

Public Document Pack

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12 July 2019

Regulation, Audit and Accounts Committee

A meeting of the committee will be held at **10.30 am on Monday, 22 July 2019** at **County Hall, Chichester**.

Tony Kershaw
Director of Law and Assurance

Agenda

1. **Declarations of Interest**

Members and officers must declare any pecuniary or personal interest in any business on the agenda. They should also make declarations at any stage such as an interest becomes apparent during the meeting. Consideration should be given to leaving the meeting if the nature of the interest warrants it. If in doubt please contact Democratic Services before the meeting.

2. **Minutes of the last meeting of the Committee** (Pages 3 - 10)

The Committee is asked to agree the minutes of the meeting held on 25 March 2019 (cream paper).

3. **Urgent Matters**

Items not on the agenda which the Chairman of the meeting is of the opinion should be considered as a matter of urgency by reason of special circumstances.

4. **External Audit** (To Follow)

The Committee is asked to consider the report from the External Auditor EY.

5. **Financial Statements 2018/19** (To Follow)

Report by the Director of Finance and Support Services.

The Committee is asked to consider and approve the Financial Statements for 2018/19 for the County Council and the Pension Fund.

6. **Internal Audit Progress Report / Annual Opinion** (Pages 11 - 36)

Report by the Director of Finance and Support Services, and the Head of Southern Internal Audit Partnership.

The Committee is asked to note the Internal Audit Progress report.

7. **Quarterly Review of the Corporate Risk Register and Risk Management Strategy** (To Follow)

Report by the Director of Finance and Support Services.

The Committee is asked to review the information detailed in the report and the current Corporate Risk Register, and provide comment as necessary.

8. **Annual Governance Statement** (Pages 37 - 78)

Report by the Director of Director of Law and Assurance.

The Committee is asked to agree the draft Statement and Action Plan and recommend it for adoption through the signatures of the Leader of the Council and the Chief Executive.

9. **Treasury Management Compliance Report - First Quarter 2018/19**
(Pages 79 - 84)

Report by the Director of Finance and Support Services.

The Committee is asked to note the report.

10. **Training Considerations**

Committee to consider any training needs for the forthcoming year.

11. **Date of Next Meeting**

The next meeting of the Committee will be held at 10.30am on 4 November 2019 at County Hall, Chichester.

To all members of the Regulation, Audit and Accounts Committee

Regulation, Audit and Accounts Committee

25 March 2019 – At a meeting of the Regulation, Audit and Accounts Committee held at 10.30 am at County Hall, Chichester.

Present: Dr Dennis (Chairman)

Mr Waight, Mrs Dennis, Mr Jupp and Mrs Pendleton

Apologies were received from Mr Bradford and Mr Lea

Also in attendance: Mr Hunt and Mr Lanzer

Part I

30. Declarations of Interest

30.1 Mrs Dennis declared a personal interest as a Member of the Pensions Panel.

30.2 Mr Jupp declared a personal interest as a Member of the Pensions Panel and Horsham District Council.

30.3 Mrs Pendleton declared a personal interest as an Arun District Council Member.

31. Minutes of the last meeting of the Committee

31.1 Resolved – That the minutes of the meeting of the Committee held on 21 January 2019 be approved as a correct record and that they be signed by the Chairman.

32. External Audit

32.1 Mr Mathers (EY) gave a verbal update to the Committee on progress with the main council and pension fund audits.

32.2 Mr Mathers reported that work was progressing positively towards the Summer deadline. Data analytics had allowed timely work. EY were currently looking at revenue spend risk. All information relating to the Pension Fund migration had been received.

32.3 Resolved – That the Committee welcomes the update.

33. External Audit - WSCC Audit Plan

33.1 The Committee considered the audit planning report from EY (copies appended to the signed minutes).

33.2 Mrs Thompson (EY) introduced the report and explained that there were no fundamental changes to the way the audit was being undertaken compared to last year. The report outlined the identified risks which included the process of management override, PFI arrangements and

Restatement of the Comprehensive Income and Expenditure Statement (CIES).

33.3 Mrs Thompson talked through the independence section and explained that Public Sector Audit Appointments Limited had been asked to look at the work that was being proposed for children services.

33.4 The Committee made comments including those that follow.

- Queried if EY would be looking into the transformation design. – *Mr Mathers confirmed that whilst EY would not look specifically at this project, they would consider all materiality and how elements impacted the Medium Term Financial Strategy.*
- Sought clarity on the clarification used for the Novartis valuation. – *Mrs Chuter, Financial Reporting Manager, reported that the site had been classed as an operation asset as it did not fit within investment property definitions. Mr Mathers confirmed this approach and explained that investment property classification could only be used where the asset is held solely for rental income or capital appreciation. As other elements were proposed for the site, operational was the correct term. Mrs Thompson added that classifications can change as appropriate.*
- Queried if depreciation was considered for operational assets. – *Mrs Chuter confirmed that assets would be considered as part of the cyclical valuation programme.*
- Sought clarity on the audit opinion fee arrangements. – *Mrs Thompson explained that if issues came to light of high significance, EY would discuss the fee impact with the County Council. There was no incentive to give a different opinion as it would create more work.*
- Asked for detail on the reported inappropriate expenditure capitalisation. – *Mr Mathers explained that the test for this was to see if the correct criteria was being used. Areas such as non-attributable costs, nature of expenditure, and enhancement versus maintenance were considered.*

33.5 Resolved – That the Committee notes the plan.

34. Financial Statements 2018/19 - Plans and Progress

34.1 The Committee considered a report by the Director of Finance, Performance and Procurement (copy appended to the signed minutes).

34.2 Mrs Chuter introduced the report and explained that work had already been carried out on the accounts. Accounting policies had been streamlined in accordance with the CIPFA Code of Practice.

34.3 The Committee made comments including those that follow.

- Queried the lack of staffing risk for the County Council on the risk register. – *Mrs Chuter confirmed that the County Council finance team were stable, and that the team had now been in place for a year and was working well. The Pension team has had staffing changes which had been reflected in the report.*

- Sought clarity on the approach taken for property valuation. – *Mrs Chuter explained that samples had been taken of different classes. The criteria had been widened from last year across geography, size and asset type to strengthen the process. Montague Evans was the external valuer used.*
- Discussed the use of leases and asked if the associated risks had been taken into consideration. – *Ms Eberhart, Director of Finance, Performance and Procurement, confirmed that the estates team looked at leases and would recognise the risks. The statements show representation of all arrangements.*
- Queried the progress of the pension transfer. – *Ms Eberhart confirmed that the pension payroll had been run and would be received by the recipient on Friday. Investigations into the process had shown that the payroll had matched the intention.*

34.4 The Committee raised concerns from the previous item's discussion regarding the classification of property; investment versus operational. – *Ms Eberhart confirmed that the County Council was meeting the necessary policy. Mrs Thompson confirmed that the report recommendations were asking the Committee to approve the policy, not the property classification.*

34.5 Resolved – That the Committee notes the project plans and progress for the County Council and Pension Fund accounts; and approves the accounting policies for both the County Council and Pension Fund accounts for 2018/19 for application in preparing the accounts.

35. Internal Audit Progress Report

35.1 The Committee considered a report by the Director of Finance, Performance and Procurement and the Head of Southern Internal Audit Partnership (copy appended to the signed minutes).

35.2 Mr Pitman, Head of Southern Internal Audit Partnership, introduced Antony Harvey, Deputy Head of the Southern Internal Audit Partnership, who would also be attending meetings going forwards.

35.3 Mr Pitman introduced the report and reported that there was a low level of overdue actions, with one being a high priority. The report also included three limited assurance opinions; Sustainability, Public Health contracts, and the Financial Adults Safeguarding Team.

35.4 Ms Raleigh, Director of Public Health, informed the committee that following her appointment she had looked at Public Health contract processes. Internal Audit had been commissioned to assist and identify how to handle processes.

35.5 Following the audit, a Public Health Board had been created that was chaired by the Chief Executive. The Directorate Leadership Team also monitored reports on how contracts were performing. The register of contracts was now complete and up to date; with Key Performance Indicators for all contracts. Most audit actions were now complete. Ms Raleigh reported she was happy with the audit process.

35.6 Members welcomed the verbal update and commented that they felt assurance on progress.

35.7 The Committee made comments including those that follow.

- Noted the level of spend on the Public Health Contracts work and queried the likelihood that this could happen in other areas. Concerns were raised on the lack of assurance on value for money. – *Ms Raleigh reported that the work had focussed on 14 of the public health contracts. The gap of appointment to the Director of Public Health post and the lapsing of contracts had led to the issues raised. Work was still required in this area. The Adult and Social Care Commissioning Team had oversight of the contracts. The Committee commented that management changed regularly and so this was not an acceptable reason for contracts to be impacted. Ms Eberhart confirmed that the need to improve contracts had been recognised and that a Task and Finish Group (TFG) was in place to make improvements. The Chairman proposed a TFG update at a future meeting.*
- Asked if the level of audit opinions was typical for a local authority. – *Mr Pitman reported that the County Council utilised Internal Audit well, making good use of audit expertise to help improve processes. The figures were in line with local authorities using Internal Audit.*
- Queried the lack of draft report for Think Family. – *Mr Pitman explained that the work was focussed on grant certification work and so a report was not required. Dialogue would be added to future reports to confirm that the work had been signed off.*
- Sought clarity on the process for school financial statements. – *Mr Pitman confirmed that schools had to submit their self-assessments. Reconciliation work would follow this.*
- Queried the work that was still outstanding on the Deprivation of Liberty Safeguards. – *Mr Pitman resolved to follow up on this query within the next plan.*
- Asked if MASH would be added back into the audit plan. – *Mr Pitman confirmed this was not considered as an area of concern raised by the department and as such was not included within next years plan, albeit the plan remained fluid should it be later considered that a review would be desirable / necessary.*
- Sought clarity on the removed Service Resilience entry. – *Mr Pitman confirmed that this related to IT.*
- Queried the approach taken for cyber security and if the County Council had insurance for it. – *Ms Eberhart explained that officers worked to a Central Government checklist. An update of work would be included in the next meeting's report. Ms Eberhart resolved to look into insurance arrangements.*
- Asked if the backlog work would impact next year's programme. – *Mr Pitman confirmed that the work would not impact next year's resources.*
- Sought an update on the sustainability in procurement process work. – *Ms Eberhart resolved to look into this.*

35.8 Resolved – That the Committee notes the Internal Audit Progress report and requests an update from the Contracts Task and Finish Group when appropriate.

36. Internal Audit Plan 2019/20

36.1 The Committee considered a report by the Director of Finance, Performance and Procurement and the Head of Southern Internal Audit Partnership (copy appended to the signed minutes).

36.2 Mr Pitman introduced the report and explained that the plan had been written in consultation with management was being presented to the Committee for their consultation. The plan represented a point in time and was fluid to enable changes depending on priorities.

36.3 The Committee made comments including those that follow.

- Queried if the Whole Council Design and SAP replacement project were separate. – *Mr Pitman confirmed they were separate works. Ms Eberhart confirmed that the different work streams formed part of the whole council plan.*
- Asked if there were appropriate resources to deliver the plan. – *Mr Pitman confirmed there were enough resources.*

36.4 The Committee and the Cabinet Member for Finance and Resources thanked Mr Pitman and his team. It was noted that Internal Audit had given robustness to processes.

36.5 Resolved – That the Committee approves the contents of the Internal Audit Plan for 2019/20.

37. Internal Audit Charter 2019/20

37.1 The Committee considered a report by the Director of Finance, Performance and Procurement and the Head of Southern Internal Audit Partnership (copy appended to the signed minutes).

37.2 Mr Pitman introduced the report and explained that it was a requirement of the Public Sector Internal Audit Standards to present the charter to the committee.

37.3 Resolved – That the Committee approves the Internal Audit Charter for 2019-20.

38. Quarterly Review of the Corporate Risk Register

38.1 The Committee considered a report by the Director of Finance, Performance and Procurement (copy appended to the signed minutes).

38.2 Mr Pake, Corporate Risk and Business Planning Manager, introduced the report and highlighted the new elements of the report that had previously been requested by the committee.

38.3 The Committee queried the feedback for the risk management staff courses. – *Mr Pake reported that he was working with the Learning and Development team to look at the figures and monitor the peaks and troughs.*

38.4 Mr Mezulis, Chief Information Officer, attended the committee to talk on cyber security. It was expected that the risk would maintain a high level, and it would be for officers to appropriately manage mitigations. A regional Warning, Advice and Reporting Point (WARP) was set up to work with colleagues to assist with public sector early warnings.

38.5 Mr Mezulis spoke through other mitigation activities such as white hat hackers who would attack County Council systems to identify weaknesses. All cloud based provisions were conforming to set standards. Laptop antivirus software was also effective against attacks.

38.6 Mr Mezulis also spoke about the need to educate county council officers. Passwords were tested and found that some used simple words that were easy to crack. IT had also emailed officers with phishing emails to understand vulnerable areas. The results showed that a targeted campaign to educate staff on security was required.

38.7 The Committee made comments including those that follow.

- Referenced the recent cyber attack on the NHS and the need for county council equipment to be up to date so it was more secure. – *Mr Mezulis confirmed that the County Council was upgrading to Windows 10. Windows 7 would be supported by Microsoft until 2020. The rollout of equipment would completed before this deadline.*

38.8 The Committee requested an update at their November meeting on the progress of the IT rollout. Members also felt a member day on the IT kit would be useful.

38.9 Resolved – That the Committee notes the Corporate Risk Register and requests an update on the IT rollout at the November meeting.

39. Staff Induction Update

39.1 The Committee considered a report by the Director of Human Resources and Organisational Change (copy appended to the signed minutes).

39.2 Ms Hannant, Head of Organisational Development, introduced the report and reported that induction completion rates were now averaging 69%, compared to 41% in November. A working group was looking into the induction process for areas such as signposting, clarity over completion responsibility, reminders, communication campaigns, etc. Managers were now getting better prompts at staff progress. Feedback was being considered on elements of the induction, such as the proposal to reduce the full day into a half day.

39.3 Following a previous recommendation from the committee, the completion deadlines had been amended for on-line elements to be completed within the first month of employment.

39.4 Ms Muchamp, Head of Finance, reported that she had completed her induction within three months and felt that early awareness would be helpful to new employees.

39.5 The Committee made comments including those that follow.

- Felt it would be important to understand the difference in numbers between full time and part time; managers and members of staff.
- Queried the numbers of new staff entering the authority. – *Ms Hannant reported that the average was 50 a month, but there would be peaks and troughs.*
- Asked if sufficient sessions were provided for new starters. – *Ms Hannant reported that 60 spaces were available every month over three sessions. It was hoped that managers would book staff onto sessions as soon as possible. The new system made it easier to monitor progress.*
- Queried the length of the induction materials. – *Ms Hannant explained that the online element would take six hours, the face to face element lasted one day.*

39.6 The Committee welcomed the progress on staff inductions.

39.7 The Chairman noted the improvements that had been observed following the committee's recommendations and proposed an alternative resolution to the one recommended in the report; That the Chairman writes to the Chairman of the Governance Committee stating that the Committee have observed the improvements in the induction process and would like to ensure they continue to be appropriately monitored by the Governance Committee as this falls within their remit according to the constitution.

39.8 The Committee unanimously agreed to the new resolution, but felt that the item should come back to the Committee if the policy needed amending.

39.9 Resolved – That the Committee asks the Chairman to write to the Chairman of Governance Committee asking them to monitor staff inductions as part of their remit to ensure the improved completion rates do not revert back.

40. Draft Annual Governance Statement 2018/19

40.1 The Committee considered a report by the Director of Law and Assurance (copy appended to the signed minutes).

40.2 Mr Gauntlett, Senior Advisor, introduced the report and explained that the final Annual Governance Statement would come to the July committee for approval. The July report would look back on the previous action plan. The Committee were asked to note the report and progress.

40.3 Resolved – That the Committee notes the plans for the 2018/19 Annual Governance Statement.

41. Work Programme 2019/20

41.1 The Committee considered a programme by the Director of Law and Assurance (copy appended to the signed minutes).

41.2 Mr Chisnall, Democratic Services Officer, introduced the programme as an outline for 2019/20 meetings.

41.3 Mr Chisnall reported that the programme contained an error, and that the Financial Regulations and Financial Procedures item would be taking place in March 2021 as it was in a three yearly review and had last been reviewed in July 2018.

41.4 Resolved – That the Committee notes the programme.

42. Date of Next Meeting

42.1 The Committee noted that its next scheduled meeting would be held at 10.30 am on 22 July 2019 at County Hall, Chichester. The Committee were also reminded that a training session on the financial statements was scheduled for the 13 June 2019.

The meeting ended at 12.53 pm

Chairman

Regulation, Audit & Accounts Committee

22 July 2019

Internal Audit – Annual Audit Report 2018 / 19

Report by Head of Southern Internal Audit Partnership

Executive Summary

This report provides a summary of Internal Audit activity during 2018/19. The Head of Internal Audit's overall opinion that the Council's framework of governance, risk management and control is 'adequate' and audit activity during the year has demonstrated controls to be working in practice.

Recommendation

The Committee is asked to approve the annual audit report for the year ended 31st March 2019.

1. Introduction

- 1.1 This report sets out the individual and collective outcomes of the audit reviews undertaken during the year ended 31st March 2019. It also provides an audit opinion of the control environment based on this audit work.

2 Audit Opinion

- 2.1 Internal Audit is an assurance function whose primary purpose is to provide an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance, in support of the objectives of the Council.
- 2.2 The annual audit plan is prepared to take into account key areas of risk and was approved by the Regulation, Audit & Accounts Committee (RAAC). The internal audit plan has been delivered in accordance with the Public Sector Internal Audit Standards (PSIAS).
- 2.3 Audit work has been undertaken to obtain all information and explanations considered necessary to provide sufficient assurance that the control environment is both reasonable and effective. Whilst no assurance can ever be absolute, on the basis of audit work completed, **it is the Head of Internal Audit's opinion that the County Council's framework of governance, risk management and control is 'adequate'.**

3. Resource Implications and Value for Money

- 3.1 None arising directly from this report

4. Equality Duty.

- 4.1 An Equality Impact Report is not required for this decision as report dealing with internal or procedural matters only.

5. Risk Management Implications

- 5.1 There are risks associated with services not addressing key recommendations arising from the audit findings. Follow up audit review will be undertaken to ensure that agreed actions have been implemented. A report detailing the status of high priority Internal Audit recommendations will be presented to each meeting of this Committee for monitoring to ensure that key risks are addressed on a timely basis.

Katharine Eberhart

Director of Finance, Performance & Procurement

Neil Pitman

Head of Southern Internal Audit Partnership

Contact: Neil Pitman, 0330 222 3672

Appendices

Appendix A – Annual Internal Audit Report & Opinion 2018-19

Background Papers

None

Annual Internal Audit Report & Opinion

2018 - 19

West Sussex County Council



Southern Internal Audit Partnership

Assurance through excellence
and innovation

Contents

Section	Page
1. Role of Internal Audit	3
2. Internal Audit Approach	4
3. Internal Audit Opinion	5
4. Internal Audit Coverage and Output	6-7
5. Key Observations	8-10
6. Anti-Fraud and Corruption	11-12
7. Quality Assurance and Improvement	13
8. Disclosure of Non-Conformance	14
9. Quality control	14
10. Internal Audit Performance	15
11. Acknowledgement	15
Appendix 1 Internal Audit Reviews (Non Establishment) – Assurance Opinions	16
Appendix 2 Internal Audit Reviews (Other)	17
Appendix 3 Limited Assurance Opinion Summaries (issued following Regulation, Audit & Accounts Committee – March 2019)	18-24

1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].



The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives.

2. Internal Audit Approach

To enable effective outcomes, internal audit provides a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

A full range of internal audit services is provided in forming the annual opinion.

The approach to each review is determined by the Head of the Southern Internal Audit Partnership and will depend on the:

- Level of assurance required;
- Significance of the objectives under review to the organisation’s success;
- Risks inherent in the achievement of objectives; and
- Level of confidence required that controls are well designed and operating as intended.

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the County Council on the framework of internal control, risk management and governance in operation and to stimulate improvement.



3. Internal Audit Opinion

The Head of the Southern Internal Audit Partnership is responsible for the delivery of an annual audit opinion and report that can be used by the County Council to inform its governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year (assurance & consultancy);
- results of any follow up exercises undertaken in respect of previous years’ internal audit work;
- the results of work of other review bodies where appropriate;
- the extent of resources available to deliver the internal audit work;
- the quality and performance of the internal audit service and the extent of compliance with the Standards; and
- the proportion of West Sussex County Council’s audit need that has been covered within the period.

Annual Internal Audit Opinion 2018-19

“I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of West Sussex County Council’s internal control environment.

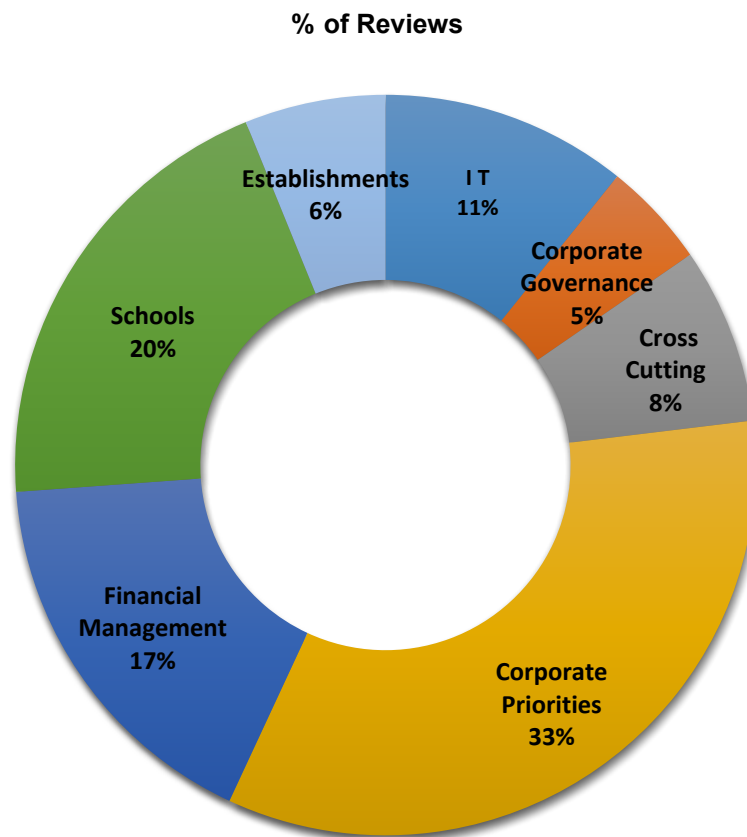
In my opinion, West Sussex County Council’s framework of governance, risk management and control are ‘Adequate’ and audit testing has generally demonstrated controls to be working in practice.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.”

****In forming this opinion, we remain cognisant of the outcomes of the Corporate Peer Challenge review of West Sussex County Council during October / November 2018 and the Ofsted inspection of Children’s Services during February / March 2019, the latter of which highlighted significant weaknesses in the provision of services to support, protect and care for children in West Sussex. These will clearly be significant areas of focus for the Council over the forthcoming year and SIAP will work closely with the organisation to ensure internal audit resource is appropriately focused.***

4. Internal Audit Coverage and Output

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Council’s activities and to support the preparation of the Annual Governance Statement.



Work has been planned and performed so as to obtain sufficient information and explanation considered necessary in order to provide evidence to give reasonable assurance that the internal control system is operating effectively.

The 2018-19 Internal audit plan, approved by the Regulation, Audit and Accounts Committee in March 2018, was informed by internal audits own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the organisation.

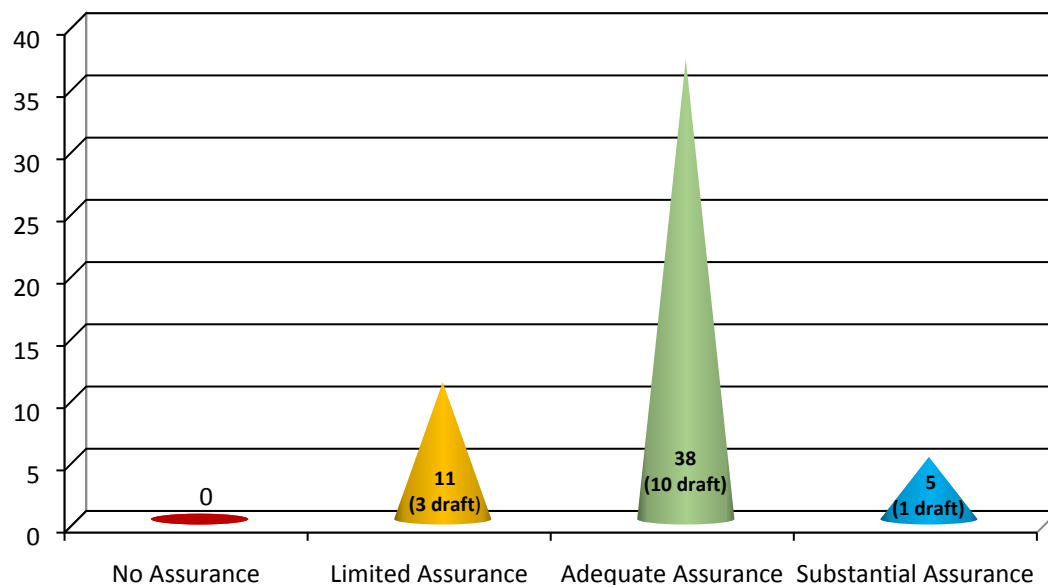
The plan has remained fluid throughout the year to maintain an effective focus.

In delivering the internal audit opinion internal audit have undertaken 66 reviews during the year ending 31 March 2019.

The revised 2018-19 internal audit plan has been delivered with the following exceptions:

- Work is substantially complete, and an opinion has been formed for 14 reviews, however, final reports have not yet been agreed;
- Fieldwork remains in progress for the Civil Parking Arrangements review.

I do not consider these exceptions to have an adverse impact on the delivery of my overall opinion for the period. The opinion assigned to each internal audit review on issue (including draft reports) is defined as follows:



Substantial – A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified;

Adequate - Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified;

Limited - Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk; or

No - Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives.

*11 reviews did not culminate in an audit opinion as they relate to work conducted in respect of consultancy, advice, assurance mapping, grant certification or concluded with a position statement

5. Key Observations

Internal audit work throughout the year identified a number of common themes that provide challenge to the organisation's risk environment.

Adult Social Care – Following the LGA Peer Review of Adult Social Care in West Sussex undertaken during May 2018 the audit plan (2018/19) maintained a strong focus on Adult Services. During the year 'Limited Assurance' opinions were concluded in respect of Residential Care Payments, External Placements, and the Financial Adult Safeguarding Team. Key areas of concern and commonality across these reviews included:

- Data quality and completeness within case management software (Mosaic/ CASPAR);
- Effectiveness of commissioning;
- Ineffective contract management; and
- Fragmented processes across services / departments.

Actions to address observations and identified risks are evident within management responses to individual reports which are actively being delivered.

A 100-day checkpoint report was produced by Adult Services and reported to the Adult Social Care Improvement Board detailing what had been achieved and what was rolling into the next phase of delivery to address issues raised from the peer review. It also identified the longer term (3-year) plan. The outcome report was further presented to the Health & Social Care Committee in November 2018 showing a positive direction of travel for the organisation.

Internal audit will continue to monitor progress against the three-year improvement programme as part of the 2019-20 audit plan to provide assurance that expected outcomes continue to be achieved and key risks are effectively managed.

Children’s Services – During the year ‘Limited Assurance’ opinions were concluded in respect of internal audit reviews of Special Guardianship Orders and External Placements. Additionally, whilst not under the direct delivery of Children’s Services our review of Home to School Transport also concluded a limited assurance opinion.

An Ofsted inspection of the authority’s Children’s Services in February / March 2019 concluded an ‘inadequate’ grading against each area of inspection (impact of leaders on social work practice with children & families; experiences and progress of children who need help and protection; experiences and progress of children in care and care leavers; and overall effectiveness). Outcomes of the internal review of Special Guardianship Orders are consistent with findings within the Ofsted report, most notably, quality / creation of support plans, data integrity and compliance with procedures.

Internal audit will be liaising closely with the Executive Director for People Services to ensure the internal audit resource remains appropriately aligned during 2019/20 in recognition of the findings from the Ofsted report.

Health & Safety – A review of the Health & Safety Policy highlighted the absence of annual performance reporting and review by the Executive Leadership Team. There were also found to be gaps in demonstrable assurance across directorates of how Health & Safety was effectively managed and monitored, additionally, there was no reference to Health & Safety responsibilities for Executive Directors within the Council’s scheme of delegation.

Equality Duty – The Council seek to ensure compliance with the public sector equality duty as part of its decision making and policy planning processes. Audit review during the year highlighted areas in which the expected rigor of application was found to be inconsistently applied across those areas tested.

Sustainability – The West Sussex Plan (2017-2022) is underpinned by a clear set of priorities and outcomes, one of which relates to ‘strong, safe and sustainable place’ with key outcomes aligned to a ‘sustainable environment’.

The Sustainability Strategy and supporting ‘action plan’ in place during the year were aligned to the former 2015-19 West Sussex Plan and its associated vision and priorities. Additionally, there were found to be a number of omissions within the existing ‘action plan’ with regard to accountabilities, updates and transparency (addition / removal of actions).

Contract Management – A position statement during the year identified that a significant amount of work remains ongoing to enhance the quality of contract management across the organisation including the formulation of a strategic contracts team, officer training, ongoing establishment and evaluation of contracts in place across the organisation and the enhancement of software to support effective management information to enable informed and timely decision making.

Whilst this is a recognised area of improvement our work throughout the year confirmed that this is yet to be embedded across the organisation with weaknesses in the management of contracts highlighted in our reviews of Public Health, Home to School Transport and Residential Care Placements. Most commonly observations centred around, effective recording, maintenance, engagement and monitoring of contracts to ensure deliverables were met and areas of poor service were effectively challenged.

Pre-Payment Cards – During the 12-month period reviewed (March 2018 – February 2019) approx. £927k was loaded across 2,000 Pre-Payment Cards.

From analysis and testing, weaknesses were identified within the control environment and in compliance with established procedures, most notably in respect of available guidance, authorisation and nature of spend.

IR35 – Review of the application of IR35 across the organisation highlighted that whilst procedures and guidance were evident in respect of the engagement of workers provided through intermediaries; compliance was not consistent across all areas reviewed.

*A summary overview of ‘limited assurance’ opinions issued since the last progress report to the Regulation, Audit and Accounts Committee (25 March 2019) are detailed in Appendix 3.

6. Anti-Fraud and Corruption

The County Council is committed to the highest possible standards of openness, probity and accountability and recognises that the electorate need to have confidence in those that are responsible for the delivery of services. A fraudulent or corrupt act can impact on public confidence in the County Council and damage both its reputation and image.

The Council maintains a suite of strategies and policies to support the effective management of the prevention, detection and investigation of fraud and corruption (Anti-Fraud & Corruption Strategy and Response Plan; Whistleblowing Policy and Anti Bribery Policy).

Counter-fraud activity during the year has delivered a programme of proactive and reactive work to complement the internal audit strategy and annual plan focusing resource against assessed fraud risks in addition to new and emerging threats.

Reactive Fraud Activity - The Southern Internal Audit Partnership work with West Sussex County Council in the effective review and investigation of any reported incidents of fraud and irregularity. All such reviews are undertaken by professionally accredited (CIPFA CCIP) staff, in accordance with the Council's Anti-Fraud & Corruption Policy and Response Plan.

Analysis highlights the fraud types that have been subject to internal audit investigation across West Sussex County Council during 18/19 (benchmarked against the previous two years). It should be acknowledged that the figures relate to areas of investigation and not proven fraud.

The 'fraud types' evident in the table are reflective of national trends and as such are not issues unique to West Sussex County Council.

Type	16/17	17/18	18/19
Social Care	6	8	9
School Related	2	4	1
Procurement	1	1	3
Pensions	1	3	1
P-Card	1	1	4
Employee/ Recruitment	7	4	4
Blue Badge	-	6	3
Mandate	-	5	5
Others	-	4	2
Total	18	36	32

Proactive Approach - Whilst the established process to reactive fraud assists the Council in responding to notified incidents or suspicions of fraud and irregularity, it is equally important to ensure proactive initiatives are appropriately explored to understand, prevent and detect fraud risks across the organisation. Initiatives and subsequent outcomes during the year included:

- **Insurance** – A review of controls designed specifically to mitigate the risk of insurance fraud through bogus claims or claimants.
- **Recruitment** – A review of controls designed specifically to mitigate the risks of fraud through false employment applications.
- **Concessionary fares** – A review of controls designed to ensure that only valid individuals are eligible for concessionary fares travel.
- **Policies and procedures** – A review of specific anti-fraud and corruption strategies and procedures to ensure that they continue to reflect current legislation, internal processes and procedures and are commensurate with the Council’s zero tolerance policy to fraud.

In all cases these reviews identified that generally current controls were robust and that where improvements were identified appropriate management actions have been put in place to address identified weaknesses. These will be followed up during 2019/20 as part of our overall monitoring processes.

National Fraud Initiative (NFI) - The NFI is a statutory exercise facilitated by the Cabinet Office that matches electronic data within and between public and private sector bodies to prevent and detect fraud.

Public sector bodies are required to submit data to the National Fraud Initiative on a regular basis (every two years). The latest NFI data upload was carried out in October 2018.

Matches will be reviewed throughout 2019/20 and progress reported through the quarterly progress report to the Regulation Audit & Accounts Committee.

7. Quality Assurance and Improvement

The Quality Assurance and Improvement Programme (QAIP) is a requirement within ‘the Standards’.

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a QAIP to enable the internal audit service to be assessed against the Standards and the Local Government Application Note (LGAN) for conformance.

The QAIP must include both internal and external assessments: internal assessments are both on-going and periodical and external assessment must be undertaken at least once every five years. In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

An ‘External Quality Assessment’ of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015.

In considering all sources of evidence the external assessment team concluded:

“It is our view that the Southern Internal Audit Partnership (SIAP) service generally conforms to all of the principles contained within the International Professional Practice Framework (IPPF); the Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).

There are no instances across these standards where we determined a standard below “generally conforms”, and 4 instances where the standard is assessed as “not applicable” due to the nature of SIAP’s remit.”

In accordance with PSIAS, annual self-assessments have been completed since the external inspection concluding that the Southern Internal Audit Partnership continues to comply with all aspects of the IPPF, PSIAS and LGAN.

8. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments] which requires ‘an external quality assessment to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside of the organisation’ I can confirm endorsement from the Institute of Internal Auditors that

‘the Southern Internal Audit Partnership conforms to the, Definition of Internal Auditing; the Code of Ethics; and the Standards’

There are no disclosures of Non-Conformance to report.




9. Quality control

Our aim is to provide a service that remains responsive to the needs of the County Council and maintains consistently high standards. In complementing the QAIP this was achieved in 2018-19 through the following internal processes:

- On-going liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success;
- On-going development of a constructive working relationship with the External Auditors to maintain a cooperative assurance approach;
- A tailored audit approach using a defined methodology and assignment control documentation;
- Review and quality control of all internal audit work by professional qualified senior staff members; and
- A self-assessment against the Public Sector Internal Audit Standards.

10. Internal Audit Performance

The following performance indicators are maintained to monitor effective service delivery:

Annual performance indicators			
Aspect of service	2017-18 Actual (%)		2018-19 Actual (%)
Revised plan delivered (including carry forward)	97		98
Positive customer responses to quality appraisal questionnaire *	99		99
Compliant with the Public Sector Internal Audit Standards	Yes		Yes

*Customer satisfaction has been assessed through response to questionnaire issued to a wide range of stakeholders including senior officers and key contacts involved in the audit process throughout the year.

11. Acknowledgement

I would like to take this opportunity to thank all those staff throughout West Sussex County Council with whom we have made contact in the year. Our relationship has been positive and management were responsive to the comments we made both informally and through our formal reporting.

Neil Pitman
Head of Southern Internal Audit Partnership
June 2019

Internal Audit Reviews (Non-Establishment) – Assurance Opinions

Substantial	Adequate	Limited	No
IT Programme & Project Management Treasury Management Purchase Order Process Pension Fund Governance and Strategy (Draft)	Risk Management Compliments and Complaints Accounts Receivable Accounts Payable Externally Managed Investments Pension Administration Supervised Contact Pupil Premium (Thematic) FRS Risk Management S.106 / CIL / Commuted Sums Local Enterprise Partnership E-Income Payroll Budgetary Control (Draft) MSS Self Service Compliance (Draft Final) Retained Firefighters (Draft Final) IT Asset Management (Draft) Software Licencing (Draft) Capacity planning & monitoring (Draft) Cyber Security (Draft) Application Reviews (Draft) Access Control (Draft) School 6 th Form Funding (Draft Final)	Health and Safety Governance Compliance Special Guardianship Orders Home to School Transport Sustainability FAS Team Public Health Contracts Prepayment Cards Residential Care Payments (Draft Final) IR35 (Draft) External Placements (Draft)	

Internal Audit Reviews (Other)

Establishments - Schools	Positions Statements
Durrington Infants (Adequate) Field Place Infants (Adequate) Colgate Primary (Adequate) Lyndhurst Infants (Adequate) Petworth Primary (Adequate) St John's Catholic Primary (Adequate) St Joseph's Catholic Primary (Adequate) St Wilfrid's Primary (Substantial) Yapton Primary (Adequate) Downlands Community (Adequate) Sackville Community (Adequate) Littlegreen (follow up) (Adequate)	Information Governance HR Induction Programme Procurement FRS Workforce Development 100 Day Plan Assurance Contract Management (Draft) Consultancy/ Advisory Think Family Adults Desktop Review SFVS Facilitation Annual Governance Statement Grants Disabled Facilities Grant
Establishment - Other	Work In Progress
High Trees (Adequate) Maidenbower (Adequate) Rowans (Adequate) Stanhope Lodge and ISU (Adequate)	Civil Parking Arrangements

Limited Assurance Opinion Summaries

Special Guardianship Orders (SGOs)		
<p>Directorate Sponsor:</p> <p>Executive Director for People Services</p> <p>Final Report Issued: May 2019</p>	<p>Assurance opinion:</p> <div style="text-align: center;"> <p>The diagram shows a horizontal bar divided into four colored segments: blue (Substantial), green (Adequate), yellow (Limited), and red (No). The word 'Limited' is written in bold black text inside the yellow segment.</p> </div>	<p>Management Actions:</p> <div style="text-align: center;"> <p>The diagram shows three circular arrows forming a clockwise cycle. The top arrow is red and labeled '9 High'. The middle arrow is yellow and labeled '14 Medium'. The bottom arrow is green and labeled '1 Low'.</p> </div>
<p>Summary of key observations:</p> <p>The review of SGOs considered the procedures to support the application & assessment processes of those adopted in relation to support services, including financial support.</p> <p>The Special Guardianship process was found to be fragmented across a number of service areas with no holistic oversight of ‘assessment’ through to ‘post order support’.</p> <p>There was a lack of consistency in information relating to the assessment process recorded in Mosaic and guidance was not routinely followed. Testing highlighted records in Mosaic to be incomplete or absent.</p> <p>West Sussex were not following the Department for Education and Skills Model of means test for adoption and special guardianship financial support in relation to child tax credit. Some differences were noted in testing between the means tests saved in Mosaic and the actual allowance paid.</p> <p>A definitive list of children subject to SGOs could not be provided, as such it was not clear how the Council were meeting their obligations in relation to children who were looked after by WSCC before the making of a special guardianship order and now live outside the area.</p>		

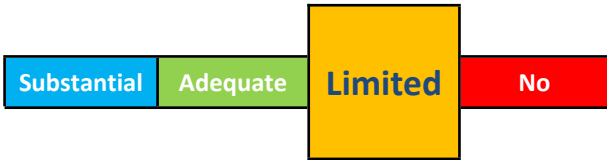
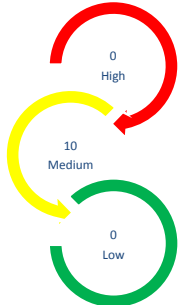
Management Response / Update:

- The SG assessment team and the SG support team are to be brought together under a Group Manager. Initial recruitment to the new Group manager role has not proved successful which has delayed the timescale for bringing the two teams together by three months to 31/12/19.
- Weekly reports are now created to ensure the SG support Team are aware of all SGOs awarded and Notification of Permanent Orders Issued. A regular monthly list of all children subject to a special guardianship order is reported to ensure on-going obligations are met.
- Assessment processes and Support Plan pathways have been produced, with associated guidance to be re-written and training provided, by 31/07/19 to ensure correct processes are followed and Mosaic records are consistently maintained.
- A review of all SG reassessments to ensure that SG carers are all being paid correctly has been completed. The financial reassessment process has been reviewed. Advice has been sought from legal services re the current policy and how WSCC policy sits against national guidance.

<p>Home to School Transport</p>		
<p>Directorate Sponsor:</p> <p>Executive Director of Place</p> <p>Final Report Issued: January 2019</p>	<p>Assurance opinion:</p> <div style="text-align: center;"> </div>	<p>Management Actions:</p> <div style="text-align: center;"> </div>
<p>Summary of key observations:</p> <p>This review sought to provide assurance that the authority was meeting its statutory requirements in terms of home to school transport and the procurement and contract management mechanisms in place to manage provision.</p> <p>DBS checks for internal drivers and escorts are undertaken on appointment, however, whilst not a statutory requirement, there is currently no recheck performed after a predetermined period. Compensating controls in lieu of DBS rechecks were weak and left the organisation and service users vulnerable to exposure of drivers that do not meet the necessary requirements of the role.</p> <p>Education set the policy for home to school transport and the provision of school transport is via the Transport Bureau. There is currently no service level agreement in place identifying the agreed process and timescales in place between the two service areas to ensure both parties are meeting the required expectations and therefore no formal process of measuring compliance.</p> <p>The format that the Service Assurance team are recording contract monitoring meetings is not consistent and does not routinely record actions arising as a result of discussions with the provider in relation to issues and incidents.</p>		
<p>Management Response / Update:</p> <ul style="list-style-type: none"> The Transport Provision Manager has reviewed the current policy and agreed to reassess all 3 disciplines (Drivers, Escorts and School Crossing Patrol) to DBS enhanced staff checks every 3 years. By September 19, a programme will be in place for completing DBS enhanced for those staff that have exceeded the 3 year time line. The Group Manager, Transport Bureau and the Principal School Transport Officer are to develop and introduce a service level agreement by 2020/21. 		

- A contract monitoring template to provide a consistent record of contract monitoring meetings with providers has been introduced by Service Quality.

Governance & Compliance		
<p>Directorate Sponsor:</p> <p>Director of Law & Assurance</p> <p>Final Report Issued: February 2019</p>	<p>Assurance opinion:</p> <div style="text-align: center;"> </div>	<p>Management Actions:</p> <div style="text-align: center;"> </div>
<p>Summary of key observations:</p> <p>This review was undertaken to evaluate how the authority has communicated and developed the Equality Duty into its decision-making process, as well as revisiting the recommendations made in the previous Ethical Governance review.</p> <p>The scheme of delegation makes reference to the Equality Duty and identifies it should be considered for all decision actions or proposals of the County Council. The Key decision guidance issued to report authors includes a section on the Equality Duty. The audit identified that there has been an inconsistent approach in relation to consideration of the Equality Duty in decision reports and the level of challenge / scrutiny in the review and clearance process, however, it should be noted that where there had been a formal public consultation undertaken as part of a decision, there was a higher level of challenge / scrutiny made by the communications team in relation to the Equality Duty.</p> <p>The level of knowledge regarding the Equality Duty across directorates varied considerably which was evident through the lack of consistency and detail within decision reports sampled. The guidance for key decisions currently does not cover preliminary decisions.</p>		
<p>Management Response / Update:</p> <ul style="list-style-type: none"> • Democratic Services Officers to receive refresher training, to improve the consistency of advice given to report authors, by October 2019. • Further guidance to be provided to Directors and report authors by the Director of Law and Assurance. This will specifically be in relation to the Equality Impact Assessment process and the assessment of the need for inclusion. • Democratic Services will undertake monitoring of compliance with EIA and assess the impact of further guidance using a focused sample by October 2019. 		

Prepayment Cards		
<p>Directorate Sponsor:</p> <p>Director of Finance, Performance & Procurement</p> <p>Final Report Issued: June 2019</p>	<p>Assurance opinion:</p> <div style="text-align: center;">  </div>	<p>Management Actions:</p> <div style="text-align: center;">  </div>
<p>Summary of key observations:</p> <p>Pre-Payment Cards are payment cards that can be loaded with an approved amount of money and issued to WSCC customers where an emergency cash transaction is required. During March 2018 – February 2019 £927k was loaded across approx. 2,000 Pre-Payment Cards. From testing carried out a number of weaknesses in the control environment and/or areas of non-compliance were highlighted, most notably:</p> <ul style="list-style-type: none"> • Requests being processed without budget holder approval; • Used as an alternative to approved payment methods/ processes; • Drawing down maximum limits over consecutive days potentially to circumvent capping levels; • Descriptions of intended use, required to be recorded on the system were often vague or absent; and • Guidance / procedures to support the use of Pre-Payment cards was incomplete or absent. <p>An action plan to mitigate identified risks is in place with a target date of completion by 31 July 2019. The implementation of these actions will be traced and reported in the quarterly progress reports to the Regulation, Audit and Accounts Committee.</p>		
<p>Management Response / Update:</p> <ul style="list-style-type: none"> • An electronic version of the SOS5 form is being developed in conjunction with Children’s Social Care staff to ensure that the workflow certification follows the service Scheme of Delegation / hierarchy. It is planned to be completed by 31 July 2019 and is currently work in progress. 		

- SharePoint pages have been updated to reflect the correct guidance and updated policy including clarifying what can be claimed and paid using the cards.
- One Way To Buy are applying the updated guidance and policy on the Point to reject or refer requests that do not comply.

Regulation, Audit and Accounts Committee

20 July 2019

Part I

Draft Annual Governance Statement 2018/19

Report by Director of Law and Assurance

Summary

The report advises of the requirements for the Annual Governance Statement 2018/19. It includes a draft Statement for approval at Appendix A. It reminds the Committee of the significant governance issues raised in 2018 in Appendix B. A new draft action plan is included at Appendix C.

Recommendation

That the draft Statement and Action Plan be agreed and recommended for adoption through the signatures of the Leader of the Council and the Chief Executive.

1. Introduction

- 1.1 The Accounts and Audit Regulations require the publication of an Annual Governance Statement (AGS). This statement has been produced in line with the guidance issued in 2016 by CIPFA / SOLACE on best practice for developing and maintaining a locally adopted Code of Governance.
- 1.2 Corporate Governance is the process by which the County Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises systems and processes, cultures and values, by which the County Council is directed and controlled and through which we account to, engage with and lead our communities.
- 1.3 A Corporate Code of Governance was approved by the Governance Committee at a meeting on 12 September 2016.

2. Summary of main actions

- 2.1 The draft AGS for the County Council for 2018/19 outlines for the County Council:
 - the scope of governance responsibilities
 - the purpose of the governance framework
 - a description of the governance framework
 - arrangements for review of the effectiveness of the governance framework
 - Governance issues that need to be addressed.

- 2.2 Information is gathered from a number of sources, both internal and external. The information has analysed and the draft Statement was discussed with appropriate senior managers and then auditors. The Executive Leadership Team considered the wording of the AGS and the draft actions. The final stage is the presentation of the AGS to the Regulation Audit and Accounts Committee in July for consideration and comment, in line with the approval of accounts. If the Committee is satisfied, it is asked to recommend the adoption of the Statement through the signatures of the Leader of the Council and the Chief Executive.
- 2.3 Updates on the main Governance issues identified in last year's Action Plan are attached at Appendix B. The Committee is asked to confirm its agreement that the 2017/18 action plan be closed, with any outstanding actions being transferred to the 2018/19 actions.

3. **Resource Implications and Value for Money**

- 3.1 None arising directly from this report.

4. **Risk Management Implications**

- 4.1 There are risks from services failing to deliver the outcomes from the Action Plan and individual directorates, the Executive Leadership Team and this Committee, monitor these risks.

5. **Equality Impact Duty**

An equality impact report is not required as the report does not have any direct customer impact. Any actions arising from the Statement that may have an impact on external customers will need to be informed by an equality impact report.

6. **Crime and Disorder and Human Rights Act Implications**

- 6.1 None arising directly from this report.

Tony Kershaw

Director of Law and Assurance

Contact: Charles Gauntlett, Senior Advisor – 033 022 22524

Appendices

A – Draft Annual Governance Statement and table of assurance, including actions.

B – Action Plan outcomes for 2017/18

C- Draft Action Plan for 2018/19

Background Papers

None

Annual Governance Statement 2018/19

Executive Summary

The Annual Governance Statement (AGS) explains the processes and systems which give assurance for the effectiveness of the County Council's discharge of its responsibilities. It covers the period 1 April 2018 to 31 March 2019.

A summary of assurance is given for each of the seven principles on which the Statement is based. A table (appendix) sets out the sources of assurance. Work underway or planned to address any concerns is set out in an action plan within the table (appendix) and marked * in the text of this Statement.

Responsibility for Assurance and Approach

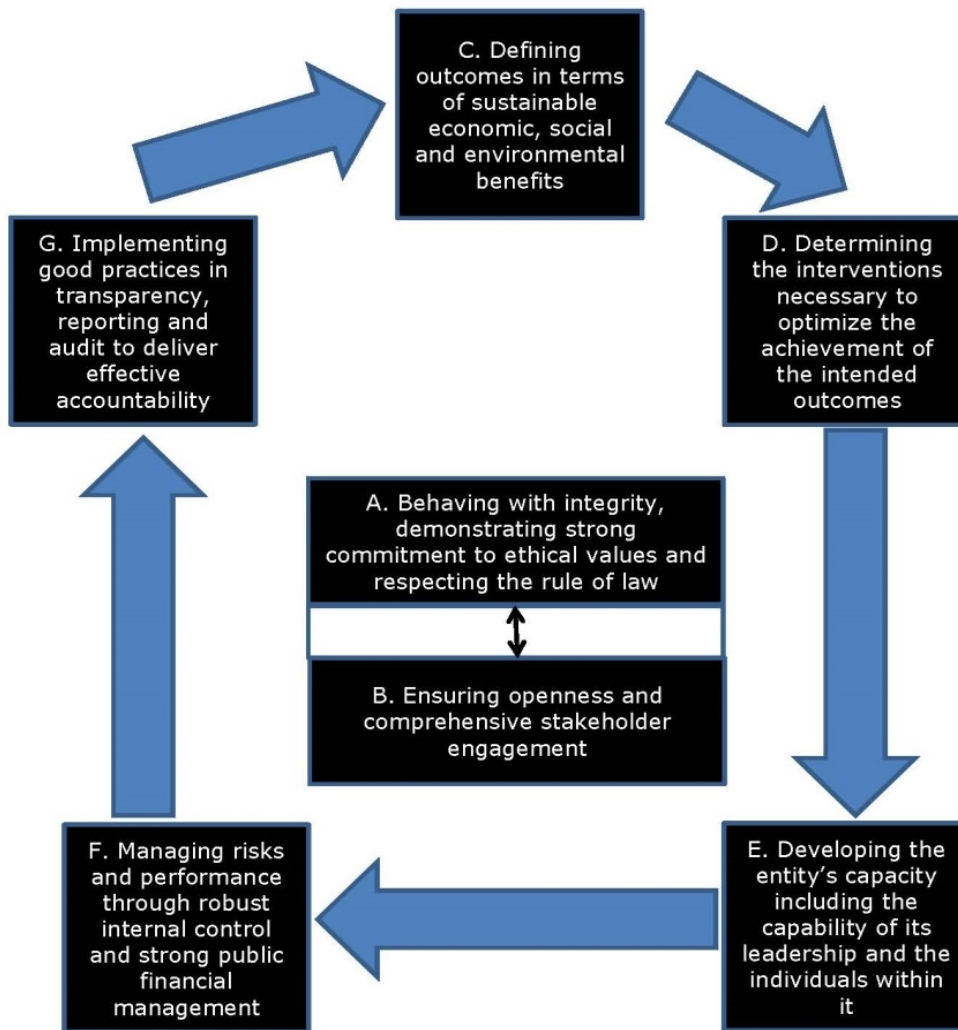
1. The County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, correctly accounted for and used economically and efficiently. It must ensure it has arrangements for the proper governance of its affairs (including as pensions administrator), for the effective exercise of its functions and the sound management of risk.
2. The Council has adopted a Code of Corporate Governance, consistent with the principles of the Chartered Institute of Public Financing & Accounting (CIPFA)/ Society of Local Authority Chief Executives (SOLACE) Framework: Delivering Good Governance in Local Government. This Statement uses that framework and meets the requirements of the Accounts and Audit Regulations 2015.

The Purpose of the Governance Framework

3. The governance framework comprises the rules, procedures, systems and processes by which the Council is controlled. The quality of governance arrangements underpins the level of trust in public services and is fundamental to the Council's statutory and democratic obligations. A framework of good governance allows the Council to be clear about how it discharges its responsibilities and to show this for members, partners, stakeholders and residents. The AGS provides an opportunity for the County Council to examine that framework in order to consider whether it can assure itself as to the robustness of its governance arrangements.

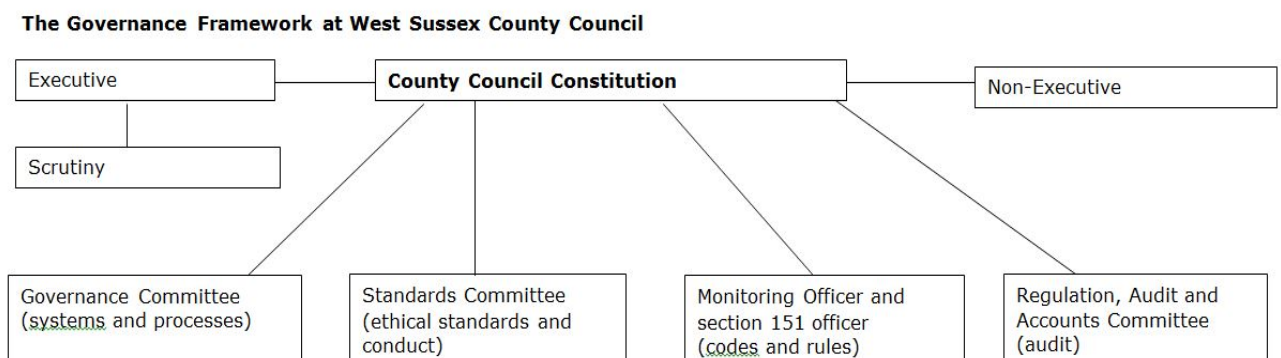
The Governance Assurance Framework Principles

4. There are seven principles and sub-principles of Corporate Governance adopted by the Governance Committee from the CIPFA/SOLACE framework and set out below. Assurance for how they are met is provided in the text below each principle. Further work to be done is also highlighted and set out in the table in the appendix.



The County Council's Governance Framework

5. The framework covers the allocation of functions, the rules for the discharge of those functions and the mechanisms for tracking the proper exercise of the functions. The relationship of responsibilities is shown here:



A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Assured in part (action needed as marked*)

The County Council has adopted high standards for sound governance as set by statute and regulation, government guidance and the courts. It promotes a culture of compliance. The Council's codes of conduct set out expectations and requirements for behaving with integrity for both members and officers. Certain of the key elements of these arrangements require further action to provide assurance that they are implemented fully and correctly.

7. The **Governance Committee** oversees the political arrangements of the County Council and reviews and advises the County Council on the Constitution. The Responsibility for Functions (including the Scheme of Delegation) and Standing Orders require members and directors to ensure that all decisions are compliant with internal policies and procedures as well as with law and regulation. These give authority and certainty to the allocation of responsibilities. The challenge is then to gain assurance that those responsibilities are discharged properly in line with the Constitution.
8. Part 5 of the Constitution contains the Code of Conduct for members. A parallel code for officers sits in the suite of Human Resources policies. The Council has also adopted policies relating to a number of overriding responsibilities for ethical behaviour, including equality and sustainability. Decision-making processes are supported by informed advice from relevant officers supported by clear guidance and templates that should ensure compliance with these policies.
9. The statutory roles of the Chief Financial Officer (s.151 officer) and the Monitoring Officer are set out in the Constitution and in the scheme of delegation. They provide oversight of propriety and lawfulness. They directly report to the Chief Executive and are involved in all major decision-making preparation through membership of the Executive Leadership Team and the Corporate Leadership Team, as well as being signatories to all key and other significant decisions.
10. The **codes of conduct** define the standards of behaviour for members and officers. All members undertake training from the Monitoring Officer on the member code of conduct. Member conduct is monitored by the Standards Committee, which has a remit to deal with complaints of breaches of the member Code of Conduct. All members completed the register of interests and receive quarterly reminders on the subject of personal interest declarations and it is a standing item on all formal meeting agendas for both officers and members.
11. The Council has a whistleblowing policy ('Confidential Reporting Policy') to meet the need for a route for challenges to processes or actions within the Council where complainants seek the protection of anonymity. The use and effectiveness of that policy is overseen by the Standards Committee.

Its effectiveness and visibility for staff are not sufficiently clear and action still needs to be taken to refresh and draw attention to the policy*.

12. Officer interests, including gifts and hospitality, should be published on the County Council's website annually. This has not happened for some time. Mechanisms for recording officer interests, gifts and hospitality were last reviewed in June 2018 and endorsed by the Standards Committee. A new system for recording gifts, hospitality and officer interests has been implemented through an internal sharepoint site. It requires action by Directors to ensure consistency and to facilitate publication. Its use is not consistent. Further action is needed to reinforce the importance of recording officer interests fully and consistently*.
13. The Council's Standing Orders on Contracts and Procurement and the Financial Regulations and Procedures provide rules for lawful and sound processes for entering contracts and making financial commitments. These are enforced, managed and reviewed by the Monitoring Officer and Chief Financial Officer in consultation with the Regulation Audit and Accounts Committee and supported by the Procurement Board (a group of senior officers including the two statutory officers). This provides a single process for overseeing procurement planning, compliance with due process and consistency of procurement best practice. The need to maintain the integrity of these controls will be reinforced as part of a review of officer governance arrangements for these strategic level officer boards*.
14. In order to enable greater compliance, to make rules and procedures more accessible and simple to use so that business is discharged correctly and without undue effort, a rationalisation and simplification of the Council's constitution was undertaken with oversight from the Governance Committee and was approved by the County Council in July 2018. There has also been a revision of the scheme of officer delegation following a I restructure undertaken by the Chief Executive and implemented from April 2019. Efforts will be made to ensure clarity for elected members on the changes to the allocation of responsibilities*.

B. Ensuring openness and comprehensive stakeholder engagement

Assured in part ✓ (further action needed to improve assurance as marked*)

The County Council exists to serve its residents and is dependent on a wide range of stakeholders for working effectively in partnership. Consultation and engagement mechanisms are in place. The County Council has clear decision-making processes and rules and procedures to enforce them which emphasise openness and transparency. The means of ensuring compliance requires further attention.

Changes are required to improve the scope and focus of partnership working in specified areas, most significantly in relation to services for children in need and at risk of harm and the responsibilities of the Council as corporate parents for

children in care. Additional areas which will benefit from a more coherent partnership approach are set out below.

Decision-making and Scrutiny

15. The **County Council** is the ultimate decision-making body and the principal forum for political debate. The County Council takes decisions on the strategic aims that form the Policy Framework. It also determines the Council's budget following a process of member engagement and scrutiny. All County Council meetings take place in public and are webcast. Recent years have seen changes to the form and timing of member engagement in the budget planning process and further efforts are required to gain member assurance that those arrangements enable reasonable and effective involvement and influence for the wider elected membership*.
16. The **Executive** takes decisions on most matters of Council policy and service delivery. The non-executive responsibilities of the council are discharged through its **non-executive committees** as described in the Scheme of Delegation. The County Council appoints members to the four **select committees**, by which the Executive is held to account through member overview and scrutiny. They are politically proportionate although chairmen and vice-chairmen are mainly from the majority group. The Council has a proactive approach to effective scrutiny by enabling members to identify significant decisions or proposals to be previewed rather than called in for questions after the decisions have been proposed in final form. All Scrutiny meetings take place in public and those of high public importance are webcast. Webcasts are available for up to six months of the County Council meetings and of major select committee and Planning Committee meetings. The extent of webcasting is inconsistent and action will be taken to both increase the level of webcasting and ensure its consistent use* to better facilitate public and wider member access. This is already promoted as a corporate measure of good public engagement.
17. **The Forward Plan** describes all significant (key) decisions planned to be taken in the following four months and is published and updated at least monthly. The Forward Plan has been revised to provide a clearer format in line with corporate priorities. The Forward Plan is used by Select Committees to help plan future scrutiny business. Revisions have also been made to the decision report format, to enhance the financial context and to highlight links to corporate priorities. As decisions become more significant in terms of service changes and savings proposals there is a greater need to ensure early awareness by and engagement for all members, but especially those on the relevant Select Committee. Further work will be done to enhance the profile of the Forward Plan so that proposals and timings are clear*.
18. Decision-making operates with a presumption of openness. Committees are held in public and executive decisions are published on a daily basis on the County Council's website. The Council uses an electronic notification system to automatically notify subscribers to meetings or

actions by the Council in which they have expressed an interest. Agendas and reports for committee meetings are published at least five clear working days in advance – exceptions are explained in public documents. The use of powers to exempt information from publication or allow a committee to meet in private is minimised, being used when necessary and only after senior officer authorisation. The Cabinet currently meets only once per year – to agree a budget to recommend to the County Council. In order to drive greater transparency, especially in critical areas of business consideration will be given to allocating more decisions for public meetings of the Cabinet*. A revised approach has been adopted to improve elected member engagement and scrutiny input into the budget planning for the new year*. This is in light of feedback from members in relation to the arrangements for 2018/19.

19. Decisions and agendas are held on the website for six years. A new content management system, Modern.Gov, was adopted in September 2018 as a method of publishing the Forward Plan, decisions, agendas and minutes in a more uniform manner, improving compliance and ease of access. IT kit to enable member access and use of the system will be rolled out during 2019*. The Constitution also prescribes the rules and constraints around urgent decisions (including those not notified in the Forward Plan) and the form and content of decision reports. This system is not conducive to openness and transparency and its use is kept to a minimum and reported to the next County Council meeting.
20. **Communication to the public** is via the Council's website, in public meetings and through social media. The Council's website was last revised in April 2015 and a drive for 'digital by design' (i.e. online services for residents) is being pursued as part of plans for service transformation and re-design to support residents' needs. Public consultation on proposals is addressed below. The extent of progress in the digitization of customer and resident engagement with the Council will need to be monitored*.

Stakeholders and Partnership

21. The County Council works with a range of stakeholders. This includes a range of public bodies, local authorities, the NHS and Sussex Police. Other tiers of local government are important partners in many areas of service delivery, strategic planning and community development. There are both formal and informal forums in place for regular liaison with elected members and senior officers in the district and borough councils, including regular meetings of all of the leaders of the councils (West Sussex Leaders' Board) to discuss issues of common interest and regular meetings of all chief executives (West Sussex Chief Executives Board). Public awareness of the output from such partnerships is through the 'District Deals' which are the formal partnership plans for each district or borough area. Additional work may be required to raise awareness of the implementation and delivery of these deals*.
22. Regular meetings with other **partners**, most notably the Clinical Commissioning Groups of the NHS, are held at various levels and between Members and officers either with single organisations or multi-agency on

operational, commissioning and service planning. For a number of years the Council has operated a joint service commissioning and pooled budget agreement with the NHS to cover a range of social care and NHS services. The terms of reference and membership of the **Health and Wellbeing Board**, the principal forum for health and social care liaison and partnership, are being revised to enhance this key partnership. In addition, a new Joint Health and Wellbeing Strategy has been developed to set out the Board's vision and this will receive significant levels of promotion and dissemination throughout the Council and through its various corporate and partnership initiatives.*

23. In the area of **Children's Services** the partnership arrangements are less coherent and the areas of focus for partnership working largely limited to operational practice such as the multi-agency service hub for initial referrals and the long established working together arrangements for child protection. Reviews of children's services from early years to permanence planning will require a more effective focus on partnership and joint working. This will also need to be extended to areas of strategic and service planning to support work on improvement for areas of children's services considered inadequate**.
24. **County Local Committees** are an important forum for local decisions and for local elected members to discuss local matters with residents and stakeholders. The eleven CLCs have executive decision-making powers delegated to them – mostly around highways matters, allocation of grant funding and recommendations for the appointment of school governors. As locally based evening public meetings, meeting three times a year, they are an important forum for community engagement. A review of CLCs will be carried out by the Council's Governance Committee in summer 2019. This will include consideration of their effectiveness and purpose, format and engagement with local residents and community groups as well as a review of grant funding arrangements**.
25. The County Council has set out its commitment to working in partnership with residents, businesses, communities, the voluntary and community sector and local authority partners through a number of initiatives. It has a set of Partnership principles with the voluntary sector for the commitment to more effective ways of working together, building stronger alliances and empowering joint action. These were refreshed and promoted through voluntary sector engagement during 2018/19.

Consultation and engagement in West Sussex

26. The County Council wants to work with residents, businesses, communities, service users and partners to help prioritise what it does, to have a say over the approach and to get involved in delivery and change. This requires sound arrangements for engagement and consultation. A regular survey (What Matters to You) is carried out to inform the County Council of residents' priorities at a relatively high level, more focused engagement being through service led consultation.

27. The Council uses a variety of ways to engage residents and other stakeholders - publications (printed and digital), press releases or social media to keep people informed of plans or decisions. A Council publication West Sussex 'Connections' magazine is published three times a year and mailed to every household in West Sussex. The Council uses various methods to seek people's views: questionnaires, public events, workshops, focus groups, satisfaction surveys, and feedback forms.
28. **Consultation and Engagement Quality Assurance** is a set of processes to ensure services are supported to plan and implement projects which are robust and produce reliable and valid data upon which decisions can be made. It includes methodological and ethical requirements and, before projects go live, services must seek advice to ensure they have assurance for consultation and engagement. An audit of compliance with and effectiveness of the assurance framework will need to be undertaken*.

Formal consultation

29. Formal consultation will generally only be undertaken where there is a statutory duty or legitimate expectation, and where there is a service or policy need to do so. Consultations are carried out in accordance with current national [Consultation Principles guidance](#), the Council's [Statement of Community Involvement](#), which was reviewed in 2018, and the [West Sussex Compact](#). Individual services are required to maintain open channels of communications with relevant stakeholder groups and representative bodies where relevant to service planning.
30. All formal public consultations are made accessible online using the 'Have Your say' consultation hub software which meets externally set ratings. They are also published on the County Council's webpages. Consultation materials are made available in different formats upon request to meet individual communication needs. The Council ensures compliance with the public sector equality duty through the arrangements for processing and securing formal key decisions although consistency and appropriateness of use requires further attention for compliance*. Additional work is also required to ensure compliance with the public sector equality duty in other areas of Council decisions and policy planning*.
31. The information gathered is analysed and considered as part of the decision-making process, the protocol for which can be found in the Constitution [here](#). Analysis reports and decisions are made available on the Have Your Say Consultation webpage [here](#) as a means of closing the 'feedback loop' and increasing trust in decision-making processes.
32. Action was taken in 2018 to improve the effectiveness of assurance by undertaking a thorough review of practices. Actions to increase the effectiveness and impact of the Quality Assurance process include:
 - Increasing awareness of the Quality Assurance Process.
 - Incorporating a Data Protection Impact Assessment
 - Identifying areas of sensitivity for greater attention.
 - Raising awareness of the benefits of pre-engagement before consultation.

- Performance targets and evaluations of consultation and engagement
- Improving skills in different methods of engagement and analysis.
- An online Quality Assurance application process for external organisations
These will be reviewed to assess the effectiveness of the measures*.

33. The County Council has a **Petitions Scheme** describing how petitions from residents are dealt with by the County Council. These enable a petitioner to speak with a cabinet member or at a committee, or to the County Council if prescribed thresholds for signatures are reached. A response is made to each petition, explaining what the County Council will or will not do in response.

Peer Review – issues for Assurance

34. A LGA Corporate Peer Challenge of the County Council was undertaken in autumn 2018. The reviewers made recommendations which led to action in a number of areas affecting the Council's areas of priority. Of relevance for this Statement are:

- the establishment of an Improvement Board with an independent Chair for Children's Services
- greater emphasis on the effectiveness of partnership working arrangements
- Clarity of the executive decision making process and timelines
- Reinforcing the commissioning and contract management functions
- Greater integration of transformation activity into the core business of the Council and its governance.

Actions on these matters are covered in the relevant sections of this Statement with additional commentary as necessary to explain the detail of the area of improvement required.

C. Defining outcomes in terms of sustainable economic, social and environmental benefits

Assured in part (action required as noted* – focus on performance management)

The County Council has settled arrangements to define outcomes and monitor performance against agreed measures. In setting policies and strategies, the County Council takes a long term view of outcomes, taking into account sustainable economic, social and environmental aims and has effective, comprehensive performance monitoring in place. The West Sussex Plan was prepared and adopted during 2017/18 to the period 2021/22 and the Council is in the second year of reporting annually on performance against Plan outcomes.

Renewal of emphasis on environmental targets for sustainability will be required in addition to a review of the content and effective use of the Council's social value policy*.

35. The West Sussex Plan 2017-2022 outlines the priorities for the County Council and how they are to be assessed in terms of delivery measures. It was confirmed by the County Council in October 2017 and was the subject

of an annual report to full Council in July 2018. The Plan was developed by the Cabinet with the engagement of elected members and staff at all levels. Measures and targets were developed in liaison with the Performance and Finance Select Committee. There will be an opportunity in 2019 to review the usefulness and focus of the targets and measures in planning for the second annual report due in July 2019*.

36. The West Sussex Plan is implemented through the Directorate Business Planning process and arrangements for regular reports to Cabinet Members, scrutiny committees and the Executive Leadership Team. Performance monitoring is undertaken principally through the report called the Total Performance Monitor driven by the Council's finance service and the insight and intelligence unit.
37. **Total Performance Monitor** - Detail of its use and the data monitoring and analysis undertaken by the Council are shown in section D. Active monitoring of performance is also meant to be undertaken through regular reviews of business plans and with all staff through the individual staff appraisal process. A recent refresh of appraisal arrangements should lead to improved links to performance and the Corporate Leadership Team will be asked to ensure greater focus on the regular reviews of business plans*. Cabinet Members regularly review the Total Performance Monitor and it is scrutinised quarterly by the Performance and Finance Select Committee in addition to being available for review by the service focused overview and scrutiny committees.
38. A review of the effectiveness of scrutiny by members, executive and at Select Committees will be undertaken so as to ensure members have the tools, skills and support to undertake effective performance monitoring and the verification of performance reports and other sources of assurance in the context of agreed priorities and outcomes*.
39. West Sussex County Council is committed to championing the economy of the area. One of its priorities is to ensure West Sussex is a prosperous place, and for the county to continue to thrive the Council aims to support businesses. The **Economic Growth Plan**, agreed in June 2018, sets out the County Council's priorities in driving economic growth to support a prosperous place. The Plan covers the period 2018/19 to 2022/23 but, in determining which activities and investments to prioritise over the period, a longer-term view of opportunities and challenges is taken.
40. Partners and stakeholders have contributed to the development of the Economic Growth Plan, including the District and Borough Councils, the Coast to Capital Local Enterprise Partnership, the South Downs National Park Authority, further and higher education institutions, and business representative organisations. Working with these partners will be crucial in the Council's determination to support the business community and ensure growth for the West Sussex economy and requires further attention to the partnership areas of focus referenced in section B above*.
41. The County Council's **Sustainability Strategy** was adopted in December 2015 as the Council's commitment to help achieve sustainable outcomes.

The Strategy recognises the value of the environment of West Sussex, and the social and economic benefits that enhancing the environment can bring. It also acknowledges that resources are limited, and that it needs to do all it can to deliver its services in an efficient and effective way to ensure value for money.

42. The Strategy translates these commitments into actions across four areas:
- Embed sustainability within the Council's business;
 - Lead the way in valuing the place of West Sussex;
 - Realise efficiency savings in the short, medium and longer-term;
 - Work with and influence others to maximise benefits for West Sussex.
43. The priority of embedding sustainability within the County Council is critical for the achievement of the West Sussex Plan objectives. An Internal Audit of Sustainability was completed in summer 2018, with the aim of providing assurance that the council has implemented adequate and effective controls to ensure that sustainability is embedded in Council processes. The Audit identified significant weakness in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk. The report identified areas where the framework of governance, risk management and control could be improved, and noted opportunities for added value. A plan has been created which identifies observations and associated actions to address a number of these issues*. This will be reviewed for effectiveness during 2019*.
44. The Council has a **Social Value Policy** which identifies and explains the benefits of ensuring that policies, business plans and service decisions and procurements consider and address their impact upon local communities, the local economy, the lives of residents and the places of the County. The policy was first developed in 2015 but was never fully finalised or adopted into procurement processes. The policy is currently undertaking a refresh which should be completed in the first half of 2019.*

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Assured ✓ (see caveat and proposed actions)

The County Council takes decisions on interventions based on its published West Sussex Plan setting outcomes for services and defining actions and targets for achieving them within budget constraints. Proposed interventions are recorded through Directorate Business Plans to plan timely outcome delivery. More strategic interventions for organisational change are overseen by a Transformation Board chaired by the Chief Executive. Assurance for the effectiveness of these arrangements in terms of monitoring outcomes against the planned intervention rationale will need to be more fully developed. In areas identified for improvement to achieve commitments to levels of quality and outcomes in areas of service judged to require specific and urgent attention systems for governance, oversight and scrutiny of interventions will be given particular focus. These are likely to be the Improvement Plan for Children's Services and also for the Fire and Rescue Service.

45. All Directorates prepare and monitor Business Plans which set out the actions required to meet the outcomes set by the Council's Plan and the targets measures and milestones used to monitor their delivery. Their frequency of review and revision to address change will need further attention at corporate leadership level*.
46. The public facing **Performance Dashboard** provides details on progress on the key indicators of the West Sussex Plan. This is underpinned by the business assurance framework which, together with the corporate performance dashboard provide assurance that the Council's priorities are implemented in practice. The arrangements for enabling verification of data will be the subject of further review to ensure member assurance*.
47. The **Total Performance Monitor** provides a regular overview of performance against the agreed priorities and tracks financial performance, to ensure that intended outcomes are kept in focus and expenditure controlled. The TPM focuses on the delivery of the following:
 - West Sussex Plan and Performance Measures
 - Medium Financial Term Strategy and in-year budget
 - Culture and Workforce
 - Transformation programme
48. A review of the TPM was undertaken by an executive task and finish group of elected members in 2018, to improve its format and presentation. This led to changes in how the TPM is produced, with a detailed report published quarterly and more streamlined reports in between on an exceptional basis. The benefits of the review and the levels of member satisfaction with the Monitor will be undertaken in 2019.
49. Executive (member or officer) **decision reports** provide the public record of all significant decisions to implement service plans and spend. They are required to show the intended outcomes, the rationale for the proposal, implications for Council resources, other options considered, advice received and consultation undertaken. They show how the proposal will achieve intended outcomes within available resources and within the risk management and policy framework requirements. They also record the legal and constitutional requirements for the Council's spending and service commitments. A revised report template was adopted in 2018, to better show financial context and alignment with corporate priorities.
50. The Executive is supported by a number of officer boards chaired by senior officers to ensure oversight of strategic areas of Council business on behalf of the Executive Leadership Team. These boards co-ordinate strategic aims and the resources which support them as well as overseeing arrangements for the delivery of priorities at an officer level prior to member consideration. They comprise Boards to oversee capital programme planning, strategic procurement and transformation ('Whole Council Design'). Clearly described governance for delivering the capital programme and oversee individual schemes is also well established. The Transformation Board, chaired by the Chief Executive, drives projects for service improvement through change or redesign.

51. Additional action will be taken to clarify the governance of these Boards and their fit within the Scheme of Delegation and how they interact so as to provide greater understanding of their purpose and output for both officers and members and to ensure their effectiveness in delivering corporate aims in a timely and transparent way*.
52. Ofsted carried out an **inspection of Children's Services** in early 2019. Its report was issued in May 2019 and gave an inadequate rating to the overall effectiveness of the Service. Due to an earlier similar rating the Department of Education has issued a statutory Direction to the County Council in relation to the service and has appointed a Commissioner to report on the County Council's capacity and capability to improve. The County Council has accepted the findings and is striving to improve services in liaison with the Commissioner and an independently chaired Improvement Board. An experienced interim Director of Children's Services has been appointed who is leading the development of an Improvement Plan for submission to the Department for Education.
53. The County Council will receive an update at each meeting during the implementation of the improvement plan. New chairs of the Children and Young People's Services Select Committee and the Corporate Parenting Panel have been appointed, with the latter also undergoing a change of membership and approach to its work to ensure greater partner and stakeholder involvement. Across a range of related Council governance arrangements there will need to be a renewed focus on listening to the voice of the child, engagement with corporate parenting responsibilities and undertaking robust monitoring and scrutiny and performance management of services*.
54. In November 2018 an inspection of the Council's Fire and Rescue Service was undertaken by Her Majesty's Inspector of Constabulary and Fire and Rescue Services. The report was published on 20th June 2019 and rates the service as requiring improvement in areas of service effectiveness and efficiency and as inadequate in relation to supporting its people. An Improvement Board chaired by the Chief Executive has been established and an improvement plan is in development. A focus on plans and systems that identify and ensure resources to address service priorities will be required and arrangements for monitoring and scrutinising the successful delivery of the improvement plan will be reviewed*.
- 54.1 The County Council is aware that the External Auditor is likely to qualify the 2018/19 VFM conclusion on an 'except for arrangements to take informed decisions' basis because they have concluded that underpinning arrangements should have detected the issues in Children's Services and the Fire and Rescue Service more quickly.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

Assured ✓

Officers are expected to have a clear sense of their purpose, roles and responsibilities in line with the Council's vision and the suite of policies and processes which support it. Officers and members have access to information, guidance and training to enable them to discharge their roles.

The Chief Executive and the Executive Leadership Team manage the County Council's workforce, skills and resource planning. All officers are expected to have their performance monitored and their development needs identified and addressed. Specific attention is paid to programmes for leadership development. Recent reviews of the aims and form of delivery are to be completed.

A system is in place to ensure that all elected members have an understanding of their roles and responsibilities when appointed or elected to particular positions within the Council. Members are expected to be able to fulfil the expectations and demands of their roles as local member and those to which they may be appointed. Members are also expected to meet the expectations for development, knowledge and awareness as set by the Council's Member Development Group. Two areas of focus for review are identified*.

55. Arrangements for the County Council's member appointments to specific roles are open and set out in the Constitution. The Council elects the Leader who decides the composition and responsibilities of the Cabinet. The Council makes appointments to all committees. Changes can be made at each Council meeting. All terms of reference are published. There is a system for reviewing and refreshing all constitutional terms of reference for committees and boards which transact Council business.
56. **Member roles** – Executive and non-executive roles are defined and published within the constitution and as part of the Members' Information Network database (the Mine). The member induction and training programmes cover these. All member development sessions have attendance and feedback recorded. Materials from the session such as presentation slides are made available to all members on the Mine.
57. The knowledge and development needs of members are identified and addressed through a cross-party **Member Development Group**. This group reports to the Governance Committee and oversees the delivery of a planned programme of development sessions to meet identified member training needs, taking into account members' views on priorities through surveys and feedback. It reviews the impact of member development day sessions and identifies areas for improvement. Its reports and proposals are published as part of the Governance Committee's business.
58. A full induction programme was designed and implemented after the May 2017 elections. This covered members' strategic and local community

roles, scrutiny skills, as well as specific training on the Code of Conduct, safeguarding and corporate parenting. More tailored induction is provided for members in specialist roles, including new members of the Executive and of Planning Committee, Pensions Panel and the Staff Appeals Panel.

59. Specialist training is given to members according to the roles they carry out. This includes training for Cabinet Members (the executive), scrutiny, members of the Regulation, Audit and Accounts Committee and the Pensions Panel and Staff Appeals Panel. Disclosure and Barring Checks have been carried out on all members since the May 2017 election. Enhanced DBS checks are carried out for members in adults and children's services related roles. Training on adults and children's safeguarding is being provided for all members, with an online training module also available. Training was also provided to ensure awareness of data protection responsibilities.
60. As part of a regular review of the effectiveness of scrutiny there are plans to examine the support and advice needed by members to ensure more measurable impact of service performance oversight and purposeful scrutiny. This will require particular attention in light of the work planned to address improvements in Children's Services and in Fire and Rescue*. The work on addressing the role of elected members as corporate parents for children looked after by the Council will be an area of particular focus*.

Officers

61. Statutory roles include the designation of the Chief Executive as Head of Paid Service, the Director of Law and Assurance as the Monitoring Officer, and the Director of Finance and Support Services as Chief Financial Officer. Other critical statutory and leadership roles and their responsibilities are described in the Council's scheme of delegation. All Directors and Executive Directors are required formally each year to give assurance as to their compliance and that of their Service with a range of requirements and expectations of them as senior leaders within the Council. These Statements of Assurance are integrated with the operation of this Annual Governance Statement and incorporate action plans for areas of intervention referred to in this Statement.
62. In January 2019 a restructure of the Corporate Leadership Team was undertaken by the Chief Executive leading to areas of change to be implemented in April and May 2019. There have also been changes to post holders in some of the more significant statutory posts during the year (notably Directors of Adults, Education and Skills and of Children's Services and a long term vacancy in another (Property and Assets) with interim appointments to manage capacity. The Monitoring Officer and Chief Financial Officer have a place on the Executive Leadership Team, which also comprises the three executive directors in addition to the Chief Executive and the Director of HR and Organisational Change. The Director of Public Health who reports to the Chief Executive regularly attends the ELT to ensure that public health is embedded across the County Council and its partnerships.

63. All levels of management within the Council have a designated role profile and these profiles are accessible via the Council's intranet (the Point). Officers are given copies of their roles on appointment and are supported through induction training, their personal development review and supervision in understanding and developing their roles. Internally published HR procedures cover all aspects of performance and procedure to support managers. These have been the subject of significant refresh during 2018/19.
64. Personal development priorities are agreed through an appraisal process which has been recently revised and a new system rolled out. There is an established programme of induction training for new staff. Training is available increasingly through an online learning system. The 'Manager Expectations' and 'Employee Expectations' documents were last used in September 2016 to set out the Council's expectations of officers. A Value Centred Leadership Programme was begun to be delivered to all senior managers. There have been subsequent changes to the plans and form of delivery of training and development for senior leaders in the Council*.
65. Issues of capacity and service resilience to ensure service effectiveness are covered through workforce planning as part of Directorate business planning. Areas of particular risk are identified as part of risk management. Specific attention has been required over recent years to manage challenges in adults' and children's social care where both recruitment and retention have been problematic with expected adverse impact on service quality and consistency. Action to address these issues will require additional effort in 2019*.

F. Managing risks and performance through robust internal control and strong public financial management

Assured ✓

The County Council has robust internal financial controls in place, displays strong public financial management and operates systems to manage risks and performance in the most effective manner. Health and Safety is the focus of a recent and ongoing review to ensure improved systems and compliance*.

66. The Constitution sets out the rules to ensure robust internal control over the Council's finances. The system and arrangements for performance management and budget monitoring demonstrate sound internal monitoring and control and have formal and well published arrangements for member and officer oversight and transparency.
67. The system of internal financial control is based upon a framework of comprehensive financial regulations and procedures which comply with the CIPFA "Good Practice Guide for Financial Regulations in a modern English Council". Control is maintained through regular management

information, supervision, and a structure of delegation and accountability. External audit of the Council's accounts is robust and unqualified assurance has been given. The Council's financial management arrangements conform to the governance requirements of the CIPFA 'Statement on the Role of the Chief Financial Officer in Local Government 2010.' A continuous review is maintained and full review of Financial Regulations and Procedures was undertaken in 2018 and a new version of Financial Regulations was approved by Regulation, Audit and Accounts Committee in July 2018.

68. Each Director is required to conduct a full review of internal governance systems for their area of responsibility, through an assurance mapping process. The statements made, based on the assurance mapping, are checked to identify Council-wide governance issues. Evidence of assurance given is supplemented in the Annual Assurance Statement for each directorate. These include actions for improvement. From both sources, significant governance implications are included in the Statement's action plan (this document).
69. The officer scheme of delegation is critical for the effectiveness of controls of spending and performance. It is kept under review by the Director of Law and Assurance. Directors are required to ensure and confirm the effectiveness of the scheme of officer onward delegation and have worked with the Director of Law and Assurance to ensure that there is shared understanding of the operation of delegations and the need to continually review them. Areas of action for greater clarity and assurance in relation to officer delegations are identified elsewhere in this report.
70. The County Council annually reviews the effectiveness of its governance framework including the system of internal control. The review is informed by the Head of Internal Audit's annual report, by the external auditor and other agencies and inspectorates. These findings are brought together within this document and are reported annually to the Regulation, Audit and Accounts Committee. The Director of Law and Assurance is responsible for ensuring the effectiveness of the internal assurance arrangements and the implementation of actions identified by those arrangements. The Regulation, Audit and Accounts Committee undertakes the functions of an audit committee. This includes review of the work and findings of Internal Audit. The audit arrangements which support and reinforce financial controls and assurance are fully addressed in section G below.
71. The **Risk Management Strategy** is set out in the Constitution (Part 4 section 2) and describes the allocation of responsibilities between senior officers and elected members. It also summarises the system the Council has adopted for identifying, managing and categorising corporate risk. The operation of the scheme and concerns arising are reported quarterly to the Regulation, Audit and Accounts Committee as part of the regular reporting on the effectiveness of risk management arrangements. That Committee is responsible for reviewing the effectiveness of the Council's risk management arrangements.

72. There is a separate requirement for material risks connected with proposals, policies and spending decisions to be formally identified with actions taken to manage such risks in all recorded and published decision reports (see paragraph 49 above).
73. Risk management has been reviewed and changes made to procedures to ensure that risk management is undertaken through robust directorate systems including the business planning process*. A Risk Manager was appointed during 2017/18 to lead on risk and improve the recording, management and monitoring of risk across the County Council. This post reports to the s.151 Officer who carries the operational officer responsibility for risk management. The Chief Executive is accountable to the Council for the effectiveness of risk management.
74. The area of Health and Safety management and the corporate assurance arrangements for good Health and Safety policy and practice has been the subject of a significant review in the context of sound risk management. The effectiveness of that review for improved Health and Safety compliance will be undertaken during 2019*.

G. Implementing good practices in transparency, reporting and audit, to deliver effective accountability

Assured ✓

The County Council has transparent processes in place through publication of the Forward Plan of key decisions, of agendas and reports of its meetings and those of its committees and of its key decision reports on the website and the prominence given to reporting and enforcing of audit recommendations through the Regulation, Audit and Accounts Committee which meets in public. It also has effective open data reporting arrangements to ensure the accessibility of significant spend, contractual and other data relevant to financial performance.

75. All meetings of the Council and of the committees which discharge executive, non-executive or scrutiny functions take place in public and have their reports and minutes published on the Council's website. Cabinet Member and Committee decisions, agendas and reports are published on the website and are available to the press and public. This is driven by the publication of the Forward Plan of key decisions. A limited number of reports are considered in private session only when the subject meets the criteria. A summary of these is published and the rationale for non-disclosure made available.

Review and Audit

76. The Regulation, Audit and Accounts Committee undertakes the functions of an audit committee. This includes review of the work and findings of Internal Audit. The Committee meets regularly and in public and holds officers to account for the timely implementation of audit recommendations.

77. Internal Audit provides an annual appraisal of key financial systems through routine compliance testing and undertakes a number of audit reviews within service departments in accordance with the audit plan. This includes adherence to established policies, procedures, laws and regulations. These are reported to the Regulation, Audit and Accounts Committee. Internal Audit provides an annual appraisal of key financial systems through routine compliance testing and undertakes a number of audit reviews within service departments. This includes adherence to established policies, procedures, laws and regulations.
78. The Head of Internal Audit reports to the Director of Finance and Support Services. He also has direct access to the Chief Executive and other directors and has well-established reporting lines to members through the Regulation, Audit and Accounts Committee. Internal Audit is provided through an arrangement with Hampshire County Council, giving greater resilience and capacity for this function.
79. Specific issues of performance or effectiveness in particular areas of critical service delivery or council governance have been raised during the year's internal audit work and have been summarised in the annual audit report being completed alongside this Governance Statement. This includes areas where limited or no assurance has been given. To the extent that the findings and recommendations are relevant to matters not otherwise covered in this Statement they are set out here and captured as part of the action plan to ensure alignment with the actions addressing issues of governance and internal process.
80. The Internal Audit annual report will highlight specifically those areas where a limited assurance review has been issued, which link to areas identified in this Statement. Those relate to:
- Health & Safety (AGS reference paragraph 74)
 - Contract Management (AGS reference paragraphs 13 and 34)
 - Sustainability (AGS reference paragraph 43)
 - Equality Duty (AGS reference paragraph 30)
81. Internal Audit has also highlighted some areas of commonality in areas that continue to feature in audit reporting, most notably across Children's and Adults' Services in respect of data quality and commissioning. These points will mirror observations within last year's Adults Services Peer Review and this year's Ofsted report into Children's Services. Two others areas that will be included in the annual opinion relate to IR35 compliance across the organisation and the use of prepayment cards.

Main Governance Issues for action or to note

82. In formulating this year's AGS a number of forms of evidence have been reviewed. Several of these are reported and monitored through the Regulation, Audit and Accounts Committee. To avoid duplication such findings are not noted in this statement except where their implications could affect the overall effectiveness of the authority's governance procedures. The paragraphs below identify the most significant

governance issues that are to be addressed through 2019/20. The main governance issues identified are as follows:

Principle A (integrity and compliance)

- i. To complete the refresh of the whistleblowing procedures
- ii. To ensure full implementation of gifts and hospitality recording
- iii. To review and act on effectiveness of Data Protection processes
- iv. To plan a review of anti-fraud corruption and bribery policies
- v. To clarify areas of overlap or conflict within the scheme of delegation.

Principle B (openness and engagement)

- i. To settle arrangements for member engagement in budget planning
- ii. To promote more openness in executive decisions and Forward Plan
- iii. To review the roles and arrangements for CLCs
- iv. To complete roll out of Modern.gov democratic systems
- v. Digitisation of customer and resident contacts
- vi. Development of Joint Health and Wellbeing Strategy for promotion and dissemination through the Council
- vii. To promote greater partnership working (Children's and Adults Services)
- viii. Consultation Q&A system effectiveness review
- ix. Compliance for consistent and appropriate key decision-making
- x. To refresh the use and application of the Equality Policy

Principle C (defining outcomes and benefits)

- i. Review of West Sussex Plan targets and measures 2017-22
- ii. To complete the revision of the Social Value policy and its use
- iii. To refresh the Sustainability Policy
- iv. Greater focus on directorate business plans consistency
- v. To review the resources to ensure effective scrutiny by Select Committees

Principle D (interventions for outcomes)

- i. To review governance of executive officer boards
- ii. To ensure effectiveness of capital programme governance
- iii. To ensure governance, resources and systems are available to support the improvement plan for Children's Services as required.
- iv. Service Improvement planning oversight and scrutiny in Children's and Fire and Rescue Services

Principle E (capacity and leadership)

- i. Training and development for senior leaders
- ii. To ensure recruitment and retention processes support capacity challenges in social care staffing
- iii. To review capacity in relation to risk management tasks in Fire and Rescue

Principle F (risk and performance)

- i. To complete a review of the Council's Health and Safety governance and assurance
- ii. To ensure Resilience and Emergency arrangements are sound

- Principle G (transparency audit and accountability)
i. Covered in the audit submission set out above

An action plan is attached at part of the Appendix (final column), which sets out how the Council will address governance issues in the year ahead. We are satisfied that these actions will deliver the improvements necessary and we will continue to monitor, evaluate and report on progress as part of our next annual review.

Louise Goldsmith
Leader of the Council
July 2019

Nathan Elvery
Chief Executive
July 2019

Annexe

Sources of Assurance and Actions

Key:

CIPFA = The Chartered Institute of Public Financing & Accounting
FSS = Finance and Support Services
HR&OC = Human Resources & Organisational Change
L&A = Law and Assurance
MDG = Member Development Group
RAAC = Regulation, Audit and Accounts Committee
SOLACE = Society of Local Authority Chief Executives

Table of assurance for Principle A: Integrity and Compliance				
Source of assurance	Where found	Who is responsible	Role	last review/ action planned*
Constitution	Web and Intranet	County Council and Director L&A	To provide single source of rules and procedure for lawful sound business and meeting management.	Complete review in 2018, fully revised content approved. This has simplified content and made the Constitution easier to navigate and use. No action.
Codes of Conduct	Constitution	Standards Committee & Director L&A	Define standards of behaviour and systems to enforce	Part of the Constitution review with minor changes to Member and Officer codes agreed in July 2018. Staff codes removed from the Constitution to align with all staff policies and processes. No action.
Whistleblowing (Confidential Reporting) Policy	Constitution	Standards Committee & Director L&A	Defines arrangements for any officer to report breaches of rules or standards confidentially	Last reviewed by the Standards Committee in June 2015 (minor updates agreed by Council July 2015). Refresh and awareness raising action for 2018 not completed. Priority for 2019*
Anti-fraud and corruption strategy	Constitution	RAAC & Head of Internal Audit	Statutory obligations recorded and enforced	November 2015. Reviewed every 3 to 5 years. Need to identify timing and plan for this review.*

Table of assurance for Principle A: Integrity and Compliance				
Source of assurance	Where found	Who is responsible	Role	last review/ action planned*
Anti-bribery policy	Constitution	Director L&A	Statutory obligations recorded and enforced	November 2015. Reviewed every 3 to 5 years. Need to identify timing and plan for this review.*
Register of Member Interests	Website	Director L&A	Statutory list of interests.	Scheme entries are updated on an on-going basis. Quarterly reminders to members to review entries last done in January 2019. No action.
Register of Officer Interests	Website	Director L&A	Record of financial and possible conflicting business interests	New system for record on sharepoint from March 2017. Publication arrangements need to be further reviewed early 2019* to ensure compliance.
Corporate Complaints Policy	Website	Chief Executive Standards Committee	Describes mechanism for handling all complaints.	Part of customer experience review 2015. Complete system review completed 2017/18. A new annual report on complaints ready for Standards Committee in Summer 2019*
Staff Discipline policy	Intranet	Director HR&OC	Defines rules and procedures	New staff support policies to achieve single framework established in Spring 2019 following a full review. Action to roll out and embed 2019.*
Data Protection Policy	Intranet	Director FSS	Defines rules and procedures	Revised for the new Data Protection regime in 2018. Review of practice and training to mitigate risk required*.
Freedom of Information policy	Intranet	Director L&A Director of Communities	Defines rules and procedures	January 2018. No action planned
Data Security & Accepted Use Policy	Intranet	Director FSS	Defines rules and procedures	September 2014 Mandatory refresher training taken by staff in 2018. No current issues. No action planned
Standing Orders on Procurement and Contracts	Constitution	Director L&A	To prescribe the rules for all contracts and procurement activity	Full technical review in 2018, agreed by the Director of Law and Assurance and incorporated into the Constitution. No action planned
Procurement Board	Intranet	Director FSS	To manage and plan strategic procurement	Procurement Pipeline in place. Contract management resources and capacity for review and action*. Move to programme management approach in preparation* Action to clarify internal governance between officer boards*.

Table of Assurance for Principle B: Openness and Stakeholders				
Source of assurance	Where found	Who is responsible	Role	last reviewed/ action planned*
Scheme of Delegation	Constitution	County Council & Director L&A	To fully define who takes what decisions and how and how recorded.	April 2019 (for planned restructure). The Chief Executive has authority to alter officer delegations and structure. Revised guidance and

Table of Assurance for Principle B: Openness and Stakeholders				
Source of assurance	Where found	Who is responsible	Role	last reviewed/ action planned*
				system for onward delegation implemented April 2018. Action required to clarify officer delegations in context of senior officer boards in strategic areas (Procurement Capital, Transformation)*.
Forward Plan	Web site	Director L&A	Describes all planned key decisions for next 4 months	Revision made in 2018 to improve content ease of navigation. Further refresh to give detail of proposals and impact greater certainty*.
Protocol on decision making	Constitution	Director L&A	Describes arrangements for sound decisions.	Reviewed and incorporated in Standing Orders as part of the review of the Constitution, agreed by Council in July 2018. No action planned
Select Committee business planning	Select Committee reports	Performance and Finance Select Committee, Scrutiny Manager	Records planned scrutiny work.	Continuous with annual work programme published. Will consider as part of overall review of scrutiny capacity and approach*. Focus start on Children's services assurance arrangements*.
Openness and access to meetings/ decisions.	Constitution and Website	Director L&A	Describes rules and process for ensuring transparency of record of business and access to meetings	Rules in constitution revised in overall review 2018. Web casting of meetings planned to revised policy to increase openness and accessibility*. Review of use of public cabinet meetings for more key member decisions from 2019*.
Connections, public consultation, website, community liaison forums	'Have your Say' consultation hub, Website & Press releases	Head of Communications & Engagement	Communication to public	Website launched April 2015. New Consultation Hub launched October 2015. No action planned Review of County Local Committees planned for 2019*
Consultation Q&A system	Intranet	Chief Executive	Provide system and guidance for service consultation	Complete review in 2015. Review of Statement of Community Involvement in 2018. No action planned Adults and Children's Services to devise greater co-production with stakeholders in service planning*.
Partnership meetings, briefings and liaison	Some within Constitution. Records are held by relevant directorate	Relevant Director	Communication to partners	Continuous review and proposal to track external engagement plans better. Focused work to address in Children's and in Adult's and as part of overview of effectiveness of refreshed principles for partnership*.
Equality Policy	Website And decision making protocol	Relevant Director for decisions) Director of HR (for staff)	Source of guidance for ensuring compliance with public sector equality duty	Policy partly reviewed 2018. Further and fuller review required*. Action required to ensure consistency in application of equality impact assessments*
Health and Wellbeing Board	Constitution	Director of Public Health	Process and system for strategic joint business and service	Complete review of Board 2018 – leading to new H&W strategy from April 2019. Roll out and embed in

Table of Assurance for Principle B: Openness and Stakeholders				
Source of assurance	Where found	Who is responsible	Role	last reviewed/ action planned*
arrangements			planning	next year*.
West Sussex Compact and Partnership Principles	Website	Director of Communities	Communication to partners	Partnership principles refreshed in consultation 2018. Established partnership working with district and borough councils. No action planned.

Table of Assurance for Principle C: Sustainability				
Source of assurance	Where found	Who is responsible	Role	last reviewed/ action planned*
West Sussex Plan	Council website here	Cabinet & Director FSS	Describes the measure and targets for key corporate service aims	The County Council agreed the current Plan in October 2017. Annual Reports to Council made on delivery.
Social Value Policy	Website	Director FSS	Sets expectations for social economic and community benefits of council business	In place from 2015. Full review in procurement activity yet to be completed*
Sustainability Strategy	Council website here	Director of Energy Waste and Environment	Sets what we need to do become a sustainable organisation, and the Council's commitment to Sustainability	The Strategy approved 2015. The Action Plan for the Strategy is reviewed annually. Plan to achieve more effective compliance following Internal Audit report*

Sources of Assurance for Principle D: Optimising Interventions				
Source of assurance	Where found	Who is responsible	Role	last reviewed/ action planned*
Total Performance Monitor	P&FSC agenda website	Director FSS	Reviews financial and operational performance	A Task and Finish Group reviewed the format in 2018. No action planned
Executive Decision Database Decision Reports	Website	Director of L&A	Each decision report evidences options considered, consultation undertaken and other evidence that led to the decision taken.	Format revised to better demonstrate financial context and alignment with corporate priorities. New publication system through Modern.gov 2018. To be rolled out 2019/20 with IT update*
Business Plans	Share Point	All Directors	Record of actions and objectives for delivery of West Sussex Plan	Annual. Action planned to achieve better coordination of plans between Directorates and to inform personal appraisals*.
Executive Officer Boards	Intranet	Executive Leadership Team	Manage strategic business delegated to officers	In place 2018. Action planned to clarify scope of officer delegations and ensure no conflict in discharge of functions*

Capital Programme Governance	Constitution	County Council	Provide sound systems for managing and delivering capital programme	Revision approved by County Council February 2019. Action planned to ensure effective business case process and clarity in delegations within programme delivery*.
Service Improvement plan governance and assurance	Executive Decision and reports to Select Committee	Director (Children's Services and Chief Fire Officer)	Provide plan and assurance for delivery of improvements from external inspection.	Arrangements for monitoring and scrutinising effectiveness of plan

Sources of Assurance for Principle E: Leadership Capability

Source of assurance	Where found	Who is responsible	Role	last reviewed/action planned
Scheme of delegation	Constitution	Governance Committee Chief Executive Director L&A	Formal allocation of key roles and functions, including Statutory Officer and senior officer roles	October 2017 and further revision April 2019. Onward delegations April 2018. Most decision-making at officer level is now taken at director level. More Forward Plan entries for Directors. Actions identified above for clarity in relation to officer strategic boards*. Also need to ensure members fully aware of and able to access delegation arrangements*.
Budget, including medium term financial strategy	Council agenda	County Council Director FSS	To agree a sound budget and financial strategy.	February 2019 Review of arrangement for Member engagement for next budget planning process*.
Member Development Programme	Held by Director L&A Member Information Database	Governance Committee & Director L&A & MDG	Plan and record all member training.	Continually by MDG (sub-group of Governance). The operation of the MDG last reviewed by the Governance Committee in March 2015. Reports regularly and uses member feedback. No action planned
Human Resources policies	Intranet	Director HR&OC	Describe all officer duties, rules and requirements.	Continually through HR arrangements and work plans. new induction programme. Those previously in the Constitution were removed to enable them to be aligned with other HR policies on the intranet HR zone .
Workforce Planning arrangements	HR policies and Directorate plans	Relevant Director	Provides rationale and scheme for ensuring resilience and capacity.	Undertaken in annual business planning. Particular focus on social care recruitment and retention ongoing*. Specific capacity for expertise in critical business areas of support services*.
Staff role profiles	Intranet	Heads of Service	Describe all officer roles	Updated as roles change.
Member Induction	Intranet	Member Development	To determine the content of the	Full induction programme implemented for May 2017

Sources of Assurance for Principle E: Leadership Capability				
Source of assurance	Where found	Who is responsible	Role	last reviewed/action planned
Programme		Group Director L&A	programme	election. No action 2019, other than an induction programme for any new members following by-elections.
Specialist Member training	Committee business programme	Director L&A	Planning Committee, Rights of Way Committee, Treasury and Pensions management, Regulation, Audit and Accounts Committee, Appeals Panel	Completed after 2017 election and to any members newly appointed to relevant roles. Additional ad hoc training carried out as required. Scrutiny effectiveness review*. Corporate Parenting focus through revised Panel and focused member event*.
Officer Appraisal System	Intranet	Director HR&OC & all Directors for delivery	To keep records of performance and development	Review undertaken 2015. A further review has been undertaken by the Corporate Management Team in early 2019 and a new, simpler appraisal system implemented April 2019.
Performance Management Policy	Intranet	Director HR&OC	To provide a clear system for addressing poor performance	Clarification of the policy and processes made in January 2019 as part of appraisal changes. Review in light of organisational requirements*.

Sources of Assurance for Principle F: Risk and Performance				
Source of assurance	Where found	Who is responsible	Role	last reviewed/action planned
Governance Statement	RAAC agenda	RAAC Director L&A	Captures all sources of governance assurance	Annual (this document)
Assurance mapping	N/A	Director L&A Director FSS	Internal checklist for service governance	New checklist was implemented in 2016/17. Refreshed for 2017/18
Local Code of Corporate Governance	Governance agenda	Governance Committee Director L&A	To confirm the corporate governance principles in place	September 2016, revised to take account of the new CIPFA/SOLACE framework.
Risk Management Strategy	Constitution	Chief Executive	Strategic aims and objectives for corporate risk management	Approved by RAAC 2018. No action planned
Risk Management systems	RAAC agenda	Director FSS	Operational systems for meeting RM strategy aims	Last review 2018. The strategy, register and processes have been updated in year and Directorate systems for planning and reporting on risk management made more consistent.

Health and Safety Policy	Intranet	Director of HR and Organisational Change.	Provides rules, procedures and systems for assurance in relation to health and safety at work and in relation to property risk.	Internal review of systems and compliance 2018 has led to revised governance for assurance. Needs testing for effectiveness of review*.
Audit Function	Constitution	RAAC Head of Internal Audit	To manage and ensure the effectiveness of Audit.	Annual internal quality review. External review is required every five years. Internal Audit service re-designed and let to current provider February 2018
Total Performance Monitor	P&FSC papers on website	Director FSS	Reviews financial and operational performance	A Task and Finish Group reviewed the format in 2018. No action planned
Treasury Management Strategy	Council agenda	Director FSS	To agree a sound strategy and thereby minimise financial risks relating to borrowings and investments.	December 2017. No action planned
Financial Regulations and Procedures	Constitution	Director of FSS RAAC	To prescribe the rules for all financial transactions	New version agreed by RAAC on recommendation of the Governance Committee in July 2018. No action planned
Resilience and Emergency arrangements	Intranet	Chief Fire Officer	To provide safe systems and procedures to manage local and civil emergencies	Audit reviews 2017 and 2018. Action plan being implemented*

Sources of Assurance for Principle G: Audit and Transparency

Source of assurance	Where found	Who is responsible	Role	last reviewed/action planned*
Audit Function	Constitution	RAAC Director FSS	To manage and ensure the effectiveness of Audit.	Annual internal quality review (due 2019*) External review is required every five years (due March 2020)
External Audit of Accounts	Audit Report	RAAC and Director of FSS	To give external assurance to the quality of the Council's accounts and accounting practice	Full assurance given to 17/18 accounts

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2017-18 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)
Principle A – Integrity and compliance			
Aligning officer Codes of Conduct with HR policies and procedures	CR7; CR9b	Director of HR and Organisational Change	Aligned during review of Constitution and all now located on the HR Zone on the Point, for easier access for officers.
A refresh of the Whistleblowing policy		Director of Law and Assurance	To be undertaken in 2019.
Completion of a revised set of policies processes and systems to manage data protection and security	CR39b	Director of Law and Assurance	New Policy put in place ahead of GDPR coming into effect, dedicated team now put in place and mandatory e-learning has been sent out for all staff to undertake.
Review of effectiveness of system for recording officer interests		Director of Law and Assurance	To be undertaken in 2019.
To review and revise Standing Orders on Contracts and procurement		Director of Law and Assurance	Review has been undertaken with minor technical amendments agreed by the Director of Law and Assurance.
Revision to form, clarity and accessibility of Constitution		Director of Law and Assurance	Constitution fully revised in summer 2018. Duplication was removed and a shorter, more accessible version was approved by Council in July 2018. This will make the document easier for officers to navigate and advise on.

2017-18 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)
Principle B – Openness and Stakeholders			
Revision of the Forward Plan format		Director of Law and Assurance	Format revised in summer 2018 to ensure that the key information is included in a clear way.
Review to structure and effectiveness of Health & Wellbeing Board		Director of Public Health	<p>2018/19 Update</p> <ul style="list-style-type: none"> The refreshed Joint Health and Wellbeing Strategy for West Sussex (2019-24) - Start Well, Live Well, Age Well, launched April 2019 after full engagement and consultation.
Consultation Q&A system effectiveness review		Head of Communications and Engagement	Review to be undertaken in 2019
Principle C – Sustainability			
The actions to embed the priorities of the Sustainability Strategy		Executive Director Economy, Infrastructure & Environment	The Council’s annual Sustainability Report is available on line at: https://www.westsussex.gov.uk/about-the-council/policies-and-reports/environment-planning-and-waste-policy-and-reports/sustainability/
To update the Council’s Social Value Policy		Director of Finance, Performance &	The Social Value Policy was reviewed by officers through workshops. The Policy has

2017-18 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)
		Procurement	now been updated.
Principle D – Optimising Interventions			
Review of the form and presentation of the Total Performance Monitor		Director of Finance, Performance & Procurement	A review was undertaken by a Cabinet Member Task and Finish Group. The new format report was presented to Performance and Finance Select Committee at its October meeting.
Refresh of formal decision report format		Director of Law and Assurance	Format revised in summer 2018 to ensure that the key information is included in a clear way.
Principle F – Risk and Performance Management			
A review of the Risk Management system and recording process	FPP10	Director of Finance, Performance & Procurement	The risk management system has been reviewed and the format of Risk Report updated to reflect the changes. The risk report is reviewed by the Regulation, Audit and Accounts Committee at each meeting.
Review and update of Financial Regulations and Procedures		Director of Finance, Performance & Procurement	Completed. The new regulations were approved by the Regulation Audit and Accounts Committee in July.
Adults Services audit and peer review actions	CR55; CR56	Executive Director Children, Adults, Families, Health & Education	A 100 day programme across adult's social care has addressed the immediate recommendations from the peer review across six areas; practice, safeguarding, waiting lists,

2017-18 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)
			leadership and culture, performance and systems and longer-term transformation. A longer-term improvement programme is currently being scoped which will deliver the long term vision for adult's social care across West Sussex.
Deprivation of Liberty (DOLS) internal audit recommendations	CR57	Executive Director Children, Adults, Families, Health & Education	<p>Additional resources are planned to be deployed to contribute to a significant decrease in current backlogs of assessments. This resource will be deployed on a priority basis in relation to minimising risk to both the individual and the authority.</p> <p>It will:</p> <ul style="list-style-type: none"> • Implement a consistent approach • Ensure clear and accessible policies and procedures. • Ensure monitoring information is accurate and available to manage risk. • Develop governance for a clear audit.
Business resilience internal audit recommendations		Director of Public Protection & Deputy Chief Fire Officer	A rolling programme of reviews of the departmental business continuity plans has been established. Following an independent review of WSCC Business Continuity planning arrangements a business case is now to be consider to streamline the methodology of Business Continuity Planning, this includes a

2017-18 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)
			<p>review of current policy, structure and planning alignment to ISO 22301.</p> <p>Two of the recommendations have been fully completed and two partially completed.</p>
Procurement – regulatory compliance check		Director of Finance, Performance & Procurement	<p>The Standing Orders were updated and approved by the Director of Law and Assurance. A review of regulatory issues has been added to the monthly Procurement Board Agenda.</p>

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2018-19 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)
Principle A – Integrity and compliance			
A refresh of the Whistleblowing policy		Director of Law and Assurance	To review, seek Standards Committee approval and ensure greater corporate awareness
To review and act on effectiveness of Data Protection processes		Director of Law and Assurance	To analyse data on policy and systems effectiveness and address risks or areas of weakness
Review of effectiveness of system for recording officer interests		Director of Law and Assurance	To take action to ensure compliance in recording and publication
To plan review of anti-fraud corruption and bribery policies		Director of Law and Assurance	Work with internal audit to ensure up to date policies
To clarify areas of overlap or conflict within the scheme of delegation		Director of Law and Assurance	To ensure all Directors have up to date arrangements in place and to ensure corporate clarity of systems and expectations
Principle B – Openness and Stakeholders			
To settle arrangements for member engagement in budget planning to align with resource and service priorities		Director of Law and Assurance and Director of Finance and Support Services	Ensure timely plans and arrangements for member engagement for budget plans for 2020 budget decisions.
To promote greater openness in executive decisions and		Director of Law and Assurance	Refresh of Forward Plan and corporate awareness

2018-19 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)
Forward Plan			
Review of County Local Committees to consider their effectiveness and purpose, format and engagement and review of grant funding arrangements		Director of Law and Assurance	Oversee member review and report to Governance Committee.
To complete roll out of Modern.gov systems for democratic processes.		Director of Law and Assurance	Align with IT systems and ensure full effectiveness of system.
Digitisation of customer and resident engagement		Director of Communities	Implement plans from Transformation project
Development of Joint Health and Wellbeing Strategy for promotion and dissemination through the Council.		Director of Public Health	Implement commitments in revised H&W Strategy
Promote greater partnership working (Children's and Adults Services)		Director of Children's Services	Corporate Parenting Panel and Improvement Board commitments and as set by the Improvement Plan
Consultation Q&A system effectiveness review		Head of Communications and Engagement	Review to be undertaken in 2019
Compliance for consistent and appropriate key decision-making.		Director of Law and Assurance	Refresh of systems and dissemination to Corporate Leadership Team

2018-19 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)
To refresh the use and application of the Equality Policy		Director of Law and Assurance	Review guidance and systems to ensure compliance and consistency
Principle C – Sustainability			
Review of West Sussex Plan targets and measures 2017-22		Chief Executive	
To complete the revision of the Council’s Social Value Policy and its use.		Director of Finance and Support Services	Prepare and implement revised policy
To refresh the Sustainability Policy		Director of Environment Energy and Waste	Prepare and implement revised policy
Greater focus on reviews of directorate business plans		All Directors	
Review the resources to ensure effective of scrutiny by Select Committees		Director of Law and Assurance	Oversee member led review of scrutiny and ensure effectiveness in relation to specific service improvement plans.
Principle D – Optimising Interventions			
To review governance of executive officer boards		Director of Law and Assurance	Carry out and implement review and ensure transparency

2018-19 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)
To ensure effectiveness of capital programme governance		Executive Director Place Services	Carry out and implement review and ensure transparency
Verification of data input into the performance Dashboard		Head of Performance	Carry out and implement review and ensure transparency
To ensure governance, resources and systems are available to support the improvement plan for Children's Services as required.		Director of Children's Services	Oversee review as part of improvement plan
To ensure governance, resources and systems are available to support the improvement plan for Fire and Rescue Services as required.		Chief Fire Officer	Oversee review as part of improvement plan
Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it			
Training and development for senior leaders		Director of HR and OC	Carry out and implement review
To ensure recruitment and retention processes support capacity challenges in social care staffing		Executive Director of People Services	Carry out and implement review

2018-19 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)
To review capacity in relation to risk management tasks in Fire and Rescue		Chief Fire Officer	Carry out and implement review
Principle F – Risk and Performance Management			
To complete a review of the Council’s Health and Safety governance and assurance		Director of HR&OC	Carry out and implement review
To ensure Resilience and Emergency arrangements are sound	FPP10	Chief Fire Officer	Carry out and implement review

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Regulation, Audit and Accounts Committee

22 July 2019

Treasury Management Compliance Report – First Quarter 2019/20

Report by Director of Finance and Support Services

Executive Summary

In accordance with treasury management governance arrangements, this report details compliance against planned parameters as approved within the annual Treasury Management Strategy Statement (TMSS).

During the first quarter of 2019/20 the Council complied with all of the relevant statutory and regulatory requirements related to its treasury management activities. The Director of Finance and Support Services confirms that there were no breaches of the approved TMSS (including the Annual Investment Strategy) during the period.

Recommendation

That the report be noted.

1. Introduction

1.1 The Council has substantial amounts of investments and borrowings and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management recommends that members are regularly updated on treasury management activity; this report therefore ensures the Council is implementing best practice in accordance with the Code.

2. Compliance Report

1.1 Throughout the first quarter of 2019/20 the Council complied with the relevant statutory and regulatory requirements which require officers to identify and where possible quantify the levels of risk associated with its treasury management activities. Additionally there were no changes to the Council's approved 2019/20 lending list as a result of credit updates; including rating information published by Fitch, Moody's and Standard & Poor's, credit default swap/equity price trends and general media alerts.

1.2 Borrowing Strategy: At 30 June 2019 the Council's Public Works Loan Board (PWLB) borrowing totalled £485.4m (£388.9m at 31 March 2019). During the first quarter of 2019/20:

- Given the significant borrowing need in the approved capital programme (up to March 2024) the Council took advantage of the historically low borrowing rates offered by the Public Works Loan Board and borrowed an additional £100m; 50-year PWLB maturity loans at an average rate of 2.22%. The Council’s overall borrowing at 30 June 2019 (£485.4m) remained within the “Authorised Borrowing Limit” approved by County Council in February 2019 (£550m).
- £3.5m (plus interest) was repaid to the PWLB as per the terms and conditions of the £70m borrowing taken during April 2011.
- No external debt rescheduling was undertaken during the period.
- In the management of the Council’s cash flows (excluding money held on behalf of the Chichester Harbour Conservancy) short-term borrowing was only undertaken on an exceptional basis via overdraft facilities in place with the Council’s main provider of banking services (Lloyds Bank Plc). The Council’s policy of funding daily cash flow shortages from balances held in the Council’s instant access bank accounts and short-term Money Market Funds was maintained throughout the period.

1.3 Investment Strategy: The average level of Council funds available for treasury investment during 2019/20 (to-date) was £248.3m; actual levels of investments amounted to £289.1m at 30 June 2019 (£204.8m as at 31 March 2019). Investment balances continue to depend on the timing of precept payments from West Sussex Boroughs/Districts and government grants received in advance of expenditure, levels of useable reserves and the progress on the Council’s capital programme (including the arrangement of new long-term borrowing).

1.4 UK banking legislation places the burden of rescuing failing banks disproportionately onto unsecured creditors (including local authority investors) through the potential bail-in of unsecured bank deposits. The use of unsecured bank deposits and short-term Money Market Funds however remains an integral part of the Council’s investment strategy in maintaining adequate cash-flow liquidity as well as enhancing short-term investment returns. As a consequence, the disposition of bank unsecured/other investments at 30 June 2019 as compared with 31 March 2019, is detailed below:

Counterparty Type	31-March-19		30-June-19	
	£m	%	£m	%
Banks & Building Societies Unsecured	46.5	22.7	99.7	34.5
Short-Term Money Market Funds	80.1	39.1	90.3	31.2
Total Bank Unsecured	126.6	61.8	190.0	65.7
Bank Secured (greater than 1 year)	7.9	3.8	0.0	0.0
Non-Bank (less than 1 year)	11.0	5.4	25.0	8.6
Non-Bank (greater than 1 year)	20.0	9.8	10.0	3.5
Investments (Internally Managed)	165.5	80.8	225.0	77.8
Externally Managed - Bond Funds (i)	0.0	0.0	24.5	8.5
Externally Managed - Multi Asset	15.3	7.5	15.5	5.4
Externally Managed - Property	24.0	11.7	24.1	8.3
TOTAL INVESTMENTS	204.8	100.0	289.1	100.0

(i) *Ultra-Short Dated Bond Funds (Enhanced Cash)*

- 1.5 During the first quarter of 2019/20 the Council invested £24.5m into the externally managed Federated Cash Plus Fund (AAA credit rated ultra-short dated bond fund) as opposed to holding cash in lower yielding Money Market Funds. The full breakdown of the Council's investment portfolio at 30 June 2019 is shown in **Appendix 1**.
- 1.6 In demonstrating compliance with the Council's creditworthiness policy (as contained within the approved 2019/20 "Annual Investment Strategy") the movement in the Council's investment portfolio (actual cash position) by the credit rating of the financial institution, or the credit rating of the specific investment (for example covered bonds) if higher than the individual counterparty rating, is shown below:

Institution / Investment Credit Rating	2018/19	2019/20			
	31-Mar £'m	30-Jun £'m	30-Sep £'m	31-Dec £'m	31-Mar £'m
AAA (i)	88.0	90.3			
AA	0.0	0.0			
AA- (ii)	47.7	75.0			
A+	14.8	14.8			
A	0.0	44.9			
A-	15.0	0.0			
Internally Managed	165.5	225.0			
Externally Managed (AAA)	0.0	24.5			
Externally Managed (Other)	39.3	39.6			
TOTAL INVESTMENTS	204.8	289.1			

(i) Includes short-term Money Market Funds and Covered Bonds.

(ii) Includes all non-rated UK local authorities (assumed AA- rating).

- 1.7 Furthermore, the Director of Finance and Support Services confirms that during the first quarter there were no breaches of the following additional exposure limits as approved within the 2019/20 Annual Investment Strategy, including:
- Up to a maximum of £90m (£30m per individual sovereign) may be invested in non-UK organisations (excluding investments held in short-term Money Market Funds and externally managed pooled funds): Actual £40.0m at 30 June 2019 (£30m Australia; and £10m Singapore).
 - Up to a maximum of £100m may be invested in negotiable instruments (bonds, certificate of deposits etc.) held in a nominated custody account: Actual £14.9m at 30 June 2019.
 - Up to a maximum of £115m may be invested in short-term Money Market Funds (excluding externally managed pooled funds): Actual £90.3m at 30 June 2019.
 - Up to a maximum of £100m may be invested in externally managed pooled funds; of which £60m may be invested in such funds not holding a AAA credit rating: Actual £64.1m total investment at 30 June 2019 (of which **£39.6m** is invested in unrated multi-asset income and property funds).

- Up to a maximum of £75m to be made available for long-term strategic investment based on forecast levels of PFI/MRMC reserves (as reported in the Council's Treasury Indicators): Actual **£49.6m** at 30 June 2019.

4. Resource and Value for Money Implications

Covered in main body of report.

5. Risk Management Implications

Covered in main body of report.

6. Human Rights Act Implications

Not applicable.

7. Crime and Disorder Act Implications

Not applicable

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Background Papers: None

Investments held with counterparty's approved within the Council's 2019/20 Treasury Management Strategy (together with prevailing credit ratings and maximum monetary and duration limits) at 30 June 2019, are set out below:

Counterparty	Credit Rating	Approved Limits		WSCC Investment (at 30 June 2019)					
		Monetary	Duration	Start Date	Maturity Date	No. of days	Days to Maturity	Interest Rate	Amount
UK Banks (Unsecured):									
Goldman Sachs International Bank	A	£15m	6 Months	07/05/19	07/11/19	184	130	0.91%	£10.0m
Goldman Sachs International Bank	A	£15m	6 Months	06/06/19	06/12/19	183	159	0.92%	£5.0m
Lloyds Bank Plc (Ring-fenced Bank)	A+	£15m	1 Year	175 Days (Notice)		n/a	n/a	1.13%	£14.8m
National Westminster Bank Plc (RFB)	A	£15m	1 Year	01/04/19	01/10/19	183	93	0.94%	£5.0m
National Westminster Bank Plc (RFB)	A	£15m	1 Year	01/04/19	02/01/20	276	186	1.01%	£5.0m
National Westminster Bank Plc (RFB)	A	£15m	1 Year	01/04/19	31/03/20	365	275	1.07%	£5.0m
Standard Chartered Bank	A	£15m	6 Months	12/04/19	14/10/19	185	106	0.95%	£14.9m
Non-UK Banks (Unsecured):									
Australia and New Zealand Bank (Australia)	AA-	£15m	1 Year	08/11/18	08/11/19	365	131	1.12%	£5.0m
Australia and New Zealand Bank (Australia)	AA-	£15m	1 Year	12/04/19	09/04/20	363	284	1.14%	£5.0m
Australia and New Zealand Bank (Australia)	AA-	£15m	1 Year	21/05/19	20/05/20	365	325	1.14%	£5.0m
Commonwealth Bank of Australia (Australia)	AA-	£15m	1 Year	12/04/19	13/01/20	276	197	0.95%	£5.0m
Commonwealth Bank of Australia (Australia)	AA-	£15m	1 Year	01/05/19	24/02/20	299	239	0.95%	£5.0m
Commonwealth Bank of Australia (Australia)	AA-	£15m	1 Year	12/04/19	09/04/20	363	284	0.98%	£5.0m
United Overseas Bank (Singapore)	AA-	£15m	1 Year	26/06/19	20/12/19	177	173	0.80%	£10.0m
Short-Term Money Market Funds:									
Aberdeen Standard Sterling Liquidity Fund	AAA	£25m	Note (i)	Instant Access A/c		n/a	n/a	0.76%	£25.0m
Blackrock Sterling Liquidity Fund	AAA	£25m	Note (i)	Instant Access A/c		n/a	n/a	0.72%	£25.0m
Deutsche Sterling Liquidity Fund	AAA	£25m	Note (i)	Instant Access A/c		n/a	n/a	0.69%	£25.0m
Goldman Sachs Sterling Liquidity Fund	AAA	£25m	Note (i)	Instant Access A/c		n/a	n/a	0.69%	£15.3m
UK Local Authorities (<1-Year):									
Cambridgeshire County Council	AA- (ii)	£25m	20 Years	11/04/19	09/04/20	364	284	0.98%	£5.0m
Glasgow City Council	AA- (ii)	£25m	20 Years	28/06/19	29/07/19	31	29	0.79%	£20.0m

UK Local Authorities (>1-Year):									
Plymouth City Council	AA- (ii)	£25m	20 Years	09/04/18	09/04/20	731	284	1.40%	£10.0m
Pooled Funds (Externally Managed):									
Federated Sterling Cash Plus Fund	AAA	£25.0m	Note (iii)	11/04/19	n/a	81	n/a	0.85%	£24.5m
Fidelity Multi-Asset Income Fund	n/a	£15m	Note (iv)	11/12/18	n/a	202	n/a	4.18%	£7.9m
Investec Diversified Income Fund	n/a	£15m	Note (iv)	05/12/18	n/a	208	n/a	4.41%	£7.6m
CCLA (Local Authorities' Property Fund)	n/a	£15m	Note (v)	28/02/17	n/a	853	n/a	4.33%	£9.9m
Hermes Property Unit Trust (HPUT)	n/a	£15m	Note (v)	28/08/18	n/a	307	n/a	3.10%	£9.5m
Lothbury Property Trust (LPT)	n/a	£15m	Note (v)	03/09/18	n/a	301	n/a	3.01%	£4.7m
TOTAL INVESTMENTS									£289.1m

- (i) No defined maturity periods for short-term Money Market Funds; withdrawals based on cash flow liquidity requirements.
- (ii) Assumed UK Local Authority credit rating if no actual rating exists (one notch lower than the UK sovereign rating).
- (iii) Up to one year investment horizon for externally managed ultra-short dated bond funds (enhanced cash).
- (iv) Three year investment horizon for externally managed multi-asset income funds.
- (v) Minimum five year investment horizon for externally managed property funds.