotech interface if appropriate; and
- Functionality to support accounting and invoicing for traded services (including schools).

1.39 We passed the details of the requirements that could not be located within the catalogue to the MBOS Project Manager and Business Analyst and worked with the Programme Lead and Subject Matter Experts to ensure that appropriate consideration was given to their inclusion within the 'Phase 2 Requirements' catalogue and subsequently within the Invitation to Tender.

1.40 We have since provided verbal assurance to the Programme Board that the requirements catalogue had been reviewed and action taken as appropriate.

#### **Digital Postal Hub - Control Environment Review**

1.41 The Digital Postal Hub (DPH) is a Council service allowing all inbound post to go to one place where it is scanned and directly sent to the addressee via SharePoint. Similarly, outgoing post can be sent through a 'print and post' function, allowing post to be automatically printed, enveloped and franked in the post room and then sent via Royal Mail.

1.42 In April 2020, a data security breach occurred, linked to the operation of the DPH, which was reported to the Information Commissioner's Office by a member of the public.

1.43 The primary objective of this audit was to undertake a control review of the current processes in place for the DPH, both on-line and on the controls in place when the system was off-line. Whilst we looked to identify any potential weaknesses that may have contributed to the data security breach occurring, we did not investigate the breach, nor did we provide an investigation report into the reasons for the breach as this was undertaken as part of the Data Protection Officers role.

1.44 In conclusion, whilst we were unable to provide complete assurance with regards to the operational effectiveness of the DPH, with specific reference to the information governance arrangements, we found the overall control environment to be working effectively.

1.45 The report included an action agreed with management to further improve the control environment.

## Troubled Families

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

1.47 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 17 of the 175 families included in the April/June 2020 grant.

1.48 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 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.

## 2. Covid-19 Response Work

2.1 In the case of all of the above activity, our work was based on a review of the control environment before the national response to Covid-19. As such, these findings and the associated assurance do not encompass interim measures implemented by management in response to the pandemic.

2.2 The following paragraphs, however, set out details of the work that we have undertaken in providing advice and support to services in response to Covid-19. During the quarter, and as a result of the pandemic, a significant proportion of our planned audit work was paused so that we would not impede service response to the emergency and wherever possible, enable us to provide specific support to this response. In addition, some of our team were redeployed to support other services across the organisation, most of which related to the sourcing and distribution of personal protective equipment (PPE). For those staff remaining, in addition to continuing with and completing ongoing audits where this was possible, we refocussed our work on providing advice and support across the Council on risk and control issues, especially where services looked to modify their ways of working. Many of these related to back office, administrative functions, with some of these historically having a heavy reliance on paper-based processes. We also reviewed new initiatives, such as the Department for Education (DfE) Laptop Scheme (see below) and were required to certify various additional grants received by the Council in respect of Covid-19. This grant work sought to provide assurance that the grants were used in accordance with the relevant terms and conditions, prior to formal certification by senior management and return to the grant awarding bodies.

2.3 As the organisation continues to adapt its response to the Covid-19 pandemic, we will maintain our advisory and support activity, including revisiting some of the key areas where working practices have evolved to provide assurance that these remain appropriate and fit for purpose.

2.4 The provision of audit guidance, advice and support to date has included:

#### **Department for Education (DfE) Laptop Scheme**

2.5 ESCC were given an initial allocation of circa 1,100 devices to allocate to children with social workers and care leavers who did not have access to a device, to enable social workers to keep in contact and to support learning whilst educational institutions were closed due to the pandemic.

2.6 As part of our work, we reviewed controls in relation to the following key areas:

- Ownership;
- Password management;
- Security;
- Internet monitoring;
- Delivery;
- Support;
- Asset management;
- Information governance and technical risk assessments; and
- Asset tracking (and wiping if assets are lost or stolen).

2.7 We found that IT&D had a well-managed project in place to manage the set-up and allocation of devices, working on behalf of, and with, Children's Services. Some minor improvements to controls were agreed with the project team.

#### **Staff Claims for Mileage, Expenses, Additional Hours and Overtime**

2.8 Due to the implementation of emergency working arrangements in late March 2020 in response to Covid-19, the introduction of online payroll claim forms was brought forward to allow employees to continue receiving payment for hours worked and reimbursement of travel-related expenses.

2.9 We therefore reviewed the online claims process relating to claims for travel, expenses and additional hours, prior to its implementation. In completing this work, we were able to provide advice on risk and control issues, agreeing several areas for improvement. These were accepted by management who took appropriate action to address them prior to go-live of the system.

2.10 At the time, because the online process wasn't yet live, we were unable to perform any formal testing of individual claims or of the process for uploading claim data into SAP for payment. We subsequently, therefore, completed testing on the system (and associated claims) a month after implementation.

2.11 In completing our testing, we found the online claim system to be operating satisfactorily. Most claims tested were found to have been properly completed and approved, and the values on the claim forms were accurately transferred to SAP. However, we did identify two minor system-related issues and a small number of compliance issues. These were discussed with management and appropriate action was agreed to resolve them.

### **Support to Key Council Providers**

2.12 We have given advice on the Council's provision of support to its key providers, in line with central government guidance. This included the relaxing of payment terms and, in some cases, continuing to make payments even where services had been suspended to protect suppliers' capacity to provide essential services post-lockdown. We reviewed the guidance and processes in place to manage these payments, including in relation to roles and responsibilities, approval and reconciliation.

### **Issue of Laptops and Other ICT Equipment**

2.13 We reviewed the proposed system for delivering ICT equipment to new members of staff, where there is a risk that it is not delivered to the correct person or may be lost and/ or stolen, leading to a data breach and access to council network and servers which could lead to an increased risk of cyber-attack. In reviewing the proposals, we made a small number of recommendations in order to improve controls and these were agreed with management.

2.14 Other areas of specific advice and support from Internal Audit included:

- **Electronic Income Collection** – alternative arrangements for the receipt and processing of cheque payments;
- **Payment of Invoices** – arrangements over the electronic receipt and subsequent processing of invoices from suppliers;
- **Waivers to Procurement and Contract Standing Orders** – consideration of alternative arrangements to help ensure the continued delivery of key services where contracts with providers were due to come to an end during Covid-19;
- **Use of Electronic Signatures** – increased and expanded use of electronic signatures for Council contracts;
- **Treasury Management and Journal Processes** – development of processes to enable the approval of transactions in these areas to be given and recorded electronically;
- **Information Governance** – in light of the increased information governance risks associated with the significant numbers of staff working remotely, we have worked with the Information Governance lead on developing further guidance and advice for staff;

- **Use of WhatsApp** – use of WhatsApp to extend the means by which social workers can maintain contact with vulnerable families during lockdown.

### 3. Counter Fraud and Investigation Activities

#### Proactive Counter Fraud Work

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

#### National Fraud Initiative Exercise

3.2 The results from this exercise were received on 31 January 2019 and continue to be reviewed. This exercise identified total overpayments of £19,434.01. £13,793.28 of these savings were generated from the report that matched pensions to DWP deceased data and £5,640.73 from the report that matched pensions to payroll. The last exercise identified two cases that were recorded as fraud. This included a concessionary travel passes that had been issued to a deceased person and a pension that continued to be paid to a deceased person. We are currently working with the appropriate departments to ensure that the relevant datasets are uploaded for the next exercise. The results from the exercise are due on 31 January 2021.

#### Counter Fraud Policies

3.3 Each Orbis partner has in place a Counter Fraud Strategy that sets out their commitment to preventing, detecting and deterring fraud. Internal Audit have reviewed the sovereign strategies to align with best practice and to ensure a robust and consistent approach to tackling fraud. These were approved by Audit Committee on 10 July 2020.

#### Fraud Risk Assessments

3.4 Fraud risk assessments are regularly reviewed to ensure that the current fraud threat for the Council has been considered and appropriate mitigating actions identified. We have updated the risk assessment to include new and emerging threats as a result of the Covid-19 pandemic. This includes potential threats to payroll, staff frauds relating to home working and cyber frauds.

#### Fraud Response Plans

3.5 The Fraud Response Plans take into consideration the results of the fraud risk assessments and emerging trends across the public sector in order to provide a proactive counter fraud programme. The fraud response plans include an emphasis on data analytics and during quarter 1, we have conducted data analytics exercises on the use of Council procurement cards. We have also developed a data analytics programme for key financial systems and this work will commence in quarter 2.

## **Fraud Awareness**

3.6 The team continue to monitor national intelligence alerts and have produced a Fraud Bulletin identifying potential threats against the Council and its employees. This includes increased risks of bank mandate fraud, cyber threats (including various phishing scams) and online shopping scams. The bulletin is published on the Council's intranet.

## **Reactive Counter Fraud Work - Summary of Completed Investigations**

### **Salary Overpayment**

3.7 Internal Audit provided a team within Adult Social Care with support and advice while they investigated an employee who had been overpaid. The investigation resulted in a warning letter being issued to the employee and the overpayment is in the process of being recovered.

### **Adult Social Care**

3.8 Internal Audit have continued providing advice and support to Adult Social Care on individual cases where concerns have been expressed over the potential deprivation of capital and misuse of personal budgets.

### **Failure to Deliver a Service during the COVID19 Pandemic**

3.9 We have investigated an allegation that a provider of adult social care services continued to receive payment despite not delivering a service during the pandemic. The investigation found that there was no case to answer.

## **4. Action Tracking**

4.1 All high priority actions agreed with management as part of individual audit reviews are subject to action tracking. There were five high-risk actions due to be implemented by management by the end of quarter one. Four of these related to the audit of Pension Fund Administration, People, Processes and Systems (including one reported as being overdue at the end of quarter four) and one was from our audit of Atrium (the Council's property asset management system). Both audits were reported to Audit Committee in July 2020. Whilst none of these actions had been implemented by the end of the quarter, it should be noted that, at the time of writing this report, all of these had been at least partially implemented and work is continuing to ensure full implementation, with revised dates for this agreed with management. Progress over implementation will continue to be monitored and reported on by Internal Audit.

## 5. Amendments to the Audit Plan

5.1 As referred to in 2.1 above, a significant proportion of our planned work was paused in response to the pandemic. We are currently in the process of revising and updating the audit plan for the remainder of the year and will present this to the next meeting of this Committee.

## 6. Internal Audit Performance

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee	By end April	<b>G</b>	Plan prepared for April approval, but formal reporting to Committee delayed due to Covid. Agreed by Committee on 13 May 2020.
	Annual Audit Report and Opinion	By end July	<b>G</b>	2019/20 Annual Report and Opinion approved by Audit Committee on 10 July 2020.
	Customer Satisfaction Levels	90% satisfied	<b>N/A</b>	No surveys returned during the quarter.
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	<b>N/A</b>	During the Covid pandemic, the audit plan has been suspended to allow the internal audit service to support the organisation's response.
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	<b>G</b>	<p>January 2018 – External assessment by the South West Audit Partnership gave an opinion of 'Generally Conforms' – the highest of three possible rankings.</p> <p>June 2020 - internal self-assessment completed – no major areas of non-compliance with PSIAS identified. Internal quality review also completed – no major areas of non-compliance with our own processes identified.</p>
	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.

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	95% for high priority agreed actions	<b>R</b>	See Section 4 of this report.
Our staff	Professionally Qualified/Accredited	80%	<b>G</b>	92.9% <sup>1</sup>

<sup>1</sup> Includes part-qualified staff and those undertaking professional training

## 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.