

## Summary of Key Audit Findings

### General Ledger

The key control objectives of this review were to ensure that:

- Up-to-date and approved policy, regulations and supporting procedures, in line with statutory requirements and accounting standards are in place;
- All direct journal inputs to the general ledger are complete, accurate and properly authorised (in accordance with Council policies);
- Transactions posted from feeder systems into control accounts are complete and accurate;
- Unrecognised accounts or suspense balances are reviewed and cleared on a timely basis, and;
- Adequate bank reconciliation procedures are in place.

Based on our work, we were able to provide **full assurance** over the system of controls. We found that the general ledger continues to be appropriately managed and accurately maintained. A small number of opportunities to further improve the control environment were identified. These were, however, minor in nature.

### SAP Security and Administration Follow-Up

SAP Security and Administration is a key risk area for ESCC. A failure to properly control access rights and security could result in financial loss and unauthorised access to ESCC data. Inadequate control over access rights and security could also lead to reputational damage and potential fines/litigation where there is non-compliance with data protection laws.

A follow-up review in this area was undertaken due to an audit opinion of partial assurance being provided in a previous audit, where it was found that there were a number of opportunities for improvement which would help to reduce the financial and reputational risk exposure to the Council.

In undertaking this follow-up, we found that most of the actions from the previous review had been either fully or partially implemented, and this resulted in an improved audit opinion of **substantial assurance**. Notable areas of improvement included:

- The strengthening of governance arrangements over SAP security and administration;
- The review and management of SAP user roles and transactions to help ensure users do not have inappropriate access;
- Finalisation of the SAP Disaster Recovery Invocation Plan, increasing the likelihood that SAP is able to be recovered in a controlled and timely manner in the event of a disaster.

We have, however, reiterated the point that there is no formal, automated process for identifying and reviewing potential role conflicts in SAP, which could mean that users have inappropriate access rights that enable them to complete critical and significant elements of a SAP process without further input from others, increasing the risk of inappropriate activity and potential financial loss. This has been an issue since SAP was first implemented within the Council and whilst manual controls partly reduce the associated risks, these are not sufficiently robust to mitigate them completely. We have therefore agreed with management

that this should be escalated to senior management for further consideration, particularly in light of the work currently underway to clarify the requirements of the Council's future business solutions platform.

Some further, minor points were raised as part of the audit and these were agreed in full with management.

### **Agile Technology Security Audit**

Agile working is the ability to work in any place and from any space, supported by the right technology and processes. It provides Council employees with more choice in how, when and where work is undertaken. It also enables the Council to make best use of its resources and improve the way it delivers services to the local community.

An audit was undertaken to review the security arrangements of agile technology in use within the Council. In particular, this incorporated an analysis of:

- Agile technology policies and procedures;
- Agile asset management;
- Mobile device configuration and security;
- End point security.

In completing this work, controls were generally found to be adequate and an opinion of **substantial assurance** was provided. Some areas were, however, identified where improvements could be made, including the need to:

- Review and update existing Council policies, including the corporate email policy and internet access and usage policy, to ensure coverage extends to the use of agile equipment, including smartphones;
- Ensure policies and procedures relating to 'lost and stolen devices' and 'information security incidents' are formally communicated as part of agile equipment roll-out;
- Ensure staff are required to formally accept and evidence receipt of/responsibility for mobile devices in order to increase accountability, and;
- Maintain complete and adequate records of all mobile devices held.

All recommendations for improvement were agreed with management, all of which are due to be implemented by the end of 2015.

### **Coroner's Office Follow-Up Review**

A previous internal audit review in 2014/15 found that there was considerable scope for improving financial administration within the Coroner's Office. The absence of a proper framework of financial control was a contributing factor to the weaknesses found. Due to the control issues highlighted, and the audit opinion of partial assurance given, we conducted a follow-up review to assess the extent to which the agreed actions from the previous audit had been implemented.

Our work found that the control environment at the Coroner's Office had improved significantly since the last audit, with the majority of our recommendations having been implemented. We were therefore able to give an opinion of **substantial assurance**. One outstanding recommendation was restated and a partially implemented action resulted in an amended recommendation. These included the need to:

- Enter additional costs incurred for long inquests into the Coroner's management information system, to ensure that relevant information is captured for all cases, and;

- Ensure the petty cash account is operated properly and in-line with financial regulations.

Both of these actions were agreed with management who are committed to ensuring their implementation by the end of 2015.

## **Cultural Compliance Reviews**

We are continuing to deliver a programme of 'cultural compliance' reviews within different teams across the Council. These are intended to provide assurance that services are delivered effectively and in compliance with appropriate Council policies and procedures. The reviews focus on the following areas:

- Service delivery and good management practice;
- Budget management;
- Expenditure;
- Income;
- Staff management, and;
- Asset and inventory management.

Two such audits have been completed in quarter 3, within the Communications Team (Communities, Economy and Transport) and The Family Plus Team (Children's Services), the results of which are as follows:

### **The Communications Team**

The Communications Team provides guidance and support to Council departments when they need to communicate with each other or the outside world. This can involve press releases, the design of web pages or advertising campaigns. As with other Council teams, the Communication Team has undergone a considerable restructure, including incorporating the public relation activities from individual departments into a single, centralised function.

Overall, we were able to provide an audit opinion of **substantial assurance**. We found that, generally, the service complies with Council policies. However, some areas for improvement were identified as summarised below, including the need:

- For all staff to complete a declaration in the register of business interests and for managers to establish appropriate safeguards where positive declarations are made;
- To increase awareness and knowledge of the key messages in the Employee Code of Conduct and the Council's Anti-Fraud and Corruption Strategy;
- To ensure supporting documentation is retained for all purchasing card (P-Card) transactions;
- To maintain an inventory of equipment and to ensure that assets are security marked, and;
- To ensure that adequate records of hours worked are maintained, and that standard leave cards are used in all instances.

### **The Family Plus Team / Family Group Conference**

The aim of the Family Plus Team (FPT) is to involve family and friends in the safeguarding of children. The FPT assess and support family, friends and connected carers of children and young people who might otherwise be looked after within the care system in East Sussex.

The Family Group Conference (FGC) service organise family group conferences to involve extended family networks in safeguarding.

Our work concluded that the service complies with the majority of Council policies. As a result, we were able to provide an audit opinion of **full assurance** with only one minor recommendation for improvement being made, relating to the need to retain documentation in support of P-Card transactions.

## **East Sussex Better Together – Governance and Pooled Budget Arrangements**

The Government aims to improve public health, reducing the level of acute and intervention care provided by the NHS and, instead, place a greater reliance on community based health and social services. The Health and Social Care Act 2012 transferred responsibility for public health from the NHS to local government and gave new powers to Tier 1 local authorities to commission services.

In 2013, the Better Care Fund was created with a single pooled £3.8bn national budget. This was ring-fenced for two years to incentivise the NHS and local government to work more closely together to improve health and well-being and to focus on outcomes measured against national benchmarks.

ESCC and health service bodies inside and outside the county (NHS England, clinical commissioning groups, GPs and other interested partners) have subsequently developed the East Sussex Better Together (ESBT) initiative. Its aim is to provide stronger co-ordination and joint commissioning of services to improve the health and wellbeing of the people of East Sussex.

Annual spending on health and social services in East Sussex is approximately £1bn, of which approximately £260m currently relates to Adult Social Care (ASC) services. The East Sussex share of the Better Care Fund consists of £42.2m in 2015/16. This has been created by the recycling of resources from within existing clinical commissioning groups (CCG) and ESCC budgets into a pooled budget arrangement. The ESCC contribution is £5.663m, whilst the three CCGs (NHS Eastbourne, Hailsham and Seaford; NHS Hastings and Rother; and NHS High Weald Lewes Havens) contribute the remainder.

As part of an agreed plan of internal audit work in relation to Better Together and the Better Care Fund, we have completed a review of governance (including risk management) and pooled budget arrangements.

We found that, generally, ESBT governance, programme management and arrangements for the management of the pooled budget are sound. Clear objectives for the scheme have been agreed and structures have been set up to manage progress against these. Management is keen to exercise strong oversight and is aware of areas where improvement is needed. Subsequently, we were able to provide an opinion of **substantial assurance**.

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

- Establish and approve a scheme of financial delegation which will help to ensure the clarity and efficiency of the decision-making process;
- Strengthen the risk management framework to improve the chances of ESBT achieving its objectives;

- Develop a work-plan to monitor and report progress of the programme;
- Develop a formal process for CCG's to draw-down funding from the pooled budget.

The findings from this review were discussed with management and actions for improvement, together with timescales for implementation, were fully agreed.

## **Shared Care Information System (SCIS)**

The Shared Care Information System (SCIS) programme will change the way all records (or cases) in Adult Social Care (ASC) and Children's Services (CSD) are created and monitored. The Council is implementing LAS (Liquidlogic Adults System) and LCS (Liquidlogic Children's System) to replace CareFirst as the client information and case management system. The current social care finance system for ASC, Controcc, will be incorporated for both systems to provide care and finance information in one place.

The main purpose of our work in relation to the SCIS programme, agreed with the SCIS Programme Board, is to provide an opinion on whether risks associated with five key aspects of the system implementation are being properly managed. The main focus areas are:

- Business process re-engineering across ASC, CSD and Finance;
- Data quality and migration;
- Testing arrangements;
- System security and administration, and;
- System interfaces and reconciliation.

As previously reported, we have provided regular updates to the Board and ASC DMT on our work. For LAS, this culminated in a report for their go-live decision in November that summarised our work and provided a commentary on issues that could impact the decision. These included:

- A lack of financial information for the Funding Panel in relation to the cost of framework services (such as Home Care and Residential), potentially preventing informed decisions from being made;
- Certain LAS processes and guidance notes not being finalised at the time of the go-live decision;
- The outcomes from the latest round of user acceptance testing not being formally documented. We were therefore unable to provide assurance that the system had been adequately tested or that there were no outstanding material issues.

In highlighting the above weaknesses, it enabled DMT to seek assurance from programme management that these would be resolved prior to go-live; either through the implementation of formal controls or via temporary workarounds. We felt that, provided these and other issues highlighted by the project were successfully resolved prior to go-live, there was no reason why the programme should not proceed. DMT subsequently received sufficient assurance from programme management to enable them to make the decision to go-live with LAS with effect from 1 December 2015.

Our work is now focussed on LCS, which has a planned go-live date of 23 February 2016.

## **The Keep**

The Keep was opened in November 2013 at a cost of £15 million. It is a centre for archives that provides access to all collections of the East Sussex Record Office, the Royal Pavilion and Museums Local History Collections and the University of Sussex Special Collections. East Sussex County Council (ESCC), Brighton and Hove City Council and the University of Sussex are jointly responsible for governance and management of The Keep.

The overall revenue budget for the 2015/16 financial year is £1.2million, with the contribution from ESCC totalling £740,000 (equivalent to 60% of the revenue budget).

The main purpose of this audit was to review governance, business planning and budget management arrangements in relation to The Keep. In addition, a review of income arrangements and asset security was undertaken.

In providing an audit opinion of **substantial assurance**, we found a robust control environment and a number of areas of good practice. Some opportunities to further strengthen controls were also identified, including the need to:

- Implement formal risk management arrangements;
- Review and revise The Keep's business plan, with particular focus on financial planning;
- Maintain an asset register to help maintain and secure The Keep's assets;
- Ensure outturn against key service targets is properly reported;
- Ensure all cash income received is banked fully intact, and:
- Further enhance cash handling procedures.

All of the above areas were agreed with management.

Before the commencement of the audit, we were made aware of issues in relation to the budget at The Keep. The original budget allocation for ESCC does not meet the Council's costs under The Keep's Operation and Management Agreement with its partners, resulting in an underlying shortfall in the region of £230,000. Furthermore, significant budget pressures for all partners have arisen due to the rateable value and utility costs for the property being significantly higher than anticipated at the beginning of The Keep's operation.

ESCC management are fully aware of this and work is being undertaken to mitigate the costs further. This includes an appeal to the Valuation Office Agency regarding the business rates and the development of an income generation strategy.

## **Individual School Audits**

We are continuing our school audit work in two main areas:

- Audits in a sample of higher risk schools and follow-ups where poorer audit opinions have been given. This work is delivered by our own internal audit team, and;
- A wider programme of audits of randomly selected schools, delivered through Mazars Public Sector Internal Audit.

As reported previously, the purpose of this wider sample of school work is to assess financial governance in more schools, not just those deemed to be higher risk, and to gauge the effectiveness of a new training programme currently being delivered to governors,

headteachers and school business managers. A summary of the results of opinions arising from this work is set out in the following table:

<b>Higher Risk and Follow Up Audits (Delivered in house)</b>	<b>Opinion</b>
Sacred Heart Catholic Primary School	Minimal Assurance
<b>Randomly Selected Audits (Delivered by Mazars)</b>	
Catsfield CE Primary School	Substantial Assurance
St. Peter and St. Paul CE Primary School	Substantial Assurance
Wadhurst CE Primary School	Substantial Assurance
Broad Oak Community Primary School	Partial Assurance
Dallington CE Primary School	Partial Assurance
High Hurstwood CE Primary School	Partial Assurance
Iford and Kingston CE Primary School	Partial Assurance
Manor Primary School	Partial Assurance
Mayfield CE Primary School	Partial Assurance
Rodmell CE Primary School	Partial Assurance
St. Paul's CE Primary School	Partial Assurance
West Rise Junior School	Partial Assurance
Parkside Primary School	Minimal Assurance

In all cases, recommendations arising from our work have been formally agreed with school management, with copies of all audit reports sent directly to all members of each school's governing body. This is in addition to the bulletins we provide to governors which highlight common themes and issues arising from our work which we recommend they seek assurance on within their own schools. Common issues arising from our recent work include the need for schools to:

- ensure declarations of interests are managed effectively;
- always raise purchase orders prior to the goods or services being received;
- ensure decisions and approvals are explicitly recorded in the minutes of the Governing Body;
- confirm the employment status of self-employed people to ensure schools are not liable for additional payments to HMRC;
- strengthen income controls;
- retain sufficient evidence of reconciliations and approvals;
- strengthen control over voluntary funds;
- maintain contract registers, and;
- ensure contractors have the correct level of public liability insurance.

### **Investigations**

#### **Western Road Community Primary School**

Following concerns raised by staff and governors at the school, particularly in relation to financial irregularities and missing items of equipment, we conducted an internal audit and investigation during 2014/15. In addition to significant financial control weaknesses being identified, our investigation established that items purchased through the school were missing and unaccounted for, including specialist items of equipment not normally associated with school use. We also found evidence that some items purchased through the school had been delivered to the home address of the Headteacher who had recently left to assume employment outside of East Sussex.

The findings from our work were reported to the police whose investigations led to the previous Headteacher being charged with theft, fraud and false accounting. The case was subsequently heard at Hove Crown Court in December 2015, during which the Headteacher was found not guilty on all charges. Items belonging to the school and found in the former Headteacher's home have, however, been recovered and are being returned to the school.

A comprehensive audit report highlighting a range of control weaknesses, along with actions for improvement, was produced for the school in 2014, the results of which were reported to the Audit, Best Value and Community Services Scrutiny Committee in September 2014.

A follow up of this report is due to take place in the new financial year.

### Mileage and Expense Claims

As a result of inconsistencies identified during a routine audit, an investigation into an employee's mileage and expense claims was undertaken which found that the individual had failed to deduct home to work mileage on claims and had also, in some instances, submitted claims for the cost of fuel in addition to the journeys claimed for.

Our investigation found that these issues had most likely come about as a result of human error and a lack of understanding over the process for the correct processing of expense claim forms. Although no disciplinary action has therefore been taken in this case, the full reimbursement of all overpaid sums has been sought from the individual concerned.

Internal Audit is currently working with colleagues in Personnel and Training (PAT) and BSD Finance to help clarify and strengthen the guidance available in this area to help avoid future repetition.

### Conflict of Interest – Recruitment

During December 2015, an anonymous allegation was received relating to alleged bullying and irregular recruitment practices at an East Sussex primary school. In agreement with PAT and Children's Services, we conducted a formal investigation into these allegations along with a full audit at the school.

Whilst no evidence was found of bullying or impropriety in recruitment practices, a wide range of internal control and governance weaknesses were identified. These have been set out within a draft audit report which is currently being discussed with the school and which will be reported on in our quarter 4 progress report.

### 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 3.7 above):

- General Ledger;
- E-Invoicing;
- Property – Pre Contract Checking Arrangements;
- Appointeeships Follow-Up;
- Social Care Assessment and Planning Team – Sorrell Drive;
- High Weald Area of Outstanding Natural Beauty;
- Department for Transport Capital Block Funding Grant Claim;
- Broadband Annual Return to BDUK.



In agreement with management, the following audits have been removed from the 2015/16 audit plan and will be considered for inclusion in the 2016/17 plan as part of the overall risk assessment completed during the annual planning process:

- Care Act;
- South East Business Services (SEBS);
- Contract Management;
- Capital Programme;
- Impact of Savings Activity;
- Safeguarding.

#### **Audit Areas Scheduled for Future Follow Up**

<b>Audit Area</b>	<b>Original Audit Opinion</b>	<b>Date of Planned Follow Up</b>
Appointeeships	Partial Assurance	2015/16
Compliance with Procurement Standing Orders	Partial Assurance	2016/17
Contract Management	Partial Assurance	2016/17
Special Educational Needs and Disabilities (SEND)	Partial Assurance	2016/17
Public Health Local Service Agreements	Minimal Assurance	2016/17
School's Senior Leadership Team Salaries	Minimal Assurance	2015/16
Western Road County Primary School	No Assurance	2016/17
Pevensey and Westham CE Primary School	Minimal Assurance	2015/16
Shinewater Primary School	Minimal Assurance	2016/17
Northiam CEP School	No Assurance	2016/17
Castledown Primary School	Minimal Assurance	2016/17
Sacred Heart Catholic Primary School	Minimal Assurance	2016/17
Parkside Primary School	Minimal Assurance	2016/17

