

1. Audits Completed in Q3 (October to December 2019)

Impact of Savings

With the continued savings having to be made by local authorities, this review sought to provide assurance that the effects of savings plans in services had been properly assessed, specifically in terms of risk and impact on the control environment, and that, where risk has been identified, appropriate mitigation has been implemented.

Based on the work completed, both as part of this review and from our various assurance activities throughout the year, we did not identify any significant deterioration in controls as a result of savings made and were able to provide an opinion of **substantial assurance** in this area. We found that the Council is proactive in identifying and managing risks associated with savings activity.

We did, however, identify some areas where controls could be strengthened, including in relation to ensuring that:

- organisational intelligence is secured where long-serving members of staff leave their employment with the Council, which has not always happened; and
- following multiple structural changes within Council departments, revised roles and responsibilities within and between teams are properly understood by all parties to strengthen the efficiency of joint working arrangements.

In discussing these findings with management, appropriate actions were agreed to address them, including:

- updating the Council's Managing Change policy (a key resource for managers undertaking changes to staffing structures) to reflect the importance of comprehensive handover arrangements where key staff leave; and
- ensuring that, following the conclusion of a restructure or reorganisation, managers are reminded of the importance of communicating this to all relevant parties.

Risk Management

This review assessed the adequacy of risk management arrangements within the Council, including seeking assurance that:

- there is an effective risk management framework in line with good practice and organisational appetite towards risk management;
- appropriate risk management is taking place at both service and strategic levels in accordance with the Council's risk management framework;
- robust risk reporting arrangements exist and allow for the effective escalation and de-escalation of risks in a timely manner;

- risk registers are subject to regular review and challenge to ensure that all risks are identified and responses remain appropriate;
- where risk mitigations are identified, these are adequate and effective in reducing the impact or likelihood of the identified risk; and
- adequate reporting arrangements are in place.

Our work concluded that risk management arrangements within the Council are robust and operating effectively and we were able to provide an opinion of **substantial assurance**, with the following areas of good practice noted:

- Both the Strategic and Departmental risk registers are updated regularly to reflect the changing and emerging nature of risk;
- The Strategic Risk Register is presented to the Corporate Management Team (CMT) and Cabinet on a quarterly basis as part of Council monitoring arrangements. In addition, it is also presented separately to Audit Committee on a quarterly basis;
- The roles and responsibilities of different groups, including Members and CMT, are well defined within the risk management framework;
- Departmental coordinators help to ensure that risks are entered onto the relevant risk register when necessary; and
- There is a reminder process in place to ensure that risks are updated on a quarterly basis.

Although we did not identify any significant control weaknesses within the risk management process, there were some opportunities to further strengthen the arrangements, including:

- updating the risk management framework document to ensure that all job roles, positions and committee details reflect the current organisational structure;
- adding further guidance within the risk management framework on the process for escalation and de-escalation of risks between Departmental and Strategic Risk Registers. Furthermore, to include additional detail for managers on the identification and articulation of risk mitigation measures, specifically to help ensure that these always address the identified risk in terms of reducing either impact or likelihood;
- taking care to ensure that risk owners are updated should a member of staff leave the department to which the risk is associated; and
- providing further training and awareness for relevant staff members to help ensure that they are able to identify, analyse and manage risk effectively.

A formal action plan to address these areas was agreed with management.

Atrium

Atrium is the Council's property asset management system. The purpose of this review was to assess the adequacy of arrangements in place for managing the system to ensure it:

- maintains up to date, accurate and complete property data and information;
- executes timely and accurate data exchange through interface with other key management information systems;
- produces useful management information for all those who need it;
- assigns individual access rights that reflect their responsibilities; and
- can continue operating during a disaster and recover as quickly as possible.

In providing an opinion of **partial assurance**, we found a number of areas where controls could be improved, including in relation to ensuring that:

- the system is updated to accurately record property disposals;
- rent reviews are completed in a timely manner to ensure rent charges and receipts are correct;
- leaseholders are always invoiced for the rent due;
- there is a segregation of duties between users who request repair jobs and those who approve these; and
- wherever possible, property data transfer between Atrium and other Council systems is via electronic transfer to reduce the risk of errors through manual update.

Actions to address all of the issues raised were agreed with management in a comprehensive management action plan. We will conduct a follow-up review as part of the 2020/21 audit plan to assess the implementation of these.

Social Value in Procurement

The Public Services (Social Value) Act 2012 requires public authorities to factor in economic, social and environmental well-being in connection with public service contracts. In practice, social value can be a cost-saving tool, as additional benefits can be delivered as part of the contract. An example might be the inclusion of a requirement to enhance a community facility free of charge, as part of a large-scale building contract where this costs the contractor very little and is of far greater practical value to the local area. Alternatively, it might be a requirement to employ local apprentices when delivering the contract.

The Social Value Charter, developed by Orbis Procurement, considers social value in all contracts over £100,000. The social value benefits that have been identified must be incorporated into each relevant stage of the tender process. Social value elements can then be measured and monitored through contract Key Performance Indicators (KPIs) and this should ensure the outcomes agreed are delivered throughout the contract life. It is the responsibility of the contract manager to ensure these social value outcomes are delivered as part of the contract.

In undertaking this work, we assessed how social value is incorporated within a sample of Council contracts. In providing an audit opinion of **partial assurance**, we found opportunities to improve the management of social value, including ensuring that:

- there is sufficient engagement with procuring managers to gain their buy in and facilitate their understanding of social value requirements;
- social value targets are clearly specified within contracts;
- managing the delivery of social value is embedded within the contract manager role; and
- the expected social value element of contracts is monitored and delivered.

The above areas were discussed with management as part of the audit and appropriate action for improvement has been agreed within a comprehensive management action plan. A follow-up audit will be undertaken in 2020/21 to confirm that the actions have been implemented.

ICT Compliance Frameworks

Organisations face an ever-increasing list of statutory, regulatory, contractual and legal compliance obligations. While these areas of compliance should concern the whole council, they often require significant input from Information Technology and Digital (IT&D) Services.

Areas of compliance that have a varying impact on IT&D within ESCC include:

- Government Public Sector Network (PSN) Code of Connection (CoCo);
- Data Security & Protection (DSP) Toolkit; and
- Payment Card Industry Data Security Standard (PCI (DSS)).

While not considered areas of compliance, there is an expectation that the Senior Information Risk Owner (SIRO) would also look to take assurance from IT standards such as Cyber Essentials & Cyber Essentials Plus.

The primary objective of this audit was to provide assurance that effective controls are in place for the overall governance arrangements within IT&D that will help to ensure that suitable assurances are provided to the SIRO and the Council.

We were able to provide **substantial assurance** over the controls operating within this area because:

- effective governance processes are in place over compliance frameworks and IT standards which require significant contribution from IT&D. While there are statutory requirements for compliance in place for some frameworks e.g. the Data Security & Protection (DSP) Toolkit, management have adopted a positive culture of looking to gain assurance from other relevant standards and work towards compliance with these, even if there is no statutory requirement to do so;
- robust processes are in place to ensure enough time is available for appropriate scrutiny and sign-off of submissions prior to renewal;

- appropriate review and sign-off of frameworks and standards is taking place, with these being discussed with the SIRO prior to submission; and
- arrangements are in place to provide assurance that continued compliance with frameworks and standards is maintained. This is achieved through robust policies, training and support for both new and existing members of staff and active monitoring of activities by IT&D.

Some minor opportunities for improvement were identified that, once resolved, will further strengthen the current control environment. These improvements, which were agreed with management, included:

- clearly documenting the role of the SIRO in signing off compliance framework submissions; and
- implementing mechanisms to remind staff to undertake information governance refresher training.

Commissioning of Adult Social Care Services

The Council spends around £261m per year on a wide range of goods, work and services to deliver adult social care services to East Sussex residents. Over the last few years, considerable work has been undertaken to streamline operations and integrate service and commissioning arrangements with various health organisations to deliver good value and better outcomes.

This review looked at the arrangements in place for the commissioning of adult social care services, and covered the following objectives:

- The legislative environment has been fully considered, particularly in relation to statutory obligations;
- Expected benefits and outcomes are defined;
- Data gathering and data analysis is robust, providing options for future service provision;
- Decision-making delegations are clear and complied with, including clear lines of governance and accountability over commissioning activities;
- Market engagement and consultations are embedded into commissioning processes; and
- Service provision achieves the expected benefits and improved outcomes as defined in the planning stage.

In concluding our work in this area, we were able to provide an opinion on **substantial assurance**, with robust controls identified in place across all of the areas examined. Examples of good practice included:

- The revision of county-wide, commissioning governance arrangements with the Health and Wellbeing Board providing strategic oversight for health and social care systems, in alignment with the NHS Long Term plan to promote greater integration between health and social care commissioning;

- The Health and Wellbeing Board receive regular reports on progress against priority objectives and key performance indicators for commissioned health and social care services;
- Our testing on commissioning activity highlighted that there was an adequate rationale for each commissioned service looked at (linked to the ESCC core offer and any statutory duty under The Care Act), with data analysis, market engagement, financial modelling and risk management considerations;
- We were able to confirm that, during the commissioning process, a Board, or equivalent, was in place, with a sponsor of sufficient status able to drive through decisions in a timely and robust manner; and
- Rationales for commissioning activity were clearly laid out in project initiation documents (PID) or specifications, together with expected benefits and defined outcomes.

Only one minor area for improvement was identified relating to the need to update the Scheme of Delegation within the Adult Social Care Department to ensure decision-making delegations in relation to commissioning activity are clear and complied with. This was agreed with management.

Buzz Active

Buzz Active is an East Sussex County Council non-profit service that provides outdoor activities from three sites: Eastbourne, Cuckmere Haven and Bushy Wood. The activities offered by Buzz Active range from windsurfing and stand-up paddle boarding to first aid training.

The purpose of the audit was to provide assurance that:

- fair and transparent recruitment processes ensure that the best staff are engaged;
- expenditure achieves value for money;
- all income due is received and banked intact;
- assets are appropriately safeguarded;
- controls ensure that the Adventure Activities Licence is retained;
- oversight of the centre ensures that it remains within budget; and
- compliance with Financial Regulations ensures that the risk of fraud and error is minimised.

In providing an opinion of **Partial Assurance**, we found opportunities for improvement to ensure that:

- evidence of staff qualifications is properly maintained and, where instructors are engaged on a consultancy basis, adequate checks are carried out to determine their employment status for tax purposes;
- health and safety procedures are enhanced, including that all incidents are reported, risk assessments are undertaken, return to work interviews following sickness are completed (to provide assurance that staff are recovered and able to lead activities) and fuel storage is secure and has appropriate signage to warn members of the public;
- controls over staff expense claims and use of the centre's procurement card are strengthened;

- income controls are improved, particularly in terms of arrangements for cash handling, reconciliation and refunds; and
- improvements in asset management are made, including in relation to maintaining inventory records.

Appropriate actions have been agreed with management to address these issues in a comprehensive action plan. A follow-up audit will be undertaken in 2020/21 to ensure that the actions have been implemented.

Schools

During the quarter, the following school audits have been completed. In undertaking these, we review the adequacy of arrangements in place in relation to:

- Governance and decision-making;
- Budget management;
- School security;
- Payments to staff;
- Expenditure;
- Income; and
- The security of assets.

Name of School	Audit Opinion	Areas Requiring Improvement
Chailey Secondary School	Reasonable Assurance	Need to ensure that: <ul style="list-style-type: none"> • all potential conflicts of interest are declared, and mitigation measures are put in place where positive declarations are made; • purchase orders are raised before orders for goods, works or services are placed with suppliers; • expense claims and purchasing card transactions are supported with VAT receipts.
Hurst Green Primary School	Reasonable Assurance	Need to ensure that: <ul style="list-style-type: none"> • staff complete conflict of interest declarations and mitigation measures are agreed and recorded for positive declarations made by Governors; • a Service Level Agreement is in place for the federation between the school and another primary; • current public liability insurance is in place for contractors employed by the school; • purchase orders are raised before orders for goods, works or

Name of School	Audit Opinion	Areas Requiring Improvement
		services are placed with suppliers; <ul style="list-style-type: none"> • suppliers are paid on time; and • claims for staff expenses are supported with valid VAT receipts, completed on formal claim forms and are submitted for payment in a timely manner.
Maynards Green Community Primary School	Minimal Assurance	Need to ensure that: <ul style="list-style-type: none"> • Disclosure and Barring Service (DBS) checks are completed for all contractors; • the Single Central Record (a key element of safeguarding) at the school is up to date; • public liability insurance for contractors is up-to-date and available at the school; • budget monitoring is strengthened; • purchasing controls are improved, including the raising and approval of purchase orders, and obtaining quotes for works in excess of £5,000. • controls in relation to claims for reimbursement of staff expenses and additional hours are strengthened; • staff complete conflict of interest declarations and mitigation measures are agreed and recorded for positive declarations made by Governors; • IR35 assessments (an HMRC requirement) are completed by the school when they engage sole traders, to assess whether the individual is self-employed or an employee; and • controls in relation to the handling of income are improved.

2. Counter Fraud and Investigation Activities

Proactive Counter Fraud Work

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

National Fraud Initiative (NFI) Exercise

2.2 The results from this exercise were received on 31 January 2019. Work has been ongoing throughout the year to investigate the identified matches and we will report on savings generated from this in our annual report.

Counter Fraud Policies

2.3 Each Orbis partner has in place a Counter Fraud Strategy that sets out their commitment to preventing, detecting and deterring fraud. We have reviewed the sovereign strategies to align with best practice and to ensure a robust and consistent approach to tackling fraud.

Fraud Risk Assessments

2.4 Fraud risk assessments have been consolidated and are regularly reviewed to ensure that the current fraud threat for the Council has been considered and appropriate mitigating actions identified.

Fraud Response Plans

2.5 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. These include an increased emphasis on data analytics. The Fraud Response Plans will be refreshed for 2020/21 and set out the proactive work plan for Internal Audit.

Fraud Awareness

2.6 The team has launched refreshed eLearning content to provide engaging and current material available to the whole organisation. This is now available through the Council's eLearning portal and is available in conjunction with fraud awareness workshops to help specific, targeted services identify the risk of fraud and vulnerabilities in their processes and procedures. An awareness campaign was run in November 2019 to coincide with International Fraud Awareness Week and to promote the fraud eLearning.

Reactive Counter Fraud Work - Summary of Completed Investigations

Grant Funding

2.7 Following receipt of concerns over a grant bidding process, and bodies bidding for multiple funding sources, we provided advice and guidance to help strengthen future bidding exercises.

Adult Social Care

2.8 We have provided advice and support to Adult Social Care on individual cases where concerns have been expressed over the potential deprivation of capital. This has also included advice on strengthening the assessment process.

Employee Misconduct

2.9 Following a notification from the Department of Work & Pensions that an ESCC employee had used a DWP system to view their own information, we provided advice and support to a management led investigation. Following the investigation, the employee was given a formal warning.

3. Action Tracking

3.1 All high priority actions agreed with management as part of individual audit reviews are subject to action tracking. As at the end of quarter 3, 100% of high priority actions due had been implemented.

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:

- Orbis Customer Access Portal - Lessons Learned from Procurement Exercise
- Broadband UK Grant Return
- Troubled Families
- Logotech Treasury Management System
- Home to School Transport - Follow Up
- Department for Transport Grant
- Bus Services Operators Grant
- Annual Governance Statement
- Risk Management
- Library Antiquarian Asset Management
- SAP Applications Control – Follow Up
- Buzz Active

4.2 In order to allow these additional audits to take place, to-date the following audits have been removed or deferred from the audit plan and, where appropriate, will be considered for inclusion in the 2020/21 plan as part of the overall risk assessment completed during the annual audit planning process. These changes are made on the basis of risk prioritisation and/or as a result of developments within the service areas concerned requiring a rescheduling of audits:

- IT&D Project Management
- Transport for the South East

5. Internal Audit Performance

5.1 In addition to the annual assessment of internal audit effectiveness against Public Sector Internal Audit Standards (PSIAS), 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	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee	By end April	G	Approved by Audit Committee on 25 March 2019. 2020/21 plan to be agreed at Audit Committee meeting on 27 March 2020
	Annual Audit Report and Opinion	By end July	G	2018/19 Annual Report and Opinion approved by Audit Committee on 12 July 2019
	Customer Satisfaction Levels	90% satisfied	G	100%
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	G	83.8% completed to draft report stage by end of Q2 (against a Q2 target of 67.5%)
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	G	January 2018 – External assessment by the South West Audit Partnership gave an opinion of ‘Generally Conforms’ – the highest of three possible rankings June 2019 - internal self-assessment completed
	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	95% for high priority agreed actions	G	100%
Our staff	Professionally Qualified/Accredited	80%	G	96.3% ¹

¹ Includes part-qualified staff and those in 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.