

Internal Audit and Counter Fraud Quarter 1 Progress Report 2025/26

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1. Summary of Completed Audits

East Sussex Pension Fund

1.1 The Council is the designated statutory administering authority of the East Sussex Pension Fund ("the Fund"). It has statutory responsibility to administer and manage the Fund in accordance with the Local Government Pension Scheme (LGPS) regulations and has delegated the management and responsibility of the Fund to the East Sussex Pension Committee, supported by the Pensions Board and Chief Finance Officer (S151 officer).

1.2 The Fund is responsible for managing assets for the long-term benefit of scheme members in accordance with statutory regulations and is a member of ACCESS, a collaboration of 11 LGPS administering authorities, which work together to reduce investment costs and gain economies of scale.

1.3 During quarter 1, we completed the remainder of the work in the 2024/25 Pension Fund audit plan (delivery of which slipped slightly due to internal audit resources being used to provide audit assurance over the implementation of Oracle during the quarter), as follows:

Pension Fund Investments and Accounting

1.4 The purpose of this audit was to provide assurance that:

- The Fund's assets are safeguarded and managed in accordance with regulatory requirements;
- The performance of the Fund's investments meets its objectives;
- Investment returns are received in full in a timely manner; and
- Previously agreed actions for improvement have been implemented.

1.5 In completing this work, we were able to provide an opinion of **substantial assurance**. We found that:

- The ESCC Pension's Team comprises experienced officers, who are supported by investment consultants, to ensure that investment performance is monitored, that new investment opportunities are explored, and that appropriate due diligence takes place before making new investments.
- Robust processes are in place to ensure that assets are safeguarded; and
- Regular reconciliations take place to provide assurance that transactions are accurately reflected in the general ledger and within a reasonable timeframe.

1.6 There were only two low risk findings and improvement actions were agreed with management in relation to these.

Pension Fund Compliance with Regulations

1.7 The purpose of this audit was to provide assurance that:

- Scheme governance arrangements, including clear separation between the Council's and the Fund's responsibilities, meet regulatory requirements;
- Employers' responsibilities are fulfilled to ensure the Fund complies with regulatory requirements.

1.8 In providing an opinion of **reasonable assurance**, we found that:

- The Pension Fund and Council are financially separate, with independent bank accounts and no borrowing or lending taking place between the two organisations;
- Both the Pension Board and Committee are regularly presented with the Complaints, Breaches and Internal Dispute Resolution Process (IDRP) Log, and are able to comment on, or raise challenge in relation to, its content, as required;
- There is an appointed Investment Manager in place with appropriate skills to provide the required advice; and
- Payments to Fund Managers are subject to robust checking and paid in a timely manner.

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

- There is a Service Level Agreement in place between the Fund and the Council to ensure that performance standards are clearly defined;
- Key information within the Pensions Team is clearly documented in policy or procedure notes;
- Pension Board members and officers working with the Fund have up to date conflict of interest declarations; and
- Members of Pension Board and Pension Committee are reminded of the importance of participating in the training courses available.

1.10 Appropriate improvement action was agreed with management in respect of these findings.

Treasury Management

1.11 Treasury management is the management of the Authority's cash flow through investments and borrowing. The Council's treasury management activities are conducted within the framework of the Chartered Institute of Public Finance and Accountancy (CIPFA), which require the Council to approve a treasury management strategy before the start of each financial year.

1.12 The overall objective of the audit was to review the adequacy of key controls and procedures across the Council's treasury management arrangements, including in relation to cash flow, forecasting, financial investments and the use of treasury advisors.

1.13 In completing our work, we found that robust controls were in place and operating effectively. Consequently, we were able to provide an opinion of **substantial assurance** with only two low risk findings. Appropriate action was agreed with management to address these.

Risk Management

1.14 This audit assessed compliance with the Council's agreed Risk Management Framework. It sought to gain assurance that risks are appropriately mitigated within departments and at a strategic level.

1.15 Overall, we were able to provide an opinion of **reasonable assurance** in this area. We found that there is an up-to-date Risk Management Framework in place which clearly defines roles and responsibilities. Risk registers are maintained with risks subject to review by a risk owner on at least a

quarterly basis, and there is a consistent approach across the Council to the process of risk identification, analysis and rating. In addition, risks are regularly reported to departmental management teams, the Corporate Management Team and Audit Committee, where there is appropriate oversight and opportunity for challenge. We also found that risks are supported by appropriate mitigations.

1.16 We did, however, identify some areas where improvement was required, including ensuring that those involved in the risk management process complete the corporate risk management training that is available, and for risk management training to form part of the induction process for new managers. Actions for improvement were agreed with management in relation to these and other lower risk areas.

Mobile Phone Application Management

1.17 Mobile Phone Application Management is the systematic process of requesting, reviewing, approving, and issuing of an organisation's mobile applications. This process is crucial for the Council to ensure the security of mobile devices and to safeguard the Council's data from accidental or malicious use.

1.18 The Council's mobile phones are all maintained through Microsoft Intune, an endpoint management system. This allows for the authentication and security management over Council issued iPhones to be maintained by the Council remotely. It is through the Intune Company Portal app on the individual iPhones that staff are able to download and install pre-approved mobile applications.

1.19 This audit reviewed the effectiveness of the control environment to ensure that the overall delivery and deployment of applications to mobile phones is managed appropriately. As part of the scope, we considered application security, compliance with data protection legislation and risk management processes.

1.20 In completing this review, we were able to provide an opinion of **reasonable assurance**. We found that:

- There is a level of trust placed within the proprietary app store which has a rigorous set of security checks that application developers must follow to upload their apps;
- Reviews of new app requests by Information Security and Procurement prior to approval by the risk owner ensures compliance with the Council's security and data protection policies;
- There is a specific set of privileged users that can obtain application licences, deploy applications, and change security groups; and
- There is a low volume of applications being requested, approximately 20 in the past year, and there is an increasing number of applications that are becoming web-based, which will likely result in fewer requests.

1.21 We identified one area for improvement, where there is a need to review the apps available to staff to ensure they remain safe to use and remove those no longer in use to help mitigate the risks and lessen the resource impact of managing available apps. Actions were agreed in relation to this medium risk finding.

IT&D Project Management

1.22 IT project management is used to help ensure that the Council can deliver technology solutions via defined projects or programmes which support business change. It also helps to ensure technology change is appropriately managed and governed.

1.23 This audit reviewed the effectiveness of the control environment to ensure the overall delivery of major IT&D projects across the Council.

1.24 Overall, we were able to provide an opinion of **substantial assurance** in this area. We found that:

- The service has several decision-making boards and groups which oversee the management of each project;
- For each project, Risk, Assumption, Issues and Dependency (RAID) logs are used to track current and ongoing risks within individual projects;
- Major projects are allocated an oversight board or group, providing sufficient governance arrangements;
- All projects follow a similar path and are reported in a way which allows sufficient oversight by major stakeholders;
- Delivery assurance indicators are in place to monitor project performance;
- A 'Pathfinder' group meets weekly to discuss ongoing and future upcoming projects; key members of this group include project managers, architects and project support staff;
- An 'End Project Report' is produced at the end of each project which captures lessons learned; and
- Training is available to officers involved in project management from both internal and external providers.

1.25 Only one minor area for improvement was identified, relating to the need to ensure a central record of project management related training is maintained. An appropriate action to address this was agreed with management.

Home Care Contract Management

1.26 The Council's Adult Social Care (ASC) Department commissions home care from a range of providers, equating to approximately £37m per annum. The Home Care contract was re-tendered with provision commencing in January 2023 for a term of six years, with the option to extend by 48 months.

1.27 The Home Care contract is an Approved List where approved providers have the opportunity to be commissioned by ASC to provide home care services. The approved service provider list consists of approximately 43 providers hierarchically assigned. Lead providers (covering nine geographical areas), have a requirement to deliver 90% of the service requirements.

1.28 The objective of this audit was to provide assurance that robust contract management arrangements are in place and are operating as expected to manage key risks and ensure delivery of home care provision to adult social care clients.

1.29 In completing this work, we were only able to provide an opinion of **partial assurance**. We found that the integrity and accuracy of data upon which payments to care providers are made needed

to be improved to ensure all payments are accurate, contracted services are delivered as expected and to strengthen the reliability of performance management. In addition, we found that there was no contract management plan in place; the implementation of which would provide greater clarity and definition over roles and responsibilities to help ensure key activities are completed to achieve the objectives of the contract.

1.30 These areas were discussed with management and actions for improvement were agreed in a formal management action plan. Given the partial assurance opinion, we will complete a follow-up audit to confirm that the agreed actions for improvement have been implemented.

Home to School Transport

1.31 The Department for Education provides statutory guidance to Local Authorities setting out requirements to provide home to school transport (HTST) for eligible children in the authority's area to facilitate their attendance at school. Eligibility for HTST is determined by Children's Services Department (CSD), which holds the budget for HTST, although service delivery is administered by the Communities, Economy and Transport (CET) Department. Costs are recharged by CET to CSD on a quarterly basis.

1.32 Budget reporting during 2024/25 consistently predicted that the budget for HTST would be overspent by more than £4.7m, against the budget of £23.8m. As a result, the Corporate Management Team (CMT) requested that an audit of HTST be carried out.

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

- Clear and effective governance arrangements ensure only eligible children and young people are provided with Home to School Transport, are provided with transport in accordance with their assessed needs, and deliver the service within budget.
- Effective procurement results in contracts for the provision of home to school transport that deliver value for money; and
- Robust contract management arrangements deliver the full value for money offered by contracts.

1.34 We found that there are no fundamental weaknesses in control that have resulted in the over-spend, which was caused, principally, by an increase in demand. We also identified several areas of good practice. However, we did find examples of non-compliance with policies and weaknesses in processes to secure value for money and, based on the testing undertaken, we were only able to provide an opinion of **partial assurance**.

1.35 Areas for improvement were identified relating to the need to:

- Define more clearly the respective roles and responsibilities of the CSD and CET Departments, including by the provision of a Service Level Agreement (SLA) or similar, and updating the terms of reference of the HTST Board;
- Strengthen guidance available for officers to promote a consistent and robust approach to applying the Council's HTST Policy;
- Review the budget settling process to ensure that the budget is set on the most up-to-date and realistic basis, including an analysis of demand;

- Ensure that the procurement of new routes complies with the Council's Procurement and Contract Standing Orders; and
- Expedite the process to the recovering of costs incurred for transporting children placed in East Sussex schools by other authorities.

1.36 A robust action plan to address these, along with a small number of other low risk areas, was agreed. A follow-up audit will be undertaken to assess the extent to which the agreed actions for improvement have been implemented. We also noted that a project had been initiated by both departments to review and control home to school transport costs.

Exceat Bridge Project

1.37 Exceat Bridge is a single-lane road bridge that spans the Cuckmere River on the A259 and is part of the Major Road Network. Historically, the bridge has been a pinch point between Seaford and Eastbourne and, in 2021, ESCC was awarded £8m of Levelling Up Funding (LUF) towards the then estimated total cost of £10.6m for its replacement, with a new two-way bridge to be built alongside the existing structure to enable the A259 to remain open during the works.

1.38 Since then, costs increased considerably and there were delays to the project. As a result, a pared back scheme was proposed, involving the replacement of the bridge in situ by another single-lane bridge, which would have involved the closure of the A259 for 22 weeks and significant disruption to traffic, including several important bus routes. In response, it was agreed that Bus Service Improvement Plan funding be transferred from other projects to bridge the gap between the existing budget and then projected costs of the original project which, by then, had increased to £21m.

1.39 The Council's highways contractor, Balfour Beatty Living Spaces, was approached to provide updated costs with a view to reinstating the original project and these formed the basis of a report to be presented to Cabinet for its consideration, prior to a public enquiry on the project.

1.40 In view of the importance of this project, the climate of economic uncertainty and the tightness of the budget, the Corporate Management Team (CMT) asked Internal Audit to review the process by which the project's costs were forecast and to provide assurance that:

- A recognised cost modelling tool was used;
- An analysis of materials, labour and project risks, as well as a defined schedule of works, have been used to underpin the cost estimate;
- Appropriate inflation and price indices have been used to future-proof the cost;
- Income streams and their timetables are realistic;
- The relevant parties have been involved in the process; and
- Appropriate risk contingencies have been identified.

1.41 The work did not review the detailed analysis of the costs or the engineering solution of the proposed project.

1.42 Overall, we found that the principal construction costs of the project had been assessed by a major consultant and:

- Were based on a recognised cost modelling tool;
- Contained an analysis of material, labour and was based on a schedule of works;

- Included provision for inflation, based on an industry-standard price index, in relation to the expected timescales; and
- Included appropriate contingency for risk.

1.43 We also found that the income streams had been confirmed, and all relevant parties appeared to have been consulted.

1.44 However, we drew CMT's attention to a small number of risk areas to enable it to consider them when making its decision. These related to:

- A small proportion of costs that were based on officers' professional judgement;
- The increasingly uncertain economic outlook;
- The increased rates of employer's national insurance contributions; and
- The need to manage the contracts with both consultants and contractors effectively to ensure delivery risks are minimised and costs are controlled.

1.45 It is important to note that we were asked to undertake this work within a very short timescale and to acknowledge the resultant limitations on testing.

Grant Related Audit Work

Multiply Grant

1.46 The Multiply Programme is a government programme aimed at improving numeracy in adults aged 19 and above. The Department of Education provides local authorities with grant funding, in the form of the Multiply Grant, to enable them to support the programme by delivering targeted interventions to improve adult numeracy. Grant funding was received for three years until the programme and grant were withdrawn on 1 April 2025.

1.47 We were required to confirm that the grant conditions had been complied with and that monies had been appropriately approved and spent. A random sample of transactions for the 2024/25 financial year were selected for review, which confirmed that the transactions met the purpose of the grant and had been appropriately approved and spent. As a result, we were able to return a signed declaration to the Department of Education.

Core Growth Hub Grant

1.48 The Core Growth Hub Funding Grant is provided by the Department for Business and Trade (DBT) to support the delivery of Growth Hubs across England. The East Sussex Growth Hub is a service providing free and independent business support for local businesses across the County and was in receipt of £104,000.

1.49 Sample testing was undertaken and we found that evidence of eligible expenditure had been retained and was commensurate with the conditions of the grant.

1.50 Based on this review, we were able to return a signed declaration to the DBT that spending met the purpose and conditions set out in the application and awarding letter.

2. Counter Fraud and Investigation Activities

Counter Fraud Activities

2.1 The team continue to monitor intel alerts and share information with relevant services when appropriate.

2.2 In addition, the team are currently reviewing recent matches released as part of the National Fraud Initiative. High risk matches will be prioritised for investigation and support provided to services reviewing the reports.

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 1, it was confirmed that 11 of the 12 (91.6%) high-risk actions due to be implemented on a 12-month rolling basis had been actioned. The one outstanding action, relating to the need to introduce a declaration to the staff loan application process, that requires staff to confirm that they have considered the affordability of the loan, has still not yet been implemented (this was an outstanding action reported at the end of quarter 4). We understand that progress is being made in this area and a revised implementation date of 31 July 2025 has been agreed.

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
Exceat Bridge	See 1.39 above.
Cherwell Replacement Project – Governance Arrangements Healthcheck	Added to the plan in response to a request from the service for additional assurance over a large and complex project.
Core Growth Hub Grant	A new grant requiring certification.

4.2 To-date, no audits have been removed from the 2025/26 audit plan.

4.3 The following audit work is currently in progress at the time of writing this report (including those at draft report stage, as indicated):

- Emergency Planning (draft report)
- Oracle Support Arrangements (draft report)
- Surveillance Cameras (draft report)
- Payroll
- Direct Payments

- Mental Health Services – Compliance with Corporate and Local Procedures Follow-Up
- Neighbourhood Support Team Cultural Compliance
- Transport for the South-East - Governance Arrangements
- Section 17 Payments
- Denton Community Primary School
- Grievance Arrangements
- Whistleblowing Arrangements
- Childcare Expansion Capital Grant
- Digital Literacy and Skills Training
- Pension Fund Governance Arrangements
- Oracle Transition from Hypercare into Business as Usual
- Oracle Segregation of Company Accounts
- Oracle Permissions and Management Trails
- Oracle Integrations and Interfaces
- Cherwell Replacement Project

5. Internal Audit Performance

5.1 Public Sector Internal Audit Standards (PSIAS), replaced on 1 April 2025 by new Global Internal Audit Standards (GIAS), required the internal audit service to be reviewed annually against the Standards, supplemented with a full and independent external assessment at least every five years. The results of our most recent self-assessment are included in the table below.

5.2 Our last quality review exercise in November 2023, identified no major areas of non-conformance. The need to ensure consistency in the quality of the evidence contained within a small number of audit working papers was highlighted, and this has been addressed at service development days in 2024/25.

5.3 In addition to our periodic self-assessments of effectiveness, 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	G	2025/26 Internal Audit Strategy and Annual Audit Plan noted by Audit Committee on 28 March 2025.
	Annual Audit Report and Opinion	By end July	G	2024/25 Internal Audit Annual Report and Audit Opinion noted by Audit Committee on 4 July 2024.

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score (RAG)	Actual Performance
	Customer Satisfaction Levels	90% satisfied	G	100%
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	G	27.9% achieved by the end of Q1, against a Q1 target of 22.5%.
	Percentage of audit plan days delivered	90%	A	20.5% achieved by the end of Q1, against a Q1 target of 22.5%.
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	G	April 2025 - Self Assessment against the recently introduced Global Internal Audit Standards (GIAS) completed. No major areas of non-conformance identified. Some areas to ensure full compliance have been identified, including the update of the Audit Charter.
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms	G	No evidence of non-compliance identified.
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	97% for high priority agreed actions	A	91.7% - see section 3.1 above.
Our staff	Professionally Qualified/Accredited	80%	G	82%*

*Includes part-qualified staff and those undertaking professional training.

Audit Opinions and Definitions

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