

Public Document Pack

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24 October 2019

Regulation, Audit and Accounts Committee

A meeting of the committee will be held at **10.30 am** on **Monday, 4 November 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 - 8)

The Committee is asked to agree the minutes of the meeting held on 22 July 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 (Pages 9 - 36)

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

5. Internal Audit Progress Report - September 2019 (Pages 37 - 74)

Report by the Head of Southern Internal Audit Partnership.

The Committee is asked to note the progress report.

6. **Annual Governance Statement 2018/19 - Actions Update** (Pages 75 - 88)

Report by the Director of Law and Assurance.

The Committee is asked to note progress against actions arising from the Annual Governance Statement 2018-19.

7. **Quarterly Review of the Corporate Risk Register** (Pages 89 - 98)

Report by the Director of Finance and Support Services.

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

8. **Treasury Management Compliance Report - Second Quarter 2019/20**
(Pages 99 - 106)

Report by the Director of Finance and Support Services.

The Committee is asked to note the report.

9. **Date of Next Meeting**

The next meeting of the Committee will be held at 10.30am on 20 January 2020 at County Hall, Chichester.

To all members of the Regulation, Audit and Accounts Committee

Regulation, Audit and Accounts Committee

22 July 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, Mrs Pendleton and Mr Jones

Apologies were received from Mr Bradford

Also in attendance: Ms Goldsmith and Mr Hunt

Part I

1. Declarations of Interest

1.1 Mrs Dennis declared a personal interest as a member of the Pensions Panel.

1.2 Mr Jupp declared a personal interest as a Member of the Pensions Panel.

2. Minutes of the last meeting of the Committee

2.1 Resolved – That the minutes of the meeting of the Committee held on 25 March 2019 be approved as a correct record and that they be signed by the Chairman.

3. External Audit

3.1 The Committee considered the EY reports on the County Council accounts and the West Sussex Pension Fund (copies appended to the signed minutes).

3.2 Mrs Wood, Pension Fund Investment Strategist, advised the Committee that a significant court case, the McCloud and Sargeant judgement, had found that changes to the Pensions Scheme legislation in 2014 had constituted age discrimination. Because of this national change, the County Council had to change its IAS19 accounting approach and an actuary had examined the impact on the West Sussex Local Government Pension Scheme and the Firefighters' Pension Scheme. This had resulted in an estimated increase in liabilities for the West Sussex Local Government Pension Scheme (LGPS) of £25m, and an estimated increase in West Sussex County Council's share of its LGPS liabilities of £11m and its Fire Pension Scheme liabilities of £14m. These figures reflected in the Pension Fund and County Council's accounts and were referred to in EY's report.

3.3 Mrs Thompson and Mr Mathers (EY) introduced the Pension Fund report and advised that an unqualified opinion would be given. Particular attention has been given in the audit to the risk of manipulation of investment income and valuation and the significant migration of data

when the Pension Fund administration was transferred to Hampshire County Council.

3.4 The Committee made comments including those that follow. It:

- Welcomed the audit findings and the focus on the migration of data to Hampshire County Council.
- Noted the level of discrepancies appearing in Pensions membership data and was reassured that this issue was not unique to West Sussex Pension Scheme and was generally due to a time lag on employers updating pensions records, which had no financial impact.

3.5 Mrs Thompson and Mr Mathers introduced the County Council report and advised that there would be an unqualified opinion on the financial statements, although there would be an 'except for informed decision making arrangements' qualification of the value for money conclusion following the Children's Services inspection report. They thanked County Council officers for their help and support during the audit process. Particular checks had been carried out on high risk areas including areas at risk of fraud in terms of inappropriate capitalisation of revenue expenditure; plant, property and equipment valuations and PFI adjustments. The medium term financial strategy was found to be sound, while concern remained about financial resilience in a challenging environment for local government.

3.6 The Committee made comments including those that follow. It:

- Welcomed the audit work undertaken and noted the concerns about long term financial resilience.
- Noted that the auditor's findings were that the problems identified in the Ofsted inspection on Children's Services should have been identified sooner by the County Council and that the qualification was due to this and the fact that there were problems in statutory delivery of services.
- Noted that the later timing of the inspection findings on the Fire and Rescue Service, plus the more internal nature of the problems found in the inspection, had meant that no qualification was given in this area. Parallels were found though, that the problems could have been identified sooner by the County Council through its performance management and risk management arrangements.
- Learned that the County Council had approached EY to possibly undertake work on key performance indicators for Children's Services, but the Council had not gone ahead with this. The Director of Finance and Support Services was asked to check on what had happened to this area of work.

3.7 Resolved – That the EY reports on the County Council accounts and the West Sussex Pension Fund accounts be noted.

4. Financial Statements 2018/19

4.1 The Committee considered a report by the Director of Finance and Support Services (copy appended to the signed minutes).

4.2 Mrs Chuter, Financial Reporting Manager, introduced the report and informed the Committee that the Financial Statements had been completed and that the external audit was substantially complete.

4.3 The Committee made comments including those that follow. It:

- Thanked officers for preparing a comprehensive statement of accounts.
- Questioned whether additional funds for Children's Services and the Fire and Rescue Service were reflected in post balance sheet events because of the timing of the inspection outcomes. The Director of Finance and Support Services advised that they were not.
- Asked whether the increase of staff being paid over £50,000 per annum was due to new posts or inflationary uplifts. The Director of Finance and Support Services advised that most was due to inflationary uplifts moving posts just over the £50,000 reporting threshold.
- Noted challenges in recruitment retention of senior management staff and hoped that more stability could be achieved, particularly in children's services management. It noted that exit payments would include pensions provision if there were any pensions liabilities. The Leader of the Council highlighted that difficult markets in social work and in senior management made recruitment and retention a particular challenge in the South East. The Director of Finance and Support Services agreed to check on the figures for Children's Services staff and provide this to the Committee.

4.4 Resolved – That the Statement of Accounts for 2018/19 for West Sussex County Council and the West Sussex Pension Fund be approved, for signing by the Chairman of the Committee.

5. Internal Audit Progress Report / Annual Opinion

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

5.2 Mr Harvey, Southern Internal Audit Partnership, introduced the report and advised that the 2018/19 audit opinion provided 'adequate assurance' on the Councils overall framework of governance, risk management and control and that most work had now been undertaken. He highlighted that audit findings generally reflected the areas for improvement found by the Corporate Peer Challenge and the Ofsted Inspection of Children's Services and he confirmed that action was being planned to address the limited assurances in these areas. He thanked County Council officers for their cooperation and support during the audits.

5.3 The Committee made comments including those that follow. It:

- Noted the 'adequate assurance' conclusion was roughly in line with comparable local authorities and acknowledged that it was difficult for a large, diverse organisation like the County Council to improve on this.

- Asked for the table reflecting officers progress in implementing actions arising from audit reports to be included in all future reports, including the annual opinion.
- Hoped that the move to the Southern Audit Partnership had not led to any reduction in internal audit activity. The Director of Finance and Support Services confirmed that there had been no reductions.
- Noted that the auditors' work would not overlap with other inspections, such as the Ofsted inspection, although some common themes could be identified and acted upon.
- Expressed concern about delays in DBS checks for taxi drivers undertaking home to school transport being re-done every three years in line with the Council's policy. The Director of Finance and Support Services advised that a better process was now in place for them to be renewed every three years, but agreed to update the Committee on progress.

5.4 Resolved – That the annual audit report for the year ended 31 March 2019 be approved.

6. Quarterly Review of the Corporate Risk Register and Risk Management Strategy

6.1 The Committee considered a report by the Director of Finance and Support Services (copy appended to the signed minutes).

6.2 Mr Pake, Corporate Risk and Business Planning Manager, introduced the report which gave an update on the risk register and advised of planned revisions to the risk management strategy.

6.3 The Committee made comments including those that follow. It:

- Acknowledged the risks around social care included both management capacity and financial sustainability and noted that action was being taken to address these.
- Questioned the current risks associated with the highways contract litigation. The Director of Law and Assurance reported that Amey's action against the County Council had been allowed by the High Court, although the County Council has sought leave to appeal as the High Court had confirmed that the County Council could commence a new procurement.
- Asked how Kent Fire and Rescue Service was able to provide a good service according to the recent internal inspection, at a lower cost per person than the West Sussex Service, which had been rated inadequate. The Acting Chief Fire Officer advised that this was mostly down to the larger size of Kent and its Fire and Rescue Service. He advised that collaboration with neighbouring authorities produced some efficiencies, but a move toward a regional or national model would be most likely to provide a more consistent service and value for money outcome.

6.4 Resolved – That the report be noted.

7. Annual Governance Statement

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

7.2 Mr Gauntlett, Senior Advisor, introduced the report and informed the Committee that the draft Statement set out the Council's governance arrangements and the draft action plan set out a range of actions proposed to improve them.

7.3 The Committee made comments including those that follow. It:

- Was supportive of the draft Statement but asked for the summary of assurances in each section to be reviewed for consistency.
- Asked whether the corporate governance processes identified within the Statement should have recognised the problems in Children's Services and the Fire and Rescue Service as found by the external inspections in recent months. It hoped that attention would be given to any other services with forthcoming external inspections, such as the Youth Offending Service. The Leader of the Council felt that the problems identified had been systemic and that all members in their local and strategic roles should seek to gain a better understanding of the experiences of service users and should seek to streamline and join up information being presented to different committees. She gave an example of paragraph 43 on the embedding of sustainability, where the Chairman could usefully write to the appropriate Select Committee to highlight the information there.
- Hoped that consideration would be given to what appropriate external advice and service user voices were needed by select committees when scrutinising council services. The Director of Law and Assurance confirmed that this would be considered as part of the Governance Committee's review of scrutiny in autumn 2019.

7.4 Resolved – That, subject to final revisions to improve consistency, the Annual Governance Statement 2018/19 be agreed and recommended for adoption through the signatures of the Leader of the Council and the Chief Executive.

8. Treasury Management Compliance Report - First Quarter 2018/19

8.1 The Committee considered a report by the Director of Finance and Support Services (copy appended to the signed minutes).

8.2 Mrs Chuter introduced the report and informed the Committee that full compliance had been achieved in this quarter.

8.3 The Committee welcomed the report and thanked officers for the excellent compliance over the last quarter.

8.4 Resolved – That the report be noted.

9. Training Considerations

9.1 The Chairman asked the Committee to consider any training requirements they had.

9.2 It was agreed that a training session for Mr Jones and Mrs Pendleton should be provided as newer members of the Committee, which could include an external CIPFA course.

10. Date of Next Meeting

10.1 The Committee noted that its next scheduled meeting would be held at 10.30 am on 4 November 2019 at County Hall, Chichester.

The meeting ended at 2.25 pm

Chairman

West Sussex County Council

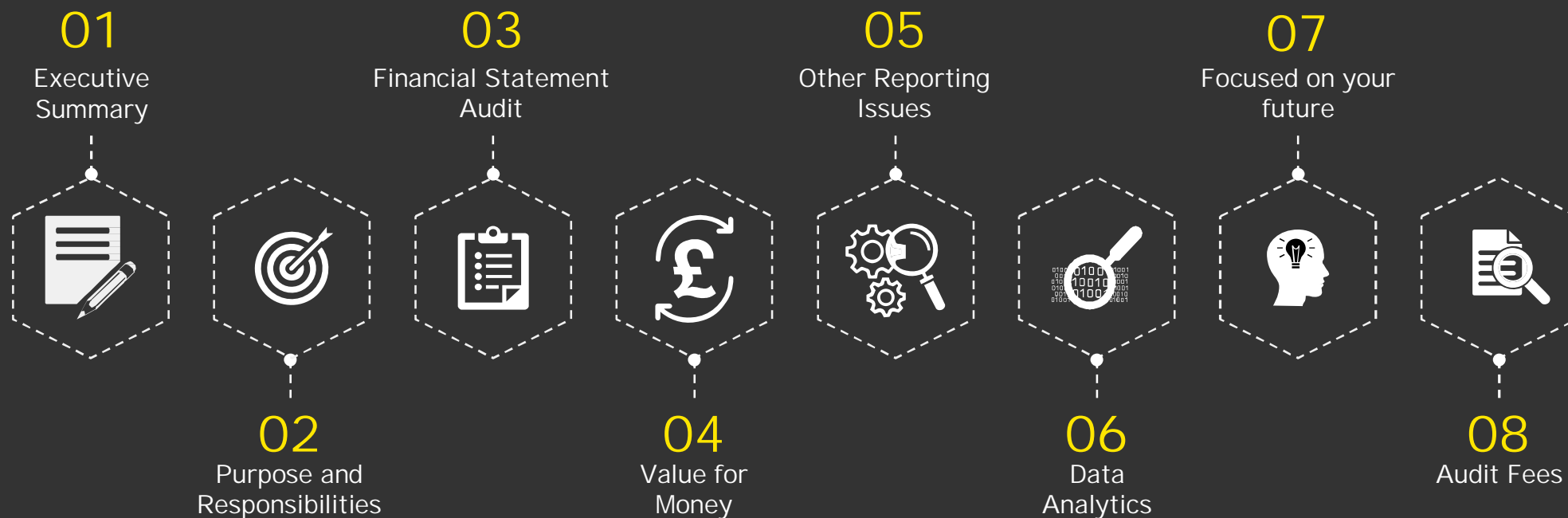
Annual Audit Letter for the year
ended 31 March 2019

August 2019



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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk).

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA set out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities and Terms of Appointment. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01 Executive Summary



Executive Summary

We are required to issue an annual audit letter to West Sussex County Council (the Council) following completion of our audit procedures for the year ended 31 March 2019.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's and Pension Fund's:	Unqualified – the financial statements give a true and fair view of the financial position of the Council and Pension Fund as at 31 March 2019 and of its expenditure and income for the year then ended.
▶ Financial statements	
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the annual accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources with the exception of arrangements for informed decision making as a result of the inspection outcomes for Children's Services and the West Sussex Fire and Rescue Service.

Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.



Executive Summary (cont'd)

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We had no matters to report.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Reports for the Council and Pension Fund were issued on 12 July 2019 and presented to the 23 July meeting of the Regulation, Audit and Accounts Committee.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 28 August 2019.

We would like to take this opportunity to thank the Council and Pension Fund's staff for their assistance during the course of our work.

Helen Thompson
Associate Partner
For and on behalf of Ernst & Young LLP



02 Purpose and Responsibilities

Purpose and Responsibilities

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2018/19 Audit Results Reports for the Council and Pension Fund to the 23 July 2019 Regulation, Audit and Accounts Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities of the Appointed Auditor

Our 2018/19 audit work has been undertaken in accordance with the audit plans that we issued in January 2019 for the Pension Fund and March 2019 for the Council and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2018/19 financial statements, including the pension fund; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the NAO.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



03 Financial Statement Audit

Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council and Pension Fund's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office and issued an unqualified audit report on 29 July 2019.

Our detailed findings were reported to the 23 July 2019 meeting of the Regulation, Audit and Accounts Committee.

The key issues identified as part of our audit of the County Council financial statements were as follows:

Significant Risk	Conclusion
<p>Misstatements due to fraud or error</p> <p>As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p> <p>Our approach to gaining assurance focused on:</p> <ul style="list-style-type: none"> • Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. • Assessing accounting estimates for evidence of management bias. • Evaluating the business rationale for significant unusual transactions. <p>Further to this, we also:</p> <ul style="list-style-type: none"> • Inquired of management about risks of fraud and the controls put in place to address those risks, as well as gaining an understanding the oversight given by those charged with governance of management's processes over fraud. • Considered the effectiveness of management's controls designed to address the risk of fraud. 	<p>Following full completion of our work:</p> <ul style="list-style-type: none"> • We did not identify any evidence of material management override. • We did not identify any instances of inappropriate judgements being applied or other management bias both in relation to accounting estimates and other balances and transactions. • We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.



Financial Statement Audit (cont'd)

The key issues identified as part of our County Council audit were as follows: (cont'd)

Significant Risk	Conclusion
<p>Risk of fraud in revenue and expenditure recognition – inappropriate capitalisation of revenue expenditure</p> <p>As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.</p> <p>We determined that the way in which management could override controls is through the inappropriate capitalisation of revenue expenditure to understate revenue expenditure reported in the financial statements to improve the financial position of the general fund. Capitalized revenue expenditure can be funded through borrowing with only minimal MRP charges recorded in the general fund, deferring the expenditure for 30+ years when the borrowing is repaid. Alternately, other sources such as capital receipts or grants could be inappropriately used to finance the expenditure.</p> <p>Inappropriate classification of revenue expenditure as REFCUS (revenue expenditure funded by capital under statute) could also have the same impact, removing the spend incorrectly from the general fund through applying statutory overrides.</p> <p>Our approach to gaining assurance focused on:</p> <ul style="list-style-type: none">• Selecting a sample of PPE additions to test and confirm the item was appropriate to capitalise through agreement to evidence such as invoices and capital expenditure authorisations.• We selecting a sample of REFCUS items to test to confirm the appropriateness of the classification of these items.• Performing journals testing to challenge entries that could be indicative of inappropriate capitalisation, such as journals which reclassify transactions originally recorded as revenue expenditure to capital or REFCUS.	<p>Following full completion of our work we did not identify any inappropriate capitalisation of revenue expenditure.</p> <p>Our work in this area required us to gain a more granular understanding of the Council's processes for capital, from the initiation of transactions through to reporting in the financial statements. Although we do not test these processes and associated controls in detail as part of our approach our consideration did not highlight any issues.</p> <p>Our testing of PPE and investment property addition and REFCUS identified no instances of the inappropriate capitalisation of revenue expenditure.</p>

The key issues identified as part of our audit of the Pension Fund financial statements were as follows:

Significant Risk	Conclusion
<p>Risk of manipulation of Investment income and valuation</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p> <p>We assessed that the risk of manipulation of investment income and valuation through management override of controls was most likely to affect investment income and assets in the year, specifically through journal postings.</p> <p>To gain assurance in relation to the risk we:</p> <ul style="list-style-type: none"> • Tested journals at year-end to ensure there are no unexpected or unusual postings. • Undertook a review of reconciliations to the fund manager, custodian and valuer reports and investigated any reconciling differences. • Re-performed the detailed investment note using the reports we have acquired directly from the custodian, valuer or fund managers. • Checked the reconciliation of holdings included in the Net Assets Statement back to the source reports. • Reviewed accounting estimates for evidence of management bias, including estimates with a higher level of inherent risk relating to PPE. • Ensured the value applied to each property agrees back to the listing of deeds owned. We viewed the deeds of any new properties acquired in the year, and a sample of existing property deeds. • For quoted investment income we agreed the reconciliation between fund managers and custodians back to the source reports. <p>We also utilised our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluated for business rationale.</p>	<p>Following full completion of our work:</p> <ul style="list-style-type: none"> • We did not identify any material weaknesses in controls or evidence of material management override. • We did not identify any instances of inappropriate judgements being applied. • We did not identify any other transactions during our audit which appeared unusual or outside the Pension Fund's normal course of business.



Financial Statement Audit (cont'd)

The key issues identified as part of our Pension Fund audit were as follows: (cont'd)

Significant Risk	Conclusion
<p>New pensions administration system and transfer of pensions payroll data</p> <p>The Fund migrated data from its existing pensions administration system Hartlink maintained by Capita to its new Civica UPM system maintained by Hampshire County Council with effect from the start of March 2019. Pensions payroll data currently held in the SAP general ledger was also migrated to Civica UPM at the same point in time. We determined there was a risk that the data would not be completely and accurately migrated to the new system. Although this was not likely to result in material misstatement of the 2018/19 financial statements, as pensions payroll will only be paid from new systems in the final month of the year, the incomplete or inaccurate transfer of data could have a significant impact in the future. We considered the risk to be qualitatively material on that basis.</p> <p>There was a risk that if pensions membership data and is not accurately migrated to the Civica UPM system disclosure of membership numbers in the 2018/19 financial statements could be misstated or cannot easily be reconciled back to membership data held on the pensions administration system.</p> <p>It was also essential that the Fund could show pension payroll data was completely migrated from the SAP general ledger to Civica UPM and that the pensions payroll was correctly processed subsequent to the migration.</p> <p>To gain assurance in this area we:</p> <ul style="list-style-type: none"> • Substantively tested full year pensions payroll expenditure which was generated by both the old and new payroll systems. • Substantively tested membership data at the end of the year held on Civica UPM to a sample of admitted body returns. We consider this further in Section 6 of this report. • Reviewed and tested the Fund's arrangements to ensure that membership and pensions payroll data were completely and accurately transferred from the SAP general ledger and Hartlink to the Civica UPM system operated by Hampshire County Council. <p>The migration of data to the new system required us to consider how we gain assurance over the complete financial year, relying on data from both the old and new systems. To comply with the requirements of International Standards on Auditing (UK) we also needed to document and walkthrough both the old and new pensions administration and pensions payroll systems to gain a complete understanding how relevant transactions are initiated, recorded, processed and reported in the financial statements. This is not an area where significant management judgement is applied.</p>	<p>Based on the work we undertook we were satisfied that membership and pensions payroll data had been completely and accurately migrated to the new Civica UPM system and that the new system is operating effectively.</p>

Financial Statement Audit (cont'd)

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p>For the Council we determined planning materiality to be £22.7m, which is 1.8% of gross revenue expenditure reported in the accounts. We consider the gross spending of the Council to be one of the principal considerations for stakeholders in assessing the financial performance of the Council. We determined a separate overall materiality for the Firefighters' Pension Scheme Account of £171,054.</p> <p>For the Pension Fund we determined planning materiality to be £43.7m, which is 1% of net assets reported in the accounts. We consider the net assets of the Pension Fund to be one of the principal considerations for stakeholders in assessing the financial performance of the Fund.</p>
Reporting threshold	We agreed with the Regulation, Audit and Accounts Committee that we would report to the Committee all audit differences in excess of £1.1m for the main Council accounts, £8,553 for the Firefighters' Pension Scheme Account and £2.1m for the Pension Fund financial statements.

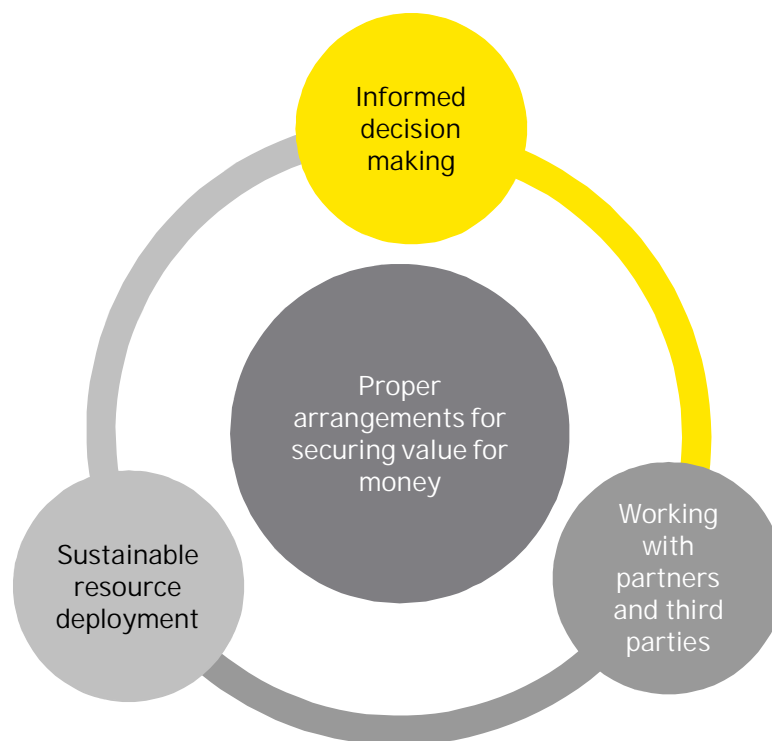


04 Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.



At the planning stage of the audit we identified one significant risk in relation to these arrangements. Subsequently, during the execution phase of our audit we noted the Ofsted report on Children's Services at the Council which resulted in a rating of inadequate in all areas. Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) also published the results of an inspection it undertook during 2018/19 in late-June, and the service was rated as requiring improvement. We therefore recorded an additional significant risk relating to Informed Decision Making Arrangements.

We concluded that the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources were adequate except for informed decision making arrangements. A summary of our findings is set out in the tables below.

Significant Risk	Conclusion
<p>Financial resilience and sustainable resource deployment</p> <p>The Council continues to face a very challenging financial outlook over the medium term arising from a combination of further reductions in resources provided by Central Government and a rising demand for many services from a growing and ageing population.</p> <p>At the planning stage of the audit the latest iteration of the Council's medium term financial strategy (MTFS) covering the period 2019/20 to 2022/23 showed a total budget gap before savings and council tax of £145.1m over the next four years. After assuming an increased level of council tax but before delivery of savings the budget gap over the same period reduced to £92.3m.</p> <p>We therefore considered there to be a significant risk that the Council may be unable to continue to adapt its financial planning, monitoring and management arrangements to ensure it is able to continue to deploy the resources available to it sustainably over the medium term.</p> <p>To gain assurance in relation to the risk we:</p> <ul style="list-style-type: none"> • Considered the 2018/19 outturn for the Council, both revenue and capital, and any associated impacts on the Council's medium term financial planning. • Reviewed the Council's MTFS and underpinning assumptions and arrangements to ensure they are both reasonable and fit for purpose. • Reviewed a sample of schemes included in the 2018/19 savings programme to gain assurance they are reasonable and supported by detailed plans. • Considered further development of commissioning, procurement and contract management arrangements to assess progress made following our detailed work to assess these areas in 2017/18. 	<p>Financial outturn for 2018/19 and associated impacts on the Council's medium term financial planning</p> <p>The Council delivered against its 2018/19 revenue budget overall, but with no headroom and net overspending across its services. There was an outturn overspend of £5.4m against service budgets, including carry forward requests. A corporate contingency of £3.6m was set aside at the start of the year to fund pressures not provided for in the original budget and was fully utilised to offset the service overspending. The Council set a capital programme of £136m for 2018/19. Actual spending totalled £113.9m, with £71.3m on core services and £42.6m on income generating initiatives. There would have been a higher level of slippage against plan had the Council not spent more than planned on investment properties, taking advantage of opportunities to purchase two properties for income generation purposes during the year.</p> <p>The Council continues to deliver relatively well against its savings targets. 91% of the planned £18.7m savings targets for the year were achieved as originally envisaged, delivered by other means or mitigated within the service. There has also been a decrease in earmarked revenue reserves during the period in accordance with plans, but the Budget Management Reserve and General Fund balance remained unchanged from the previous year. There were a number of specific and unexpected cost pressures that arose during 2018/19 within Adult's Services, Children's Services, Home to School transport and delays in awarding the Highways Maintenance contract. These were all mitigated in the year, have been considered in the 2019/20 budget and will feed through to the Medium Term Financial Strategy (MTFS), but sustainable plans and changes to services are needed in Adult's and Children's services in particular.</p> <p>The Council's MTFS and underpinning assumptions and arrangements</p> <p>We are satisfied that work is being done to refine budgets and the MTFS to respond to cost pressures as they emerge, and recognise that effective financial planning remains difficult due to continuing uncertainties in the level and type of funding that will be made available to councils. The Council is also changing its processes to further involve members in taking often difficult service delivery choices and policy decisions necessary to close the budget gap. It is essential that such decisions continue to be taken to maintain the financial sustainability of the Council.</p> <p>Review of a sample of schemes included in the 2018/19 savings programme</p> <p>The Council delivered relatively well against its 2018/19 savings targets. This builds on the Council's good historic track record of delivery of savings. There is, however, a clear appreciation that the Council's ability to continue to make the continued savings necessary to maintain a reasonable level of reserves and financial resilience over the medium term will become more difficult given the level of recurrent cost reduction already secured.</p> <p>As part of our work we also reviewed two 2018/19 savings schemes in more detail; Housing related support and IPEH (Integration, Prevention and Earliest Help). In both cases we found the schemes to be reasonably supported.</p>

Significant Risk (contd)	Conclusion (contd)
	<p>Progress made on commissioning, procurement and contract management arrangements</p> <p>As part of our work on the 2017/18 VFM conclusion, we considered the development of the Council's procurement function and contract management arrangements. The early stages had led to the development of a draft corporate procurement strategy and target operating model which provided the overall framework for completely revised arrangements. We concluded that although we were satisfied adequate arrangements were in place during the year the arrangements were a work in progress and that it was essential that momentum was maintained on the timely implementation of revised arrangements.</p> <p>Following a review of how arrangements have continued to develop in 2018/19, we are satisfied that adequate arrangements are in place and that progress continues to be made. The rate of progress is, however, slower than planned. This is partly due to difficulties in attracting suitable permanent staff to fill key vacancies in the new structure and also the work needed to establish a complete, centralised record of the contractual arrangements which the Council is party to. Given the importance of effective procurement and contract management to sound internal control and the potential contribution it can make to the financial challenges faced by the Council, there needs to be a continued drive to fully implement and embed the revised arrangements.</p>

Significant Risk	Conclusion
<p>Service inspection results</p> <p>Ofsted undertook an inspection of the Council's Children's Services during 2018/19, with their findings being announced in early May. The inspection took place over a three-week period in late February through to early March and looked at three areas - the impact of leaders on social work practice with children and families, the experiences and progress of children who need help and protection and the experiences and progress of children in care and care leavers. In all three areas inspectors found services to be inadequate and as a result the overall effectiveness was judged to be inadequate.</p> <p>Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) published the results of an inspection it undertook during 2018/19 in late-June. The service was rated as requiring improvement in two of the three areas reviewed, and inadequate in the third area. The report highlights a number of concerns, but in particular weaknesses in how the service protects the public through fire regulation and how the service supports its people.</p>	<p>The Council is taking action to address the issues raised by the Ofsted report. At the end of last year, it was aware that Children's Services were fragile and announced a £5m investment programme to make urgent improvements. The following actions have also been put into train following the report being issued:</p> <ul style="list-style-type: none"> • The Council has recruited a new Director of Children and Family Services. • An Improvement Plan is in the process of being developed. • A new improvement team is being set up to support the changes required to improve the quality of the service. • An independent children's Improvement Board with an independent Chair has been established. • The Department for Education has appointed a commissioner to work with the Council. Hampshire County Council Children's Services will support the Council as a partner in practice and the Hampshire County Council Chief Executive will act as lead commissioner for the service. <p>Despite this we have concluded that the issues highlighted by the review, noting that they pertain primarily to the lack of basic standards and quality assurance at a service level, are indicative of some weaknesses in organisational arrangements as follows:</p> <ul style="list-style-type: none"> • Weaknesses in the effectiveness of Children's Improvement Board which did not identify required improvements in practice within the service more quickly. • Performance information and monitoring did not fully flag the scale of the quality weaknesses in social work practice. • Risk management arrangements in the service did not identify and escalate the scale of the weaknesses more promptly. <p>We therefore determined that adequate arrangements were not in place to take informed decisions and propose to issue an except for qualification of the value for money conclusion.</p> <p>We concluded that the HMICFRS inspection of West Sussex Fire and Rescue Services suggested similar weaknesses in the Council's arrangements to take informed decisions, and that the Council's arrangements should have detected the weaknesses in the service more promptly.</p>



05 Other Reporting Issues



Other Reporting Issues

Whole of Government Accounts

We are required to perform the procedures specified by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes.

We completed this work and had no issues to report.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.



Other Reporting Issues (cont'd)

Objections Received

We did not receive any objections to the 2018/19 financial statements from members of the public. During the audit we received correspondence from members of the public which we considered and treated as information received.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our audit results report to the Regulation, Audit and Accounts Committee on 23 July 2019. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive audit approach and have therefore not tested the operation of controls in relation to either the main Council or Pension Fund

Our audit did not identify any significant deficiencies in internal control. We did, however, identify one control issue relating to the Pension Fund. Although, based on our work, some limited progress has been made during the year we concluded that membership data in the pension administration system, and disclosed at Note 1 to the Pension Fund financial statements, could be inaccurate. This finding is consistent with known weaknesses in the accuracy of membership data on the pensions administration system, and other prior year findings from Internal Audit reviews and our own work. The Fund is continuing to work to address this issue.



06 Data Analytics



Use of Data Analytics in the Audit

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- ▶ Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2018/19, our use of these analysers in the Council's audit included testing journal entries and payroll, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis

We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the payroll system and perform completeness analysis over the data, including reconciling the total amount to the General Ledger trial balance. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.



07

Focused on your future



Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2020/21 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2020/21 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2020/21 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, it is clear that the Council will need to undertake a detailed exercise to identify all its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>
IASB Conceptual Framework	<p>The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework) will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>This introduces;</p> <ul style="list-style-type: none"> - new definitions of assets, liabilities, income and expenses - updates for the inclusion of the recognition process and criteria and new provisions on derecognition - enhanced guidance on accounting measurement bases - enhanced objectives for financial reporting and the qualitative aspects of financial information. <p>The conceptual frameworks is not in itself an accounting standard and as such it cannot be used to override or disapply the requirements of any applicable accounting standards.</p> <p>However, an understanding of concepts and principles can be helpful to preparers of local authority financial statements when considering the treatment of transactions or events where standards do not provide specific guidance, or where a choice of accounting policies is available.</p>	<p>It is not anticipated that this change to the Code will have a material impact on Local Authority financial statements.</p> <p>However, authorities will need to undertake a review to determine whether current classifications and accounting remains valid under the revised definitions.</p>



08 Audit Fees

Audit Fees

Main Council

For the main Council our proposed fee for 2018/19 reported in our audit results report.

Description	Final Fee 2018/19 £	Planned Fee 2018/19 £	Scale Fee 2018/19 £	Final Fee 2017/18 £
Total Audit Fee – Code work	93,561**	90,561	90,561	118,591*
Total non-audit services	0	63,000***	0	0

All fees exclude VAT

* the 2017/18 final fee includes a scale fee variation of £979 for work undertaken the restatement of the CIES, EFA and related notes which constitutes a change in audit scope.

** the 2018/19 final proposed fee includes a scale fee variation of £3,000 for work undertaken the restatement of the CIES, EFA and related notes which constitutes a change in audit scope. This also includes a fee for the use of our PFI expert in order to gain assurance over the PFI model adjustments in 2018/19. This fee is to be agreed with officers, and subsequently Public Sector Audit Appointments Limited.

*** At the time of producing our audit plan there was potential EY would deliver 2018/19 non-audit work with the Council to develop a predictive data analytics capability to support Children's Services. The scope and proposed fee for this work had been accepted by Public Sector Audit Appointments Limited but the Council decided not pursue the work, hence no final fee was charged.

Pension Fund

For the Pension Fund our proposed fee for 2018/19 reported in our audit results report.

Description	Final Fee 2018/19 £	Planned Fee 2018/19 £	Scale Fee 2018/19 £	Final Fee 2017/18 £
Total Audit Fee – Code work	28,864***	25,864**	20,364	31,947*

All fees exclude VAT

* Includes an additional fee of £5,500 for IAS 19 assurance work on behalf of admitted bodies which has been approved by Public Sector Audit Appointments Limited (PSAA).

** Includes a proposed additional fee of £5,500 for IAS19 assurance work on behalf of admitted bodies. This remains subject to approval by PSAA.

*** Includes a proposed additional fee of £5,500 for IAS19 assurance work on behalf of admitted bodies. This remains subject to approval by PSAA. We are also proposing to charge an additional fee of £3,000 for work required to gain assurance over the transfer of pension membership and payroll data to the Fund's new Civica UPM system. This additional fee also remains subject to approval by PSAA

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ED None

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Regulation, Audit and Accounts Committee

4 November 2019

Internal Audit Progress Report – September 2019

Report by Head of Southern Internal Audit Partnership

Executive Summary

The purpose of this paper is to provide the Regulation, Audit & Accounts Committee with an overview of internal audit activity against assurance work completed in accordance with the approved audit plan and to provide an overview of the status of 'live' reports.

Recommendation

The Committee notes the Internal Audit Progress report for the period to 30 September 2019 as attached.

1. Introduction

- 1.1 This report provides an overview of internal audit activity against assurance work completed in accordance with the approved audit plan and to provide an overview of the outstanding recommendations.

2. Background

Under the Accounts and Audit (England) Regulations 2015, the Council is responsible for:

- ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of functions and includes arrangements for the management of risk; and
 - undertaking an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.
- 2.1 In accordance with proper internal audit practices (Public Sector Internal Audit Standards), the Chief Internal Auditor is required to provide a written status report to the Regulation, Audit & Accounts Committee, summarising:
- The status of 'live' internal audit reports (outstanding recommendations);
 - an update on progress against the annual audit plan;
 - a summary of internal audit performance, planning and resourcing issues; and
 - a summary of significant issues that impact on the Chief Internal Auditor's annual opinion

- 2.2 Appendix A summarises the activities of internal audit for the period up to 30 September 2019. The approved audit plan includes a provision for reactive and pro-active fraud work. Appendix B provides the 2019-20 Fraud Plan for information.

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 management actions 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 management actions 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, 033 022 23672

Appendices

Appendix A - Annual Internal Audit Progress Report – September 2019

Appendix B – Internal Audit Fraud Plan 2019-20

Background Papers

None

Internal Audit Progress Report

September 2019

West Sussex County Council



Southern Internal Audit Partnership

Assurance through excellence
and innovation

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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 organisations’ 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 County 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 County Council that these arrangements are in place and operating effectively.

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

2. Purpose of report

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

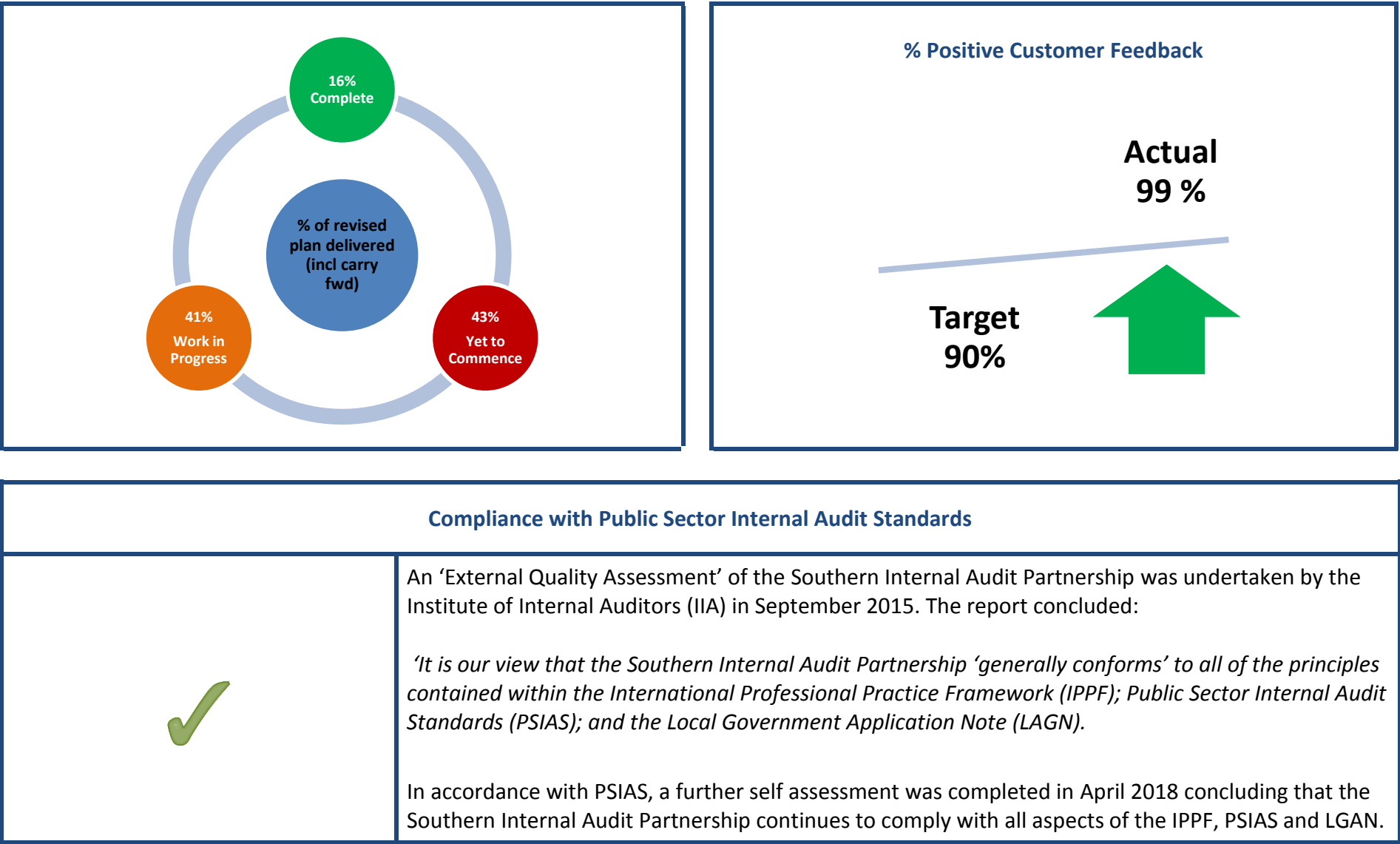
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised 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.
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.

**Assurance opinions are those used by the SIAP. Some reports listed within this progress report (pre 2018-19 audit plan) refer to categorisations used prior to SIAP engagement, reference is provided at Annexe 2*

3. Performance dashboard



4. Analysis of 'Live' audit reviews

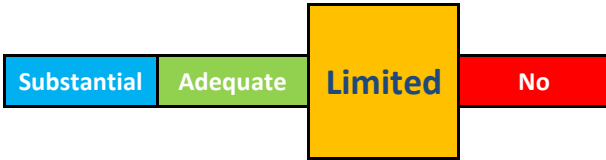
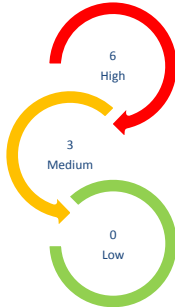
Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions						
				Total Rec's Reported	Not Accepted	Not Yet Due	Complete	Overdue		
								Priority		
								L	M	H
Fleet Management	June 2018	CFO	Satisfactory	9			6	1	2	
Payroll and Employment Administration	July 2018	HR&OC	Satisfactory	8			7		1	
Health & Safety	Oct 2018	HR&OC	Limited	4			1		2	1
Deprivation of Liberty Safeguards	Sep 2018	DAS	No	11			10			1
Coast to Capital LEP	Jan 2019	FP&P	Adequate	5					5	
Financial Adult Safeguarding Team	Jan 2019	DAS	Limited	6			5		1	
Governance Compliance	Feb 2019	Corp	Limited	3		1	1		1	
Section 106 / Community Infrastructure Levy / Commuted sums	Mar 2019	DH&T	Adequate	8			7	1		
IT Capita Contract Management	Mar 2019	FP&P	Adequate	3			2			1
Home to School Transport	Mar 2019	DH&T	Limited	4		1	3			
Concessionary Fares	Apr 2019	DH&T	Adequate	6		6				
Pupil Premium	May 2019	DE&S	Adequate	6		1	5			
Special Guardianship Orders	May 2019	DC&FS	Limited	24		2	14		6	2
E-Income	June 2019	FP&P	Adequate	1		1				
Proactive fraud review - Recruitment	July 2019	HR&OC	Adequate	24		3	20			1
Payroll and Employment Administration	July 2019	HR&OC	Adequate	10		1	6	2	1	
MSS	July 2019	Corp	Adequate	1				1		
IR35	Aug 2019	HR&OC	Limited	9		9				
Software Licencing	Aug 2019	FP&P	Adequate	2		2				
Capacity Planning and Monitoring	Aug 2019	FP&P	Adequate	3		1	2			
Access Control	Aug 2019	FP&P	Adequate	5		4				1

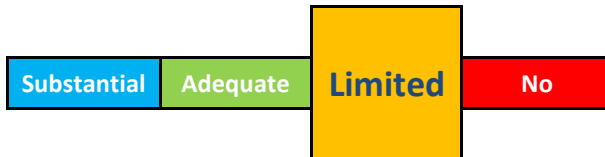
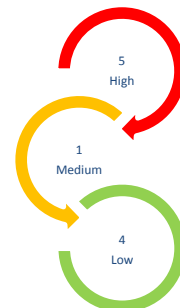
Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions						
				Total Rec's Reported	Not Accepted	Not Yet Due	Complete	Overdue		
								Priority		
								L	M	H
School Thematic – Website Content	Aug 2019	DE&S	Adequate	6		6				
Retained Firefighters	Sept 2019	CFO	Adequate	12		10	2			
Cyber Security	Sept 2019	FP&P	Adequate	3		1	1			1
Residential Care Payments	Sept 2019	DAS	Limited	10		1	9			
Total				183		50	101	5	19	8

Audit Sponsor					
Chief Executive			Executive Director People Services		
CFO	Chief Fire Officer		DC&FS	Director of Children and Family Services	
HR&OC	Director of Human Resource and Organisational Change		DE&S	Director of Education and Skills	
PH	Director of Public Health		DAS	Director of Adults’ Services	
Executive Director Place Services			Executive Director Resource Services		
DH&T	Director of Highways and Transport		L&A	Director of Law and Assurance	
DE&PP	Director of Environment and Public Protection		FP&P	Director of Finance, Performance and Procurement	
DC	Director of Communities		P&A	Director of Property and Assets	

*Directorate responsibilities changed July 19

5. Executive Summaries of reports published concluding a 'Limited' or 'No' assurance opinion

IR35 (NB included within the 2018/19 Annual Opinion)		
Directorate Sponsor: Director of Human Resources & Organisational Development Final Report Issued: 27 th August 2019	Assurance opinion: 	Management Actions: 
Summary of key observations: <p>IR35 legislation (Off-payroll working through an intermediary) applies if a worker provides their services through an intermediary but would be classed as an employee if they were contracted directly. IR35 is intended to ensure that workers providing services through an intermediary pay broadly the same tax and National Insurance contributions as direct employees. The Council is responsible for deciding on the workers employment status and paying over tax and NI contributions to HMRC where applicable.</p> <p>Guidance outline the processes to be followed by managers when they wish to engage a self-employed worker, consultant or office holder outside of pre-existing contractual arrangements which includes obtaining authorisations, preparing a business case and carrying out an Employment Status for Tax check (CEST). Once a contract has been accepted and a worker appointed, the vendor adoption process must be completed, supported with the CEST assessment, which identifies IR35 implications within SAP. A review of current interim engagements and new vendor adoption indicated that decisions in relation to the application of IR35 were not always robust or supported by appropriate decision- making documentation.</p> <p>Existing vendors, where there is a potential IR35 implication, should be blocked in SAP to prevent re-engagement without further checks being completed and the CEST status of these vendors should be flagged in the SRM supplier list. A review of suppliers listed in the SRM supplier list showed that a significant number are not blocked in SAP or flagged correctly in the SRM list which would allow them to be re-engaged without further CEST checks being completed.</p> <p>A review of invoices received from individuals/intermediaries appearing to be in scope of IR35 showed they are not paid net of tax and National Insurance.</p>		
Management Response / Update: <ul style="list-style-type: none"> The management actions to address the issues identified have been agreed and are not yet due. 		

Residential Care Payments (NB included within the 2018/19 Annual Opinion)		
Directorate Sponsor: Director of Adult Services Final Report Issued: 26 th September 2019	Assurance opinion: 	Management Actions: 
Summary of key observations: Each service (residential care, nursing care, physical disabilities and learning disabilities) commission and procure residential care for clients, with the Council agreeing the payment to the provider through contracts. Financial assessments are undertaken to confirm client contributions, which are confirmed in writing to the client or their representatives. The payment to the provider and client contributions are recorded on the client's support plan. Where applicable, top up fees are paid direct to the provider and reclaimed from the client. Analysis across the Shaw Homes register of clients at Burleys Wood (Crawley), West Sussex Bed Booking System and Mosaic identified potential costs to the Council in the under utilisation of arrangements for blocked booked beds, with an estimated cost of £32k for the three-month period covered by the audit. There was no report available through Mosaic to readily identify provider overpayments although a report was available from SAP showing vendors with credit balances. At the time of the audit, unrecovered overpayments to residential homes totalled £363k dating back to 2008. Whilst regular payment cycles are in place for provider payments, half of rejected payments within a six-month period (caused by interface upload issues between Mosaic and SAP) had not been reviewed by the Service Finance Team to identify what action needed to be taken.		
Management Response / Update: <ul style="list-style-type: none"> • Actions have been taken to improve the availability and use of management information in order to reduce under utilisation. A provider portal is being developed that will include 'bed booking' which will replace current systems, help streamline process and improve utilisation. • Practices have been tightened within Service Finance to ensure that overpayments and rejected payments are monitored and dealt with appropriately within timescales. Overpayments have been cleared where possible and the amounts within SAP are now the legacy overpayments going back to 2008. • Of the 10 actions agreed eight have been completed and are now part of BAU processes where applicable. The introduction of a Residential Placement Pilot, focussing on quality and the optimisation of block contacts has been live in the North of the County since July. The Provider Portal is expected to be available from January 2020. 		

6. Planning & Resourcing

The internal audit plan for 2019-20 was approved by the County Council's Executive Leadership Team and the Regulation, Audit & Accounts Committee in March 2019.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the County Council. Progress against the plan is detailed within section 7.

7. Rolling Work Programme

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
<u>2018/19 opinion - carry forward work:</u>								
IR35	HR&OC	✓	✓	✓	May 19	Aug 19	Limited	18/19 Opinion
MSS (self Service Compliance)	Corporate	✓	✓	✓	June 19	Jul 19	Adequate	18/19 Opinion
Budgetary Control	FP&P	✓	✓	✓	May 19		<i>(Adequate)</i>	18/19 Opinion
Pension Fund Governance & Strategy	FP&P	✓	✓	✓	July 19	Aug 19	Substantial	18/19 Opinion
IT Asset management	FP&P	✓	✓	✓	July 19		<i>(Limited)</i>	18/19 Opinion
Software licencing	FP&P	✓	✓	✓	June 19	Aug 19	Adequate	18/19 Opinion
Capacity planning and monitoring	FP&P	✓	✓	✓	June 19	Aug 19	Adequate	18/19 Opinion
Cyber security	FP&P	✓	✓	✓	June 19	Sep 19	Adequate	18/19 Opinion.

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
Application review	FP&P	✓	✓	✓	Sept 19		<i>(Adequate)</i>	18/19 Opinion
Access control	FP&P	✓	✓	✓	June 19	Aug 19	Adequate	18/19 Opinion
External Placements	DAS DC&FS	✓	✓	✓	June 19		<i>(Limited)</i>	18/19 Opinion
School Thematic – 6 th Form Funding Assurance and Bursary Fund	DE&S	✓	✓	✓	June 19	Aug 19	Adequate	18/19 Opinion
Retained Firefighters	CFO	✓	✓	✓	May 19	Sept 19	Adequate	18/19 Opinion
Residential Care Payments	DAS	✓	✓	✓	May 19	Sept 19	Limited	18/19 Opinion
<u>2019/20 Plan:</u>								
Whole Council Design - Governance	Corporate	✓	✓	✓				
Whole Council Design - Support	Corporate							Q3-4
Financial Resilience	FP&P							Q3
SAP Replacement Project	FP&P							Q3-4
Contract Management								
• WSP Framework (Highways) Contract	FP&P							Q3
• Crawley Schools PFI								Q3

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
Contract Management	FP&P	✓	✓	✓				
Business Continuity (resilience) – Follow up	DE&PP	✓	✓	✓	May 19	May 19	N/A	Follow up report
Employment status	HR&OC	✓	✓	✓				
Information Governance FOI Process	DC							Q4
Information Governance – Document management and retention	DC	✓	✓					
Decision Making and Accountability	L&A	✓	✓	✓				
LGA Peer review	Corporate							Q4
Treasury Management	FP&P							Q3
Travel Management Hub	FP&P							Q4
Accounts Payable	FP&P							Q3
Allowances	HR&OC	✓	✓	✓				
Capital Programme and Monitoring	FP&P							Q3
Bank Reconciliations	FP&P	✓	✓	✓	Sept 19			
IT Strategy and Planning	FP&P							Q4
Change Management	FP&P	✓	✓	✓	Sept 19			

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
Data Storage and Data Backup	FP&P	✓	✓					
Disaster Recovery Planning	FP&P	✓	✓	✓				
Service resilience	FP&P							Q4
Problem & Incident Management	FP&P							Q3
Firewalls & Malware Protection	FP&P	✓	✓	✓	Sept 19			
Network Infrastructure Management & Monitoring	FP&P	✓						
Children's Safeguarding (assurance mapping)	DC&FS							Q3
SEND Special Educational Needs	DE&S							Q4
Traded services with schools	DE&S							Q4
Think Family	DC&FS	n/a	n/a	✓			n/a	Grant certification
Children Services Recruitment and Retention	DC&FS							Q4
Budgetary Management (Children's Services)	DC&FS							Q3
18 Teasel Close	DC&FS	✓	✓	✓	July 19			
School Thematic – GDPR compliance	DE&S	✓	✓	✓				

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
School Thematic – Website content	DE&S	✓	✓	✓	May 19	Aug 19	Adequate	
School Thematic – Special Schools	DE&S							On hold as service has resource from ESFA
St Andrew's Primary School	DE&S	✓	✓	✓	July 19			
Clapham & Patching	DE&S	✓	✓	✓	June 19	July 19	Adequate	
Virtual School Pupils Premium	DE&S							Q4
SFVS	DE&S	✓	✓	✓				Analysis complete Emails to schools September
HMIC inspection follow up 1	CFO	✓	✓	✓				
HMIC inspection follow up 2	CFO							Q4
FRS Savings plan – realisation	CFO							Q3
Fire Core Financial Systems	CFO							Q3
Safeguarding Adults	DAS							Q3
Deprivation of Liberty Safeguards – Follow Up	DAS							Q3
Budgetary Management (Adult Services)	DAS							Q3

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
Glebelands	DAS	✓	✓	✓	July 19			
Asset Protection (recoverable works)	DH&T	✓	✓					
Project to procure highway maintenance and improvement services	DH&T							Q4
Commuted Sums (post agreement) Maintenance of Assets	DH&T							Q3
Post project evaluation (re-letting of SSE contract)	DE&PP							Q4
Incentive Funding (Highways Asset Management)	DH&T	✓						
Intentionally Homeless	DC&FS	✓	✓	✓				
Civil Parking Arrangements	DH&T	✓	✓	✓	Aug 19			
Gigabit Project	DE&PP							Q3
Crowdfunding (SpaceHive) governance	Corporate	✓						
Grant Certification(s)	Corporate	n/a	n/a	✓			n/a	
Internal Investments	FP&P							Q4
Externally Managed investments (AAF/ SAS70 reports only) and pooling	FP&P	✓	✓	✓				

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
arrangements.								
Pensions Administration (post transfer review)	FP&P							Q3
Scheduled, Admitted and Employing bodies	FP&P							Q4
National Fraud Initiative - matches and enquiries	FP&P	n/a	n/a	✓			n/a	
Fraud Proactive - Prepayment cards for Direct payments	FP&P	✓						Q3
Fraud Proactive - Due diligence, care related payments	FP&P							Q3-4
Fraud Proactive - Purchasing cards	FP&P	✓	✓	✓	Sept 19			

8. Adjustment to the Internal Audit Plan

Audit reviews removed from the plan	
Customer Finance Process – End to end*	Adults Services are redesigning the business process from support brokerage to payment to providers. The re-design aims to be completed by December with implementation of changes by March 2020 therefore postpone audit review to 2020-21 once complete and embedded.
Alternative Delivery Models – Separate Entities*	No significant, active delivery models, such as trading companies, have been identified for review. Crowdfunding (SpaceHive) is being covered as a separate audit in the 2019-20 plan. The Council are looking into various options therefore follow-up in 2020-21.
Cloud*	A significant intended move over to cloud storage and hosting is planned although the move hasn't yet taken place therefore audit in 2020-21 to align to the project implementation timescales.

* Proposed change

Audit reviews added to the plan (included in Rolling work programme above)	

* Proposed change

Overdue 'High Priority' Management Actions

Observation	Management Action(s)	Due Date	Comments
Health & Safety			
<p><u>Communication of Authority's Expectations for monitoring health and safety risks.</u></p> <p>There were three areas where assurance could not be given that health and safety is being discussed and risks reported, monitored and managed as there were insufficient mechanisms in place, these were:</p> <ul style="list-style-type: none"> Adults Services Human Resource and Organisational Change Finance, Performance and Procurement <p>Not all Directors are currently utilising the Common Plan to record and monitor the predetermined 7 areas.</p> <p>It was identified that Children, Adults, Families, Health & Education did not have a mechanism in place for the Executive Director to get assurance from all of their Directors.</p> <p>Executive Directors are not currently required to provide assurance on health and safety at ELT and there is no regular reporting from the</p>	<p>It is proposed that a pro forma set of statistics is produced quarterly for the HSW Representatives Committee. This will be reported to the Governance Board and ELT as appropriate and will cover accidents, incidents and ill health. If agreed, there could be a quarterly standing item on the ELT agenda on Health and Safety to coincide with the production of these statistics and the Director of HR and OC could attend to discuss these and Health and Safety issues in general. The new HSW Governance Board chaired by the Director of HR and OC will also be reporting to ELT bi-annually and 2 of these meetings will coincide with the quarterly meetings.</p> <p>One of the interventions proposed in the Health, Safety and Wellbeing Interventions and Outcomes Strategy is to ensure legislative compliance. This is a wide ranging umbrella heading which will include updating the Health and Safety Policy. The new governance structure will be reflected in this update.</p> <p>Another proposal is to have a framework in place for managing directorate risks. This includes reactivating common plans which will be used to identify risks specific to directorates and plans put in place to address those risks.</p> <p>In the terms of reference for the new HSW Representatives Committee members are tasked with</p>	<p>Oct 2018 Oct 2019</p>	<p>Update received - 23/1/19 (Health & Safety Manager)</p> <p>Progress to be reviewed in October 19. The health and safety policy is being revised.</p> <p>The first governance board is to meet in February 2019.</p> <p>The common plans are in the process of being revised into a centralised risk profile register to ensure the tool for managers to utilise is fit for purpose.</p>

Observation	Management Action(s)	Due Date	Comments
<p>Director of Human Resource and Organisational Change on Health and Safety to ELT.</p> <p>The Acting Health and Safety Manager has revisited the Terms of Reference for the Governance Board and is looking at developing it into a higher level strategic board that will report into ELT. The Governance Board would also present the annual report on health and safety to ELT.</p> <p>In considering governance arrangements the Chief Executive should be consulted as to the means, format and regularity with which Health, Safety and Wellbeing is reported to ELT.</p>	<p>reviewing and monitoring action taken to meet Directorates' common plans and business unit special plan objectives. This will help to give assurance that there will be sufficient mechanisms in place to ensure health and safety risks are being monitored and managed in the 3 areas highlighted:</p> <ul style="list-style-type: none"> - Adults Services - Human Resources and Organisational Change - Finance, Performance and Procurement <p>This will address the recommendation that themes within the common plan are available to managers to assess health and safety risks are fit for purpose. It is also worthy to note here that the intervention to take account of the risk profile assessment will lead to the identification of areas of risk within directorates that are unable to provide assurance that they are managing their health and safety risks effectively. This will be reflected in a health and safety risk heat map that will link into the through and critical review of the service currently underway.</p>		

Observation	Management Action(s)	Due Date	Comments
Deprivation of Liberty Safeguards			
There is no DoLS strategy in place identifying the strategic direction for either the DoLS team or community DoLS. Other local authorities that report into their Safeguarding Adults Board (such as Cumbria, Teeside, Nottingham and Salford) all have multi agency DoLS policies in place. West Sussex County Council made the decision not to band Safeguarding and DoLS together; however there has been no revisiting of this decision since it was made to consider where DoLS is located and whether the governance is correct to ensure it is visible and prioritised within Adults Services. The law commission are currently looking at proposals to reform the Mental Capacity Act which DoLS forms part of. West Sussex should have an understanding of the proposed changes and be considering these changes to ensure they are working towards being in a position to implement any introduced as part of this reform.	Use governance structure to make general preparations for implementation of Liberty Protection Safeguards (LPS) Immediate measure: Action plan as part of 100 day plan backlog workstream which i.e. includes: Training of new and existing BIAs in preparation for legal changes, BIA and signatory rota being supported by teams, increase of knowledge in all teams about DoLS and mental capacity.	Mar 2019 Mar 2020	<p>Latest Update 25/09/19 Management of DoLS has moved to the Head of Safeguarding and team performance is reported to the Safeguarding Adults Board.</p> <p>All backlog cases were triaged into 3 priority tiers the backlog has reduced from 4,500 cases to 1,656 across all tiers. There is no backlog of priority 1 and 2 cases. The project to tackle the lower priority 3 cases started in August 2019.</p> <p>LPS now law from 16 May 19 with an expected implementation date early 2020 followed by a transition year.</p> <p>A further cohort of staff will be trained in November 19 in line with current training, pending the release of the new code of practice.</p>

Observation	Management Action(s)	Due Date	Comments
IT Capita Contract			
There is a difference between Capita and the WSCC IT Client with regard to how full resourcing is measured.	Review the performance management regime to assess how improvements can be made that more closely aligns desired outcomes with current strategic direction and reduces operational risk. NB: KPIs have not been reviewed for some time and it is likely that they no longer fully reflect the desired outcomes required of the Outsource provider and, therefore, while a focus on the KPIs as they currently exist results in some risk mitigation across the service, other areas of risk are not being fully addressed.	Mar 2019 Oct 2019	Latest Update 25/09/19 – In progress. Further work is underway as part of a joint WSCC/Capita review of contracted services. These will be presented at a WSCC/Capita workshop in August 2019 and next steps identified. New target date is October 2019.

Observation	Management Action(s)	Due Date	Comments
Special Guardianship Orders			
<u>Assessment Process</u> MOSAIC GUIDANCE FOR: VIABILITY ASSESSMENTS & REFERRALS FOR CONNECTED PERSONS ASSESSMENTS provides guidance to children's social workers for undertaking Viability Assessments on connected persons, gaining Regulation 24 approval (for temporary foster care) and referring for a full connected person's assessment. A table shows what is recorded in Mosaic for the adult being assessed and the child(ren). A review of information recorded in Mosaic showed that there is a lack of consistency and	Guidance to be re-written to detail correct processes to be followed. Team training to take place to ensure that all workers are clear about the Mosaic processes to be followed.	June 2019 July 2019 June 2019 July 2019	Latest Update 10/7/19 - In progress - links with above. Team training has been booked into a team meeting for mid-July.

Observation	Management Action(s)	Due Date	Comments
that guidance is not followed. Testing highlighted records in Mosaic to be incomplete or absent.			

Observation	Management Action(s)	Due Date	Comments
Proactive Fraud Review - Recruitment			
<u>Evidence of Right to Work</u> WSSC Guidance on Right to Work checks requires that 'a clear, coloured copy' is made of evidence used to support the status, and to 'sign & record the date the check was made on the copy', however, this requirement is not present in the underlying Home Office requirements. This disparity needs to be clarified and guidance amended to reflect the correct position.	Update right to work guidance to say 'a clear copy' is made of evidence	June 2019	Latest Update 11/9/19 - Started but not complete yet

Observation	Management Action(s)	Due Date	Comments
Access Control			
<p><u>Mosaic User Access Control</u></p> <p>When looking at the processes for recording and retaining evidence that relevant training had been completed prior to granting access to Mosaic a small number of issues were identified:</p> <ul style="list-style-type: none"> • During the transition from FWI to Mosaic the online system courses for FWI were deleted meaning that any electronic record of training was also deleted from individuals' records • A number of users started but did not complete training, however, had signed a declaration stating that all training had been completed. • Some staff had received amendments to their Mosaic access (from read-only access to virtual worker) however no steps were taken to ensure that these users had completed the training required relevant to an increased level of access • 45 users from the MASH team changed roles but retained Mosaic access at an inappropriate level. 	The Mosaic ACS will be reviewed to address shortfalls	<p>August 2019 October 2019</p>	<p>Latest Update 25/9/19</p> <p>In progress with a revised completion date of October 2019.</p>

Observation	Management Action(s)	Due Date	Comments
Cyber Security			
<p><u>The cyber security response plan is executed during or after a cyber security event</u></p> <p>We were provided with a copy of the Cyber incident Procedures v0.3 which was first created on 22/11/2017 by Patrick Bennett and was last updated 05/02/2019. The document provides a good overview of the processes to be carried out in the event of a cyber security incident as well as communications plans and post incident reviews, etc. Despite being written over a year ago the Cyber Incident Procedures document has not yet been signed off or approved.</p>	The observation is acknowledged and the procedure document will be formally signed.	<p>August 2019</p> <p>October 2019</p>	<p>Latest Update 25/9/19</p> <p>The Cyber Security Incidents Procedure has been further reviewed and updated through the joint West Sussex and Capita Cyber-Security Group. The procedure have been updated to account for changes in Service Desk delivery and to ensure that points of escalation reflect IT current arrangements. The procedures are operational and the formal documentation of these will be completed in October 2019.</p>

Annexe 2

West Sussex County Council Assurance Opinions (Pre 2018-19)

Substantial Assurance	There is a sound system of control designed to achieve the objectives. Compliance with the control process is considered to be of a high standard and few or no material errors or weaknesses were found.
Satisfactory Assurance	While there is a basically sound system, there are weaknesses, which put some of the objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited Assurance	Weaknesses in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
No Assurance	Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

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Fraud Plan

2019-20

West Sussex County Council



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

Contents:

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1. Forward

Leaders of public service organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management.

Published in October 2014, the CIPFA Code of Practice on Managing the Risk of Fraud & Corruption sets out the principles that define the governance and operational arrangements necessary for an effective counter fraud response.

It is these principles that underpin Internal Audit's approach to support the management of the risk of fraud and corruption within West Sussex County Council.



West Sussex County Council promotes a zero tolerance culture to fraud and corruption:

'West Sussex County Council is determined that the culture and tone of the organisation is one of honesty, openness and absolute opposition to fraud and corruption. The Council's expectation on propriety and accountability is that members and staff at all levels will observe the highest standards in ensuring adherence to legal requirements, rules, procedures and practices.' (WSCC - Anti Fraud & Corruption Strategy)

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 Fraud Response Plan; Whistleblowing Policy and Anti Bribery Policy). This document provides an extension to the Council's existing policies affording a framework of reactive and proactive initiatives to detect fraud and/ or demonstrate assurance that fraud has not taken place.

The Fraud Risk Plan complements the internal audit strategy and annual plan focusing resource against assessed fraud risks in addition to new and emerging threats.

2. The Changing Face of Fraud

The changing context in which local government services are delivered, the increasing risk of fraud by motivated offenders, reduced local authority resources and associated changes to existing local control frameworks together create a pressing need for a new approach to tackling fraud perpetrated against local government. The principles of the required approach are outlined in (fig 1).

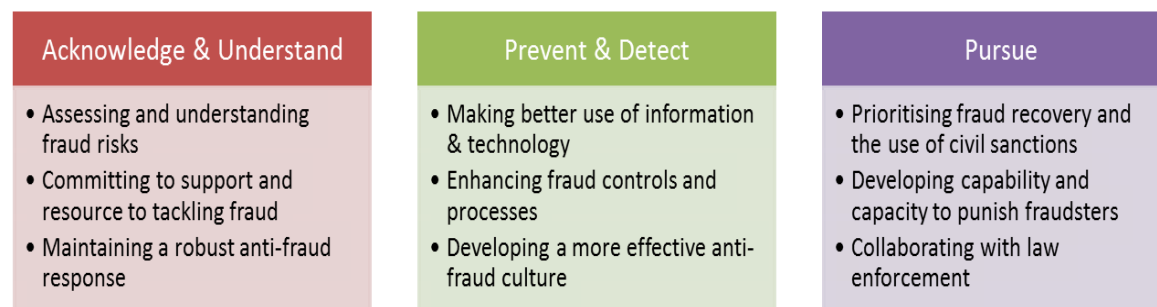
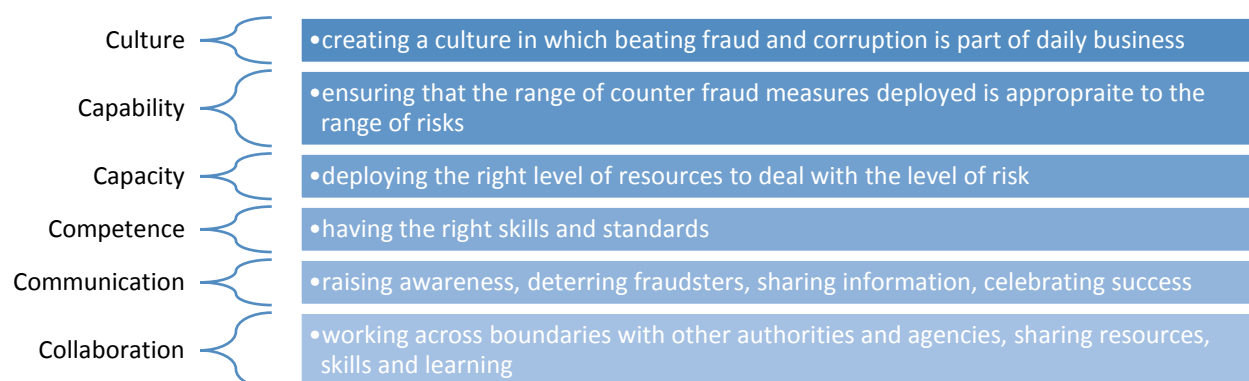


fig 1 (Fighting Fraud & Corruption Locally – The local government counter fraud & corruption strategy)

These principles are underpinned by demonstrable regard to:



3. Reactive Fraud Activity

Internal Audit will work seamlessly with management in the effective review and investigation of any reported incidents of fraud and irregularity. All such reviews will be co-ordinated by professionally accredited (CIPFA, CCIP) staff, in accordance with the Council's Anti Fraud & Corruption Strategy and Fraud Response Plan.

By its nature such reactive fraud and irregularity work is unpredictable with regard its level and duration. Recent history has demonstrated, in relative terms, limited levels of required activity in respect of reactive fraud work in West Sussex County Council, however, a contingent level of capacity for such eventualities is considered prudent.

4. 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.

Such proactive measures have been designed alongside the themes outlined within the 'Six Cs' (culture, capability, capacity, competence, communication and collaboration) and are mapped within Appendix 1.

Internal Audit's understanding of West Sussex County Council's service activities coupled with research from national surveys / publications and benchmarking with other local authorities' fraud risks have highlighted a list of areas for consideration as part of our proactive fraud activities for 2019-20 (Annexe 2).

It is also recognised that 2019 is a National Fraud Initiative match release year (following data uploads to the Cabinet Office in October 2018), and as such the Southern Internal Audit Partnership will be facilitating the investigation into any positive matches on the WSCC data as well as dealing with information requests received from other local authorities during the process of their investigations into positive matches. Match reports were released at the end of January 2019.

5. Fraud Action Plan 2019-20

Many of the aspects contributing to an effective approach to fraud risk management are implicit within the Southern Internal Audit Partnership's established processes to which West Sussex County Council are a part. This is demonstrated through our dedicated and qualified fraud team, the tools to which they have access and participation in national and local collaboration groups. Building on this intelligence from such collaboration and discussion with Senior Management the following action plan of proactive fraud activity is proposed for 2019-20.

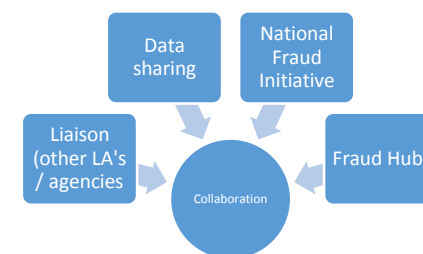
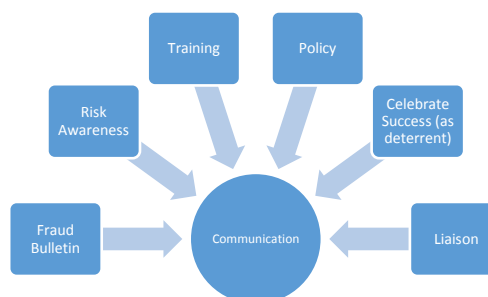
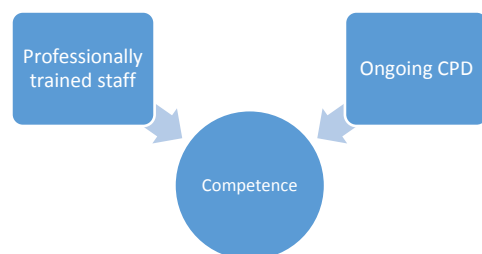
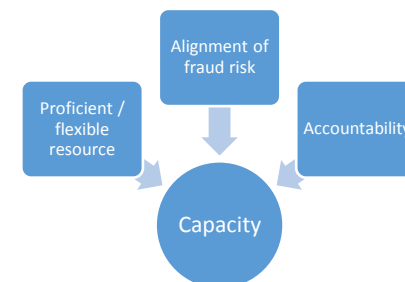
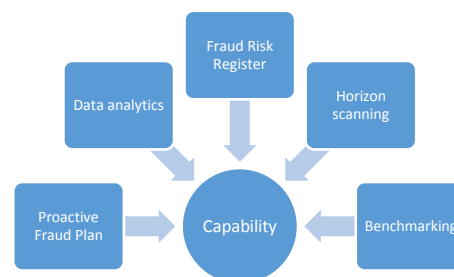
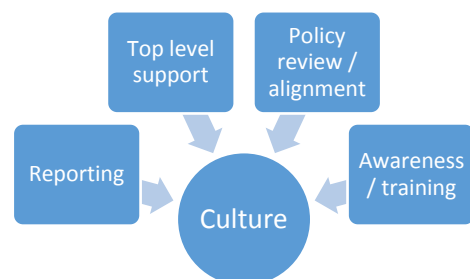
Activity	Scope	Responsible Officer	Due Date	Expected Outcome
CIPFA Fraud Survey	Completion of the annual CIPFA fraud survey	Iona Bond Fraud Manager, Nick Barrett, Senior Auditor	Q1	Access to the results of the national survey which provides useful benchmarking information and information into fraud trends which is used to inform the proactive fraud plan.
National Fraud Initiative	To facilitate the review and investigation into positive matches received following the NFI data uploads in October 2018.	Iona Bond Fraud Manager, Nick Barrett, Senior Auditor	Q1- Q3	Identify and notify departments accordingly to ensure appropriate recovery action is instigated.
National fraud initiative – Companies House Matches	To facilitate the review and investigation into positive matches received following the NFI data uploads in October 2018. This work will also include a review of the control processes around declarations of interests.	Iona Bond Fraud Manager, Nick Barrett, Senior Auditor	Q1	Organisational assurance of the control environment in place to counter fraud risk.

Activity	Scope	Responsible Officer	Due Date	Expected Outcome
National fraud initiative – Home Office Matches	To facilitate the review and investigation into positive matches received following the NFI data uploads in October 2018. This work will also include a review of the control processes around right to work checks.	Iona Bond Fraud Manager, Nick Barrett, Senior Auditor	Q1	Organisational assurance of the control environment in place to counter fraud risk.
Training & Awareness	Develop an effective fraud awareness training programme for Members and Officers.	Nick Barrett, Senior Auditor	Ongoing	To develop and roll out an E-Learning training model corporately and delivery of bespoke training for Members and officers. Additionally, assess and deliver focused areas of officer training (PCards) as may be requested.
Prepayment cards	Appropriate counter fraud measures are in place to identify and challenge false/inappropriate expenditure.	Iona Bond Fraud Manager, Nick Barrett, Senior Auditor	Q3	Organisational assurance of the control environment in place to counter fraud risk.
Purchasing cards	Appropriate counter fraud measures are in place to identify and challenge false/inappropriate expenditure.	Iona Bond Fraud Manager, Nick Barrett, Senior Auditor	Q2	Organisational assurance of the control environment in place to counter fraud risk.
Care payments to third parties	Appropriate counter fraud measures are in place to prevent and detect misuse of monies administered on behalf of clients by third parties.	Iona Bond Fraud Manager, Nick Barrett, Senior Auditor	Q3-4	Organisational assurance of the control environment in place to counter fraud risk.

Activity	Scope	Responsible Officer	Due Date	Expected Outcome
Policy & Procedures	To review adequacy and compliance with disciplinary and investigation policies and process.	Iona Bond Fraud Manager, Nick Barrett, Senior Auditor	Q4	Assurance that effective and compliant policies and procedures are in place and operating across the organisation.
Annual Report on Fraud & Irregularity	To produce an end of year report to those charged with governance covering all reactive and proactive fraud initiatives.	Neil Pitman Head of Southern Internal Audit Partnership	Q4	To present a report to ELT/CLT and Regulation, Audit & Accounts Committee outlining progress against the 'Fraud Action Plan 2019-20' relaying outcomes, assurance, investigations, sanctions, savings etc. as appropriate.

Six C's – Matrix

Annexe 1



Annexe 2

Key Fraud Risks relevant to WSCC – National Survey

(Fighting Fraud & Corruption Locally 2016-19 / CIPFA, Fraud & Corruption Tracker 2017 / Mazars, Horizon Scanning – Challenges & Opportunities – Dec 2018)

Fraud Risk Area	Overview
Personal Budgets	Overstatement of needs (false declaration), multiple claims, third party abuse or posthumous
No recourse to public funds	False declaration and ineligibility to public funds
Schools	Susceptible to a wide range of fraud (internal, procurement, recruitment, pay etc.) which can be perpetuated through their relative autonomy
Procurement Fraud	Vulnerabilities through price fixing, bid rigging, double invoicing. To include PCards
Blue Badge Fraud	Use of counterfeit / altered badges, use when disable person not in the vehicle, use of deceased persons badge, badges issued but misused by institutions
Internal Fraud	Allowance / expense claims, misuse of time / resources, conflicts of interest, inappropriate acceptance of gifts & hospitality, manipulation of key systems i.e. payroll, pre-employment fraud, abuse of position etc.
Insurance Fraud	Fictitious claims, including slips and trips
Concessionary Travel	Including Freedom Passes
Cyber and e-enabled fraud	Payment authorisation requests / BACS transfer requests from unsolicited sources, ransom mail etc.
Mandate Fraud	Manipulation of vendor bank details (internal or external)

Regulation, Audit and Accounts Committee

4 November 2019

Annual Governance Statement 2018/19 – Actions Update

Report by Director of Law and Assurance

Executive Summary

This report presents an update against actions put in place to address issues raised in the Annual Governance Statement 2018-19.

Recommendation

The Committee is asked to note progress against actions arising from the Annual Governance Statement 2018-19.

1. Introduction

- 1.1 The Annual Governance Statement which, pursuant to the Accounts and Audit (England) Regulations 2015, was approved by the Regulation, Audit & Accounts Committee in July 2019, raised a number of areas of focus for the Council over the forthcoming year. This report presents progress against actions in place to address issues raised.

2. Background

- 2.1 The County Council is required pursuant to the Accounts and Audit (England) Regulations 2015 to produce a broad based Annual Governance Statement.
- 2.2 The Annual Governance Statement is an important and integral part of the County Council's Corporate Governance regime, providing a review of the effectiveness of the County Council's internal control systems and gives assurances about how effectively they operate.
- 2.3 The Annual Governance Statement 2018-19 highlighted a number of governance issues (Appendix A) for action over the forthcoming year.
- 2.4 The Council have been proactive in addressing the issues raised in the Annual Governance Statement 2018-19. Actions in place to address the issues highlighted and subsequent progress are detailed in the appendix.

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 Annual Governance Statement. As key initiatives within the AGS feature of the Strategic Risk Register each are monitored and assessed through the council's risk management processes.

Tony Kershaw

Director of Law and Assurance

Contact: Charles Gauntlett, Senior Advisor, 033 022 22524

Appendices

Appendix A– Status of 2018-19 Annual Governance Statement - Action Plan

Background Papers

None

2018-19 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)	Update October 2019
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	Standards Committee approved actions 22.07.19. New policy drafted after internal consultation. Plans in place to promote and raise awareness during October.
To review and act on effectiveness of Data Protection processes	CR7	Director of Law and Assurance	To analyse data on policy and systems effectiveness and address risks or areas of weakness	Areas of risk assessed against breach data July-Sept 2019. Staff handbook to guide and instruct settled for promotion to all staff.
Review of effectiveness of system for recording officer interests	CR7	Director of Law and Assurance	To take action to ensure compliance in recording and publication	Further messages to all Directors and Executive Directors Sept 19 to set deadline for returned with a view to publication of records.
To plan review of anti-fraud corruption and bribery policies	CR7	Director of Law and Assurance	Work with internal audit to ensure up to date policies	Contact made with Internal Audit for timetable for action in light of other commitments and priorities.
To clarify areas of overlap or conflict within the scheme of delegation	LA7	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	Addressed as priority for Directorates subject to recent directorate change – FRS, Children’s, Adults. Review remainder once above settled.

2018-19 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)	Update October 2019
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.	Member day on revenue budget a success. Plans for capital programme member day prepared. Arrangements in place for Select Committee preview of specific savings decisions prior to further public cabinet November 2019.
To promote greater openness in executive decisions and Forward Plan	CR61	Director of Law and Assurance	Refresh of Forward Plan and corporate awareness	Forward Plan format reviewed for ease of use as a summary to plan member awareness and engagement (internal use only). Advice to Directors to identify FP entries as early as possible – subject to change.
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.	Member Task and Finish Group has met as planned and has undertaken planned consultation. Report under preparation for consideration by Cabinet Member for Communities November 2019.
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.	Awaiting IT support to ensure alignment with new IT systems rolled out to members.

2018-19 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)	Update October 2019
Digitisation of customer and resident engagement		Director of Communities	Implement plans from Transformation project	<p>The project has identified a number of high volume customer journeys which would improve the customer experience and reduce cost if they were digitalised.</p> <p>To help deliver digital customer journeys the council agreed to invest in digital foundations which will enable and support transformation.</p> <p>September we procured a new eform platform 'Firmstep' and we have delivered 2 eforms supporting our customers when they contact the council or raised as safeguarding concern.</p> <p>Further work is in flight and planned.</p>
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	<p>The Joint Health and Wellbeing Strategy was launched 25.04.19. A wide range of stakeholders attended and were asked to identify on which goals the Health and Wellbeing Board should focus for the first year and why.</p> <p>The following proposed goals were identified for Year 1:</p>

2018-19 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)	Update October 2019
				<p>Starting Well:</p> <ul style="list-style-type: none"> Children, young people and families have good emotional wellbeing and mental health. <p>Living and Working Well:</p> <ul style="list-style-type: none"> People are able to look after their own health including the importance of workplace health. Individuals, Families, Friends and Communities are connected. (This was considered key as it sets a critical foundation underneath each goal.) <p>Ageing Well:</p> <ul style="list-style-type: none"> Older adults stay healthier, happier and independent for longer including the development of a strong brand promoting 'ageing well in West Sussex' and bringing together the range of prevention initiatives. <p>Health and Wellbeing Board Theme Champions working to develop and progress implementation of prioritised goals for Year 1, reporting progress to Health and Wellbeing Board in April 2020.</p>

2018-19 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)	Update October 2019
Promote greater partnership working (Children's and Adults Services)		Director of Children's Services	<p>Corporate Parenting Panel and Improvement Board commitments and as set by the Improvement Plan</p> <p>NB These are areas within the scope of the review by the Commissioner appointed by the Dept. for Education (DfE) following the May 2019 Ofsted report, and subject to its recommendations; the Commissioner's report is due at the end of October 2019.</p>	<ul style="list-style-type: none"> Corporate Parenting Panel – revised Constitution agreed at County Council, 5 April 2019, strengthening role and broadening membership - including children and carers; corporate parenting role of all members being promoted; Strengthening linkages with Health & Wellbeing Board and Safeguarding Children Partnership (LSCP); Multi-agency Improvement Board overseeing Practice Improvement Plan and mobilising partnership; New Domestic Abuse Partnership Board and Multi-Agency Risk Assessment Conference steering group set up; <p>Improvement Plan includes provisions to work more closely with partners on topics such as: Neglect, Private Fostering, Corporate Parenting issues, Health Assessments, Care Leavers' needs, especially accommodation;</p>
Consultation Q&A system effectiveness review		Head of Communications and Engagement	Review to be undertaken in 2019	To be undertaken later in the year.

2018-19 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)	Update October 2019
Compliance for consistent and appropriate key decision-making.	CR7	Director of Law and Assurance	Refresh of systems and dissemination to Corporate Leadership Team	Refer to Forward Plan action above and to work on schemes of onward delegation above (Principle A)
To refresh the use and application of the Equality Policy		Director of Law and Assurance	Review guidance and systems to ensure compliance and consistency	Further guidance to be provided to Directors. Guidance to Democratic Services to support application of policy to published decisions and work of Select Committees. Plans to align with actions from Internal Audit report on Equality Impact assessment effectiveness
Principle C – Sustainability				
Review of West Sussex Plan targets and measures 2017-22		Chief Executive		Action subject to review in light of changes to corporate priorities – to be carried out by acting Chief Executive with Corporate Leadership Team (Directors)
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	The Procurement & Contract Management team have developed a more enhanced approach to Social Value, including a new Framework that deepens consideration and application of Social Value throughout the Procurement lifecycle. Development of our new Framework is aligned to the National TOMS Framework, including its measures

2018-19 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)	Update October 2019
				and objectives and we have created a detailed set of KPIs that can be used across the three themes of Social Value - Social, Economic and Environmental. Our Procurement process includes 6 stages of activity throughout the Procurement lifecycle and Social Value is incorporated at each stage.
To refresh the Sustainability Policy		Director of Environment Energy and Waste	Prepare and implement revised policy	The WSCC Sustainability Strategy and accompanying Action Plan finishes in 2019. We are researching the scope for a replacement plan, which is likely to have a focus on the natural environment and climate change. West Sussex County Council has a <u>clear commitment</u> to sustainability and reducing our carbon footprint. We've already committed to try to be carbon neutral by 2030, we have existing commitments in our West Sussex Plan, such as air quality, electric vehicles and adapting to climate change. With a stronger understanding of the social, health and economic benefits of a high quality natural and healthy environment, our replacement plan will help us to continue this work.

2018-19 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)	Update October 2019
Greater focus on reviews of directorate business plans		All Directors		Action subject to review in light of changes to corporate priorities – to be carried out by acting Chief Executive with Corporate Leadership Team (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.	Member TFG established and due to report to Governance Committee November 19. Member day 04.09 to inform work. External support and advice secured – including scrutiny health check and particular focus on Children’s Services Select and FRS (Environment Communities and Fire Select)
Principle D – Optimising Interventions				
To review governance of executive officer boards		Director of Law and Assurance	Carry out and implement review and ensure transparency	Advice on Officer Boards chaired by Chief Executive provided. Work ongoing to provide transparency and consistency.
To ensure effectiveness of capital programme governance		Executive Director Place Services	Carry out and implement review and ensure transparency	In-house P3M3 review of Programme and Project maturity undertaken. Key findings related to weakness in senior-level ownership of the process and a lack of consistency in implementation. Action Plan to introduce Portfolio Management understanding and practices, enhanced

2018-19 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)	Update October 2019
				Programme and Project maturity and more efficient and transparent governance drafted for consideration of new Director Assets and Property and Capital and Assets Board.
Verification of data input into the performance Dashboard		Head of Performance	Carry out and implement review and ensure transparency	Quality review now happens at Executive Director Leadership Team meetings for all West Sussex Plan target data submissions. Further data quality and data audit activity is being overseen by the Improvement Boards for Adult Social Care, Children First and Fire & Rescue Service.
To ensure governance, resources and systems are available to support the improvement plan for Children's Services as required.	CR61	Director of Children's Services	Oversee review as part of improvement plan NB These are areas within the scope of the review by the Commissioner appointed by the Dept. for Education (DfE) following the May 2019 Ofsted report, and subject to its recommendations; the Commissioner's report is due at the end of October 2019.	<ul style="list-style-type: none"> ▪ Setting up a Children First Programme Board, with an independent chair to oversee the Improvement Plan; ▪ the appointment of senior improvement leads and a team to support improvement programme; ▪ Creation of Children First Improvement Board to oversee operational response; ▪ Improving rigour of scrutiny by Select Committee; ▪ Strengthening the role and membership of the Corporate Parenting Panel; ▪ Strengthening corporate parenting role of all WSCC members; ▪ Children's voice to be integrated into all

2018-19 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)	Update October 2019
				activities; <ul style="list-style-type: none"> ▪ Improvement Plan submitted to and agreed by Ofsted; ▪ New practice standards being developed for partnership; ▪ Creating an Investment Plan to resource the activities above appropriately; Work in progress on creating Children First Strategy to give a new focus on the entirety of work with children, young people and families (adopt December 2019)
To ensure governance, resources and systems are available to support the improvement plan for Fire and Rescue Services as required.	CR60	Chief Fire Officer	Oversee review as part of improvement plan	HMICFRS Resource plan now in implementation phase and HMIC Improvement Board continuing monthly now chaired by the CFO. FRS Programme Office now responsible for the programmatic approach to support the delivery outcomes
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	A leadership diagnostic exercise was carried out in July; and a further programme to support the Executive Team and Corporate Leadership Team; as well as the Fire and Rescue Services (linked to the WSFRS improvement plan)

2018-19 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)	Update October 2019
To ensure recruitment and retention processes support capacity challenges in social care staffing	CR11	Executive Director of People Services	Carry out and implement review	<p>A financial support for recruitment and retention scheme for 'hard to fill' Children's Social Workers was launched in May 2019. The scheme links to the Council's revised Policy 'Financial Support for Recruitment and Retention- Policy and Provisions'; and has been successful in helping to significantly reduce the 'vacancy gap' i.e. the number of posts that not filled by a permanent employee who is at work (as opposed to away due to career break or other sustained absence) or being covered by an agency worker) to less than 2% from 18% in February 2018 – it is now the lowest it has ever been. By September 2019 90% of eligible staff had signed up for scheme.</p> <p>The development of an accurate establishment list and record of employees and/or agency workers has been a critical part of this work and this level of detail is now being sought and planned within adults' services. Adults services has an approved resource plan to tackle its immediate challenges and a restructure of the service is planned. At this stage there</p>

2018-19 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)	Update October 2019
				are no plans for a recruitment and retention scheme within Adults Services', though the need will be kept under review.
To review capacity in relation to risk management tasks in Fire and Rescue		Chief Fire Officer	Carry out and implement review	Post review determines a dedicated SLT member remains as responsible officer for the oversight of FRS Risk management tasks. To be reviewed again upon completion of FC20 project and HMI improvements
Principle F – Risk and Performance Management				
To complete a review of the Council's Health and Safety governance and assurance	CR50	Director of HR&OC	Carry out and implement review	A H&S Annual report for 2018/19 is at final draft stage ready for submission to the Chief Executive. A thorough review of H&S risks and service delivery models is underway; with intervention in-year being taken urgently with regards Schools Audits following assessment of risks.
To ensure Resilience and Emergency arrangements are sound		Chief Fire Officer	Carry out and implement review	RET remain a direct line report to CFO, providing direct oversight and performance leadership. Current arrangements to be reviewed to ensure continued arrangements are sound during the FRS Structure review.

Regulation, Audit and Accounts Committee

4 November 2019

Quarterly Review of the Corporate Risk Register

Report by Director of Finance and Support Services

Executive Summary

This Committee has responsibility for oversight of the Council's risk management arrangements.

One risk relating to in-year projected overspend has been added to the corporate risk register, and the risk likelihood of a no-deal Brexit and not realising the benefits of the transformation programme has increased.

Risk will continue to be considered and discussed as part of a performance review by ELT; with a report capturing risks with a severity above the tolerance threshold, submitted monthly to Cabinet (via ELT).

The Communications and Engagement Team received a half day project management training session in October, highlighting some fundamental tools and techniques to assist the team in managing and delivering their campaigns in support of corporate objectives.

The Risk Management in Practice course is now in the design phase, with the first delivery of the course aiming to be delivered early-2020.

Recommendation

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

1. Introduction

- 1.1 The Committee has responsibility 'to monitor the effective development and operation of risk management in the County Council'. That role, together with a description of the Council's approach to risk management, is set out in the Constitution at Part 4 Section 4. It covers the allocation of responsibilities, including the quarterly review of risk management activity.

2. Background and Context

- 2.1 At the Jul 2019 meeting this committee reviewed the corporate risk register and risk management processes. The committee were informed of changes to the corporate register from the previous quarter and were asked to review the Risk Management Strategy. The committee were also made aware of the current status of risk training and education.

2.2 During the preceding quarter there have been the following changes to the corporate risk register.

- Corporate risk #22a – In-year projected overspend
 - New risk
 - Risk owner – Katharine Eberhart
- Corporate risk #1 – No deal Brexit
 - Likelihood increased from 4 to 5
- Corporate risk #59 – Benefits from transformation
 - Likelihood increased from 4 to 5

2.3 The following table summaries risks on the corporate risk register with a severity graded above the tolerance threshold are as follows:

Risk No	Risk	Score - Prev Qtr	Score
CR22	Financial sustainability	25	25
CR22a	In-year projected overspend	New	25
CR61	Death/serious injury of a child (Council failing in their duty)	25	25
CR62	WSCC lose operational control of Childrens Services	25	25
CR39a	Cyber-security	20	20
CR58	Failure of social care provisions	25	20
CR60	HMIC FRS Improvement Plan	20	20
CR63	Highways Procurement Litigation	20	20
CR1	No deal Brexit	16	20
CR59	Transformational pace and cultural change	16	20
CR11	Recruit and retain staff	16	16
CR36	Third party suppliers failure to ensure that contractors perform or operate safely, or to ensure compliance with contract terms and prices	16	16
CR50	Insufficient health & safety governance	16	16

2.4 The risks with a severity of 25 on directorate risk registers are as follows:

Risk	Directorate	Reason for Directorate Ownership
Reduction in Adult Services annual budget	Adult Social Care	Manageable within directorate. Monitored and reported to People Services DLT monthly.
Meal price increases above the national funding level.	Education and Skills	Transferred to individual schools to manage. Robust support and monitoring to be carried out.
NFF (Block DSG) implementation will result in an increased number of schools with financial difficulties	Education and Skills	Manageable within directorate. Risk exposure expected to decrease below threshold within reasonable timeframe.

2.5 Transformation and Capital Programme risks are reported through their respective programme boards. There is ELT representation on each of these boards ensuring that significant concerns to the successful delivery of the programmes and/or associated projects are discussed, communicated to ELT and reflected in the corporate risk register if required.

- 2.6 The directorate risk registers have been reviewed at least monthly by each Director and their management team, with support from the Corporate Risk Manager where required. The Corporate Risk Manager has continued to engage monthly with CLT members to discuss owned corporate risks, and quarterly to provide assurance on directorate risks and governance.
- 2.7 The risk management eLearning course is embedded in the induction module for new staff and annual refresher training. Risk management Lunch 'n' Learn sessions continue to receive positive feedback and has been extended to March 2020. The Corporate Risk Manager is currently designing the package of training for the 'Risk Management in Practice' course. Once completed, a pilot course will be conducted with the first delivery of the course aiming to be delivered early-2020 (depending on feedback/amendments).
- 2.8 The Corporate Risk Manager recognised a risk to successful campaign delivery due to resource difficulties, and planning and management inconsistencies. As a consequence, the Corporate Risk Manager delivered a half day project management training session to the Communications and Engagement Team in October. The aim of this was to highlight some fundamental tools and techniques to assist the team in managing and delivering their campaigns more effectively and efficiently.
- 2.9 The quality and currency of information contained in the corporate and directorate risk registers will continue to be reviewed and updated. The Corporate Risk Manager is continuing to challenge whether identified actions will sufficiently address the concerns, and within a suitable timeframe.
- 2.10 Enduring activities the Corporate Risk Manager is undertaking to ensure continuous improvement and alignment with best practice include:
 - Continue to attend the Sussex Resilience Forum Risk Group to maintain visibility on national risks that may impact WSCC and require inclusion on Corporate Risk Register
 - Attend the South East Risk Managers Group to share best practice of risk management in the public sector across various local authorities
 - Attend appropriate seminars held by professional bodies e.g. Alarm, CMI
 - Support projects and programmes to provide assurance and support on robust governance
 - Engage and support Executive Directors, Directors, service managers and their teams on capturing and communicating risk
 - Continue to engage with Transformation and Capital Programme Boards to ensure and support consistent organisational risk governance
 - Attendance at/facilitating various internal boards/meetings and working groups
- 2.11 The committee is asked to consider the Corporate Risk Register and future actions and provide comment as necessary.

3. Equality Impact Report

- 3.1 An Equality Impact Report is not required for this decision as it is a report dealing with internal and procedural matters only, although the Council's responsibilities in relation to the public sector equality duty will be one element of the approach to risk management.

4. Resource Implications and Value for Money

- 4.1 At this stage, there will be no additional resources required to facilitate the embedding of risk and future actions as current support within the organisation is sufficient. The Corporate Risk Manager is conducting risk workshops in existing management meetings, and delivering risk training sessions during lunch periods to mitigate resource and scheduling conflicts.

5. Risk Management Implications

- 5.1 The subject of the report is the CRR. It would be contrary to the interests of the Council not to ensure that its risk management processes and registers were not aligned to Risk Management Strategy.

6. Crime and Disorder Act Implications

- 6.1 None.

7. Human Rights Act Implications

- 7.1 None.

Katharine Eberhart

Director of Finance and Support Services

Contact: Katharine Eberhart, 033 022 22087

Appendices

Appendix A - Corporate Risk Register

Background Papers

None

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk			Risk Strategy	Target Risk			Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk			Next Risk Review Date
					Impact	Likelihood	Score		Impact	Likelihood	Score					Impact	Likelihood	Score	
CR1	The impact of a no deal Brexit may result in service delivery issues in Council services.	Lee Harris	1. Uncertainty on staff available to deliver council services i.e. care workers.	Nov-17	4	4	16	Treat	4	4	16	Brexit implications across all current corporate risks is being carried out. The Resilience and Emergency Team is engaged in planning across the South east.	Lee Harris	ongoing	Gather data to inform impact of negotiations; liaise with network to share information; work with businesses to show ongoing commitment. Background activity by directorates to collate and determine data that can be used for analysis once Brexit is fully understood. Risk to be re-assessed 6 monthly or in the event of significant Brexit statements.	4	5	20	Nov-19
			2. Uncertainty on local businesses.									Introduce Brexit Monitoring Group.	Nathan Elvery	Jul-19	BMG created and meets monthly to discuss and collate organisational Brexit concerns/thoughts. Completed				
			3. Impact of growth projections.																
			4. Supply chain uncertainty in contracts.																
			5. Potential demand on resilience teams.																
CR7	There is a culture of non-compliance and lack of standardisation in some systems and processes . Levels of familiarity with, and use of, corporate requirements for sound decisions and meeting legal obligations needs to improve.	Tony Kershaw	1. Invalid decisions.	Mar-17	4	4	16	Treat	3	2	6	Module on governance embedded in corporate training and the induction programme.	Head of Democratic Services	Mar-18	Completed.	4	3	12	Nov-19
			2. Fraud error.									Data on areas of non-compliance used to inform Directors to enforce compliance with standards.	Tony Kershaw	Ongoing	Included in Annual Governance				
			3. Poor VFM.									Guidance for specific procedures to be created.	Tony Kershaw	May-19	Completed Aug 19.				
			4. Complaints and claims.									Regular compliance monitoring and active corporate support when non-compliance happens to establish better practice.	Head of Democratic Services	Ongoing					
			5. Censure by audit inspection.									Audit plan focussing reviews on key corporate support systems to identify key areas in need of improvement.	Head of Audit	Ongoing	Discussed as part of Audit planning. Review of information generated. TK to engage audit to determine output				
CR11	Due to skills shortages in several disciplines and areas (internally and externally), the Council is unable to recruit suitable staff into vacant positions; and may encounter problems with retaining experienced existing staff .	Heather Daley	1. Over-reliance on interim and agency staff.	Mar-17	4	5	20	Treat	4	3	12	Identification of hard to fill posts and reasons.	Lindsey Hannant	Apr-19	Completed. May 19	4	4	16	Nov-19
			2. Lack of corporate memory.									Review the policy and provisions for recruiting and retaining hard to fill posts.	Lindsey Hannant		Reviewing resettlement policy; going to ELT July 18. Presented to ELT. Repayment terms in development. Completed				
			3. Inadequate pace/speed of delivery.									Simplifying processes for recruiting and engaging with potential applicants for hard to fill posts.	Lindsey Hannant	ongoing	Partially completed. Recruiter licences for Linked-in and Reed purchased and being used to source candidates/reach out to candidates directly. IT governance board agreed for go ahead to "Engage" module to be purchased for ATS system which will make it easier for candidates to apply from mobile phones.				
			4. Low staff morale and performance.									Application of policy and provisions for various hard to fill posts.	Jamie McGarry	Ongoing					
												Provision of clear financial support for recruitment and retention policy and provisions procedures.	Colin Chadwick	Oct-19					
												Longer term strategies for addressing recruitment issues e.g. apprenticeships.	Lindsey Hannant	Ongoing	Partially Completed. 3 year plans in place for apprenticeships. LGA consultancy engaged with; recommendations received. Continuing programme of marketing and awareness raising.				
CR22	The financial sustainability of council services is at risk due to uncertain funding from central government and/or failure to make the required decisions to ensure the budget is balanced. This has been compounded further with the recent Ofsted and HMIC FRS reports.	Katharine Eberhart	1. Insufficient government funding to deliver services.	Mar-17	4	4	16	Treat	4	3	12	Pursue additional savings options to help close the budget gap.	Katharine Eberhart	Ongoing		5	5	25	Nov-19
			2. Adverse effect on reserves/balanced budget.									Request additional funding from the relevant government departments to help deal with service improvement in Children's and Fire and Rescue.	Katharine Eberhart	Ongoing					
			3. Reputational impact through reduction of service quality									Monitor the use of additional funds made available to improve service delivery.	Katharine Eberhart	Ongoing					
			4. Increased liability of service delivery, transferred by external partners due to funding restrictions i.e. supporting homelessness									To continue to lobby government groups to influence funding decisions	Nathan Elvery	Ongoing					
			5. Additional unexpected service and cost pressures from savings decisions.																

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk			Risk Strategy	Target Risk			Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk			Next Risk Review Date
					Impact	Likelihood	Score		Impact	Likelihood	Score					Impact	Likelihood	Score	
CR22a	The in-year projected overspend position is likely to significantly reduce the Councils reserves.	Katharine Eberhart	1. Adverse effect on reserves/balanced budget.	Jul-19	5	5	25	Treat	4	3	12	Pursue additional savings options to help close the budget gap.	Katharine Eberhart	Ongoing		5	5	25	Oct-19
			2. Reputational impact through reduction of service quality									Request additional funding from the relevant government departments to help deal with service improvement in Children's and Fire and Rescue.	Katharine Eberhart	Ongoing					
			3. Additional unexpected service and cost pressures from not implementing savings decisions.																
CR36	The failure of the Council to define the required outcomes from commissioned activity and monitor contract effectiveness leads to contracts delivering poor value for money.	Katharine Eberhart	1. Failure to make planned improvements.	Mar-17	4	4	16	Treat	3	3	9	Creation of central contracting unit to quality control contracting activities and support contract management in directorates.	Matt Wiggington	Ongoing	Ongoing monitoring of Central Contract Unit.	4	4	16	Nov-19
			2. Off contract spend.									Monitoring and proactive management of procurement pipeline to ensure VFM.	Matt Wiggington	Ongoing					
			3. Poor value for money.									Continuous monitoring of financial stability of contractors/supply chain.	Katharine Eberhart	Ongoing	Robust governance in place. Closed May 19				
			4. Failure to monitor outcomes for residents.									Develop training programme for Contract Managers across the Council	Matt Wiggington	tbc					
			5. Commercial failure by contractor																
CR39a	The Council's systems are subject to a Cyber-Security attack leading to a loss of data or system failure	Katharine Eberhart	1. The Council suffers significant financial loss or cost.	Mar-17	4	5	20	Treat	4	4	16	Improve staff awareness of personal & business information security practices & identification of cyber-security issues. Continued actions due to evolving threats.	Roland Mezulis / Caroline Pegg	Ongoing	Role specific training to be delivered to children's services due to analysis of breach data received. Regular communications are being distributed to all members of staff. Requested to include as annual refresher (complete) . Request made for interim course to communicate essential/key information as soon as possible (Complete) . Password review completed. Phishing emails sent out and responses evaluated. Follow up exercise completed April '19 and new awareness campaign being developed.	4	5	20	Nov-19
			2. The Council's reputation is damaged.									Improve risk assessments of data stores, both local and cloud-based, during procurement and deployment. DPIA template created and used for all data protection activities.	Roland Mezulis / Caroline Pegg	Dec-18	As part of new data privacy impact assessments. Privacy Impact Policy currently being drafted (including guidance) Complete Jan 19				
			3. Resident's trust in the Council is undermined.									Conduct tests including penetration, DR and social engineering.	Roland Mezulis	Ongoing	Password review completed. Phishing emails sent out and responses evaluated. Follow up exercise completed April '19 and new awareness campaign being developed.				
			4. Partners will not share data or information with the Council.									Ensure that cyber-attack is identified early, that reporting & monitoring is effective, and recovery can be prompt.	Roland Mezulis	Ongoing	New Information Security Breach reporting system in place. Phishing emails sent out and responses evaluated. Follow up exercise completed April '19 and new awareness campaign being developed.				
			5. Punitive penalties are made on the Council.									Provide capacity & capability to align with National Cyber-Security centre recommendations.	Roland Mezulis	Ongoing	Maintain watching brief for updated guidance notes. WSCC has formally joined SE Warning Advice and Reporting Point (WARF)				
												Subscribe to early warning and intelligence sharing arrangements.	Roland Mezulis	Ongoing	WSCC has formally joined SE Warning Advice and Reporting Point (WARP). Complete March 19				
												Adopt ISO27001 (Information Security Management) aligned process & practices.	Roland Mezulis	Ongoing					
												Maintain IG Toolkit (NHS) & Public Service Network security accreditations.	Roland Mezulis	Ongoing	Joint submission to NHS Digital in the 2019 assessment by the Data Protection Team; to cover ensure IGTK incorporates Information Security, along with Information Governance. Renew PSN accreditation by Oct 19.				

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk			Risk Strategy	Target Risk			Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk			Next Risk Review Date
					Impact	Likelihood	Score		Impact	Likelihood	Score					Impact	Likelihood	Score	
CR39b	New data protection legislation now in force which imposes additional obligation on the council. The Council is a Data Controller and has obligations and responsibilities arising from that role. Council needs resources, skills, knowledge, systems and procedures to ensure obligations are met.	Tony Kershaw	1. Individuals or groups come to harm.	Mar-17	4	5	20	Treat	3	3	9	Improve staff awareness of personal & business information security practices.	Tony Kershaw	Sep-18	Completed.	4	3	12	Nov-19
			2. The Council's reputation is damaged.									Ensure that access to sensitive data and information is controlled.	Tony Kershaw	Ongoing					
			3. Resident's trust in the Council is undermined.									Ensure that data is appropriately mapped and classified.	Tony Kershaw	Sep-18	Completed.				
			4. Partners will not share data or information with the Council.									Develop & support effective information governance across the Council.	Tony Kershaw	Sep-18	Completed.				
			5. Punitive penalties are made on the Council.									Provide capacity & capability to align with GDPR requirements.	Tony Kershaw	Sep-18	Completed.				
												Adopt ISO27001 (Information Security Management) aligned process & practices.	Roland Mezulis	Jun-19					
												Maintain IG Toolkit (NHS) & Public Service Network security accreditations.	Roland Mezulis	Ongoing	Joint submission to NHS Digital in 2019 assessment by the Data Protection Team; to ensure IGTK incorporates Information Security, with Information Governance. Renew PSN accreditation by Oct 19.				
												Undertake Data Privacy Impact Assessments (DPIA) when systems or processes change.	Tony Kershaw	Ongoing	Processes settled. Most impact assessments completed.				
												Carry out actions resulting from completed or planned Data Privacy Impact Assessments (DPIA).	Tony Kershaw	Ongoing					
												Enable safe data sharing, including using appropriate data standards & appropriate anonymization techniques.	Roland Mezulis / Caroline Pegg	Ongoing	As part of GDPR reviews of existing arrangements.				
												Ensure the skills and knowledge is available to support Caldicott Guardian in ASC.	Caroline Pegg	Ongoing					
												Internal Audit to carry out an audit of the Data Protection Service.	Tony Kershaw / Internal Audit	May-19	Full audit not carried out by IA 2019. Instead a full review took place in May 2019 of progress against actions from the 2018 audit. Closed Sep 19				
												Actions to address basis for limited assurance re GDPR to be completed (by Dec 2019)	Roland Mezulis	Dec-19					
												Ensure mandatory training is undertaken and updated for annual refresher.	Tony Kershaw	Ongoing	Processes settled. Training content has been designed				
CR50	Insufficient health & safety governance and training across the organisation and in relation to outsourced providers or via traded services e.g. schools, coupled with a lack of accountability by directorate; may lead to a serious health & safety incident occurring and/or not being reported.	Heather Daley	1. People come to harm.	Mar-17	4	5	20	Treat	4	3	12	Revise the governance structure and terms of reference for H&S.	Amanda Rablin	Jul-18	Completed. HS&W framework in place. Rep committee and gov boards taking place 6 monthly.	4	4	16	Nov-19
			2. Complaints/claims/litigation.									Conduct a training needs analysis, produce gap analysis to understand requirements and produce suitable courses as a consequence.	Amanda Rablin/ Lindsey Hannant	Ongoing	Partially completed. Fire Warden training and H&S eLearning included in annual refresher training from 1 Feb 19. TNA produced with suite of courses required identified. Courses to be commissioned include bespoke modules for induction & asbestos awareness.				
			3. Increased costs.									Implementation of wellbeing interventions identified within People Strategy.	Colin Chadwick	Apr-20	Appraisal form redesigned to include wellbeing. Timewise diagnostic undertaken.				
			4. Censure by audit/inspection/intervention by statutory agencies.									Incorporate HS&W information into current performance dashboard.	Amanda Rablin/ Colin Chadwick	Ongoing	Dashboard to capture details on sickness, absence and H&S. H&S data currently collated relates to RIDDOR and NON-RIDDOR incidents.				
			5. Adverse publicity.									Invite peer review from other LGA to share best practice (critical friend).	Heather Daley	Oct-18	Completed. Review and report completed. WSCC CEO, Dir HROC and Kent CC to discuss report and review current service delivery model.				
			6. Reputation damage.									Review internal audit report and reporting mechanism.	Amanda Rablin	Ongoing	Review completed and outcomes identified. Outcomes feeding into training action/control. Draft IA report signed off by CEO. Final IA report to completed and issued by IA. The key issues requiring action had already been identified in the H&S interventions and outcomes strategy and action is being taken to address these as the strategy develops.				
			7. Adverse effect on morale.									Health and Wellbeing needs assessment	Amanda Rablin/ Kate Bailey	Ongoing	Procurement process in motion. Specification and related paperwork complete - awaiting confirmation from Legal, then going out to tender.				

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk			Risk Strategy	Target Risk			Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk			Next Risk Review Date
					Impact	Likelihood	Score		Impact	Likelihood	Score					Impact	Likelihood	Score	
CR57	Deprivation of Liberty Safeguards (DoLS) assessments must be triaged and processed within a specific timeframe, in line with legislation and statutory guidance. Should these timeframes not be adhered to, there is a risk that the Council could be challenged for depriving someone of their liberty without authorisation; which may result in compensation claims.	DASS	1. Customers may be being deprived of their liberty for reasons that are not in their best interests leaving the Council open to potential challenge.	May-18	5	5	25	Treat	3	3	9	Work with Audit to develop a clear action plan of key issues and mitigations to be introduced as a matter of urgency.	Dave Sargeant	Jul-18	Complete. 100 day project identified current position of Dols assessments that are outstanding and an action plan has been developed. Action plan embedded in the Service Improvement Plan. Comprehensive series of actions with time lines in place.	5	3	15	Nov-18
			2. Customers may need additional restrictions put in place to ensure their safety but these are not being processed in a timely way leaving the Council open to potential challenge.									Communicate to all SW Teams the imperative to resolve these issues with appropriately trained staff and the need to ensure that recording is undertaken effectively, supported with training materials where required.	Julie Phillips	Ongoing	Dashboard for community DoLS produced, including a DoLS toolkit. BIA training underway. All BIA staff undertake 12 assessment per year . Policy on staff expectations for training and work published. Job descriptions for future OT and social worker positions adjusted to reflect expectation around becoming a BIA and undertaking assessments. Current job profiles being reviewed and adjusted by HR.				
			3. The Councils performance in this area is reportable so could leave the Council open to reputational risk if the assessments aren't carried out in a timely manner.									Establish a DoLS working group to oversee the rectification of the issue with clearly defined targets, scope and authority.	Dave Sargeant	Jul-18	Complete. WG established and meeting regularly. Action and workforce plan completed. Managed service commissioned to manage back log of assessments. Various options including managed service was presented to DASS. Options of funding of 2M for clearing the backlog not agreed by members.				
			4. Social Care Ombudsman assigned to investigate and provide recommendations.									Report progress back via separate workstream of ASCIB Governance.	Paul McKay	Ongoing	Part of the 3 year Plan. Work is focussing on training of staff, contract amendments to existing staff contracts and policy on expectation when working in WSCC.				
												Develop and implement plan to manage backlog	Julie Phillips	ongoing	Closed. Due to not receiving the £2m additional funding, the backlog remains; however these assessments will be reviewed and triaged.				
CR58	If there were to be a failure of social care provisions there is a risk that both WSCC funded residents and self-funding residents are not being properly cared for; which may result in death or injury to individuals and significant reputational harm to the council.	DASS	1. People are not safe and the council are not able to assure itself of its statutory safeguarding duty.	Sep-18	5	5	25	Treat	3	3	9	Ensure the consistent implementation of provider failure protocol.	Paul McKay	Ongoing	Debrief and review to be undertaken post-incident. Protocol includes BAU activities i.e. recruitment and retention advice and support, QA activities.	5	4	20	Oct-19
			2. Potential that people will come to harm.									Ensure engagement with RET for support and assistance with control in the event of an incident	Paul McKay	Ongoing	To work with RET to confirm process is robust				
			3. People apply for CQC legal action against care homes which could lead to establishment closure at short notice.									Post incident, ensure a full debrief and lessons learned is carried out. Complete Apr 19.	Paul McKay	Apr-19	Existing process in place with RET.				
			4. Financial implication as result of punitive punishment.									Ensure a Business Continuity Plan is in place and effective. Complete Apr 19.	Paul McKay	Apr-19	To work with RET to confirm process is robust				
			5. Delayed Transfer of Care (DTOC)									Provider of Last Resort (POLR) - submission of business case to determine financial implications and benefits in providing this service.	Paul McKay	Apr-20	Business case submitted. If accepted, service to commence delivery from Apr 2020.				
			6. Non-compliance with Care Act.									Quality and contracting - ensure a system is in place for measuring the quality of provider. Complete Apr 19.	Paul McKay	Oct-19	To work with Commissioning & Quality Team				
			7. Public perception that the council are willing to accept poor standards of care. Low public confidence in social care.									Managing the Market - ensure a system is in place for commissioning appropriate providers to deliver the outcome required. Complete Apr 19.	Paul McKay	Oct-19	To work with Commissioning & Quality Team				
												Produce a plan to review customer feedback to identify provider failures at an early stage. Complete Apr 19.	Paul McKay	Oct-19	To work with Commissioning & Quality Team				
												Ensure staff are aware of and are confident in applying provider failure protocol, and ensure they are aware of and compliant with their roles and responsibilities. Complete Apr 19.	Paul McKay	Apr-19	To work with Commissioning & Quality Team				

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk			Risk Strategy	Target Risk			Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk			Next Risk Review Date
					Impact	Likelihood	Score		Impact	Likelihood	Score					Impact	Likelihood	Score	
CR59	Benefits from transformation are not realised within projected timescales because of delays in decision-making adversely impacting on in-year budget pressures.	Lee Harris	1. Financial pressures through non-delivery of savings.	Nov-17	4	4	16	Treat	3	3	9	Develop organisational benefits management and change management strategies.	Lee Harris	Ongoing	Both strategies have been agreed and reviewed bi-annually.	4	5	20	Nov-19
			2. Failure to improve customer services.									Profile anticipated benefits and develop dashboard for benefit tracking.	Lee Harris	Ongoing	19/20 in year benefits have been re-profiled to reflect that original benefits will no longer be achieved to protect delivery of the Children First programme. Initial benefit profiling has also been completed for 20/21 and 20/22. A benefit dashboard has been created and is being reported quarterly at the Transformation Board.				
			3. Inefficient and ineffective business processes.									Profile anticipated benefits and develop dashboard for benefit tracking.	Lee Harris		Key approvals and decisions are being built into project plans to ensure a clear understanding of the impact of delayed decisions on timescales, costs and benefit realisation.				
			4. Failure to deliver required cultural changes.									ELT to support and champion timely decision making process.	Lee Harris		ELT members have been appointed as SRO leads for each of the three WCD delivery themes to ensure senior level support, ownership and accountability.				
CR60	There is a risk of failing to deliver the HMIC FRS improvement plan , leading to an adverse affect on service delivery; which may result in failing any subsequent inspection.	Sabrina Cohen-Hatton	1. Reputational damage	Apr-19	5	4	20	Treat	5	2	10	Secure funding for additional recruitment.	Sabrina Cohen-Hatton	Jul-19	CR22 attempting to support funding concerns.	5	4	20	Oct-19
			2. Corporate Governance Inspection									Implementation and completion of the FRS Improvement Plan.	Sabrina Cohen-Hatton	ongoing					
			3. Legal implications of not delivering statutory services																
			4. Increased risk harm																
CR61	A 'serious incident' occurs resulting in the death or serious injury of a child where the Council is found to have failed in their duty to safeguard, prevent or protect the child from harm.	John Readman	1. The Council would have let children down and as a result our reputation and credibility would be significantly damaged.	Jun-19	5	5	25	Treat	5	2	10	Implementation and completion of the Children First Programme.	John Readman	Ongoing	Cabinet approved significant investment to improve Children's Services. Assistant Director Quality Assurance appointed. Deputy Director appointed.	5	5	25	Nov-19
			2. Subject to investigation and further legal action taken against the Council.																
			3. Immediate inspection and Government intervention.																
CR62	The Department for Education appointed Commissioner recommends that WSCC lose operational control of Children's Services ; having made his assessment over a 3 month period (report due 29 Sep 2019).	John Readman	1. Dramatically reduced influence over the running of children's services, whilst retaining accountability for the service.	Jun-19	5	5	25	Treat	5	1	5	Initiation of a Voluntary Improvement Board Complete June 19			Board focus on areas of greatest concern (i.e. key risks).	5	5	25	Oct-19
			2. Significant reputational damage.									Obtain additional investment to support and address the required improvements. Complete June 19			Investment secured.				
			3. Reduced confidence by residents in the Councils ability to run children's services.									Recruit into senior roles to ensure Council can provide leadership required.	John Readman	Oct-19	Interim DCS appointed. Senior Improvement Leads in place. New leadership team appointed and in place.				
			4. Financial control of the service may also be limited. We would continue to be responsible for funding, but not managing, the service.									Assess current CFS resource capacity to determine areas of reorganisation and/or recruitment to support the implementation of a programme of improvement.	John Readman	Oct-19	Children First Programme established which includes a workforce development project.				
			5. Significant resource impact due to re-focussing of efforts to support children's services.									Conduct CFS staff engagement sessions to communicate the current situation, service actions/plans, and address staff concerns.	John Readman	Oct-19	Staff engagement ongoing. Dedicated Communications & Engagement Officer seconded to Children First Programme to support internal and external communication.				
CR63	Highways Procurement Litigation. A claim against the authority for damages in relation to a failed procurement is being pursued. The Council has not succeeded in having the claim discontinued. The continuation of the litigation process may lead to the full or large payment being required in the event that the outcome of the litigation is unfavourable.	Tony Kershaw	1. Financial impact (varying degrees due to progress of matter and risk review).	Jun-19	5	4	20	Treat	0	0	0	Receive approval to appeal judgement.	Tony Kershaw	Oct-19	Application to Court of Appeal submitted	5	4	20	Nov-19
			2. Reputational impact to HTP service.									Proceed to manage litigation and consider options to resolve	Tony Kershaw	ongoing					
			3. Reputational impact due to public and Member perceptions.																

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Regulation, Audit and Accounts Committee

4 November 2019

Treasury Management Compliance Report – Second 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 second 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

- 2.1 Throughout the second 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.
- 2.2 Borrowing: At 30 September 2019 the Council's Public Works Loan Board (PWLB) long-term borrowing for capital purposes totalled £485.3m (no change from 30 June 2019). During the second quarter of 2019/20:
 - No new external borrowing for capital purposes was undertaken during the period.
 - No external debt rescheduling was undertaken during the period.

- Excluding money held on behalf of the Chichester Harbour Conservancy (and its associated charities) no short-term borrowing was undertaken for cash flow purposes. 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.

2.3 Investment: The average level of Council funds available for treasury investment during 2019/20 (to-date) was £284.5m. Actual levels of investments, including cash balances held in the Council's main Lloyds business bank accounts, amounted to £305.0m at 30 September 2019 (£289.2m as at 30 June 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).

2.4 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 September 2019 as compared with 30 June 2019, is detailed below:

Counterparty Type	Jun-19 £m	Jun-19 %	Sep-19 £m	Sep-19 %
Banks Unsecured	99.8	34.5	134.8	44.2
Short-Term Money Market Funds	90.3	31.2	46.2	15.1
Total Bank Unsecured	190.1	65.7	181.0	59.3
Bank Secured (greater than 1 year)	0.0	0.0	10.0	3.3
Non-Bank (less than 1 year)	25.0	8.6	30.0	9.8
Non-Bank (greater than 1 year)	10.0	3.5	20.0	6.6
Internal Investments	225.1	77.8	241.0	79.0
Externally Managed - Bond Funds (i)	24.5	8.5	24.6	8.1
Externally Managed - Multi Asset	15.5	5.4	15.4	5.0
Externally Managed - Property	24.1	8.3	24.0	7.9
TOTAL INVESTMENTS	289.2	100.0	305.0	100.0

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

2.5 During the second quarter of 2019/20 and in accordance with the Council's treasury management policies and objectives, the following new investments with durations ranging between one and three years were approved:

- (i) One year investments totalling £25m with two other UK local authorities (Doncaster Metropolitan Borough Council and Thurrock Council) at fixed rates of interest ranging between 0.88% and 0.95%.

(ii) £10m investment with Metropolitan Housing Trust (Met Thames Valley Housing Group) fixed at 1.40% for two years; the Council retaining the right to request repayment (payable after three months) if the Housing Association is downgraded below its current A- long-term credit rating.

(iii) £10m purchase of a three year Nationwide Building Society covered bond (bank secured); variable rate of investment return based on daily market rates (currently yielding 1.14%).

2.6 The full breakdown of the Council's investment portfolio at 30 September 2019 is shown in **Appendix A**.

2.7 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	Mar-19 £'m	Jun-19 £'m	Sep-19 £'m
AAA (i)	88.0	90.3	56.2
AA	0.0	0.0	0.0
AA- (ii)	47.7	75.0	100.0
A+	14.8	14.9	14.9
A	0.0	44.9	59.9
A-	15.0	0.0	10.0
Internally Managed	165.5	225.1	241.0
Externally Managed (AAA)	0.0	24.5	24.6
Externally Managed (Other)	39.3	39.6	39.4
TOTAL INVESTMENTS	204.8	289.2	305.0

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

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

2.8 Furthermore, the Director of Finance and Support Services confirms that during the second 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 **£45.0m** at 30 September 2019 (£30m Australia; and £15m 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 **£24.9m** at 30 September 2019.
- Up to a maximum of £115m may be invested in short-term Money Market Funds (excluding externally managed pooled funds): Actual **£46.2m** at 30 September 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 **£64.0m** total investment at 30 September 2019 (of which **£39.4m** 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 **£69.4m** at 30 September 2019.

3. Resource and Value for Money Implications

3.1 Covered in main body of report.

4. Risk Management Implications

4.1 Covered in main body of report.

5. Human Rights Act Implications

5.1 Not applicable.

6. Crime and Disorder Act Implications

6.1 Not applicable

Katharine Eberhart
Director of Finance and Support Services

Contacts:

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Appendices

Appendix A - Investment portfolio at 30 September 2019

Background Papers

None

Investment portfolio at 30 September 2019

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 September 2019, are set out below:

Total Investments for period = £305.0m

Table 1: UK Banks (Unsecured) – Total £89.8m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	Interest Rate	Amount
Goldman Sachs International Bank	A	£15m	6 Months	07/05/19	07/11/19	184	38	0.91%	£10.0m
Goldman Sachs International Bank	A	£15m	6 Months	06/06/19	06/12/19	183	67	0.92%	£5.0m
Handelsbanken Plc: 35-Day Notice Account	AA-	£15m	1 Year	n/a	n/a	n/a	n/a	0.69%	£15.0m
Lloyds Bank Plc: Business Account(s)	A+	£15m	1 Year	n/a	n/a	n/a	n/a	0.65%	£0.0m
Lloyds Bank Plc: 175-Day Notice Account)	A+	£15m	1 Year	n/a	n/a	n/a	n/a	1.13%	£14.9m
National Westminster Bank Plc	A	£15m	1 Year	01/04/19	01/10/19	183	1	0.94%	£5.0m
National Westminster Bank Plc	A	£15m	1 Year	01/04/19	02/01/20	276	94	1.01%	£5.0m
National Westminster Bank Plc	A	£15m	1 Year	01/04/19	31/03/20	365	183	1.07%	£5.0m
Nationwide Building Society	A	£15m (i)	6 Months	05/07/19	06/01/20	185	98	0.82%	£15.0m
Standard Chartered Bank	A	£15m	6 Months	12/04/19	14/10/19	185	14	0.95%	£14.9m

Table 2: UK Banks (Secured) – Total £10.0m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	Interest Rate	Amount
Nationwide Building Society (Covered Bond)	AAA	£10m (i)	10 Years	02/08/19	02/08/22	1,096	1,037	1.14%	£10.0m

(i) The total amount invested per financial institution (secured and unsecured deposits) cannot exceed £25m.

Table 3: Non-UK Banks (Unsecured) – Total £45.0m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	Interest Rate	Amount
Australia and New Zealand Bank (Australia)	AA-	£15m	1 Year	08/11/18	08/11/19	365	39	1.12%	£5.0m
Australia and New Zealand Bank (Australia)	AA-	£15m	1 Year	12/04/19	09/04/20	363	192	1.14%	£5.0m
Australia and New Zealand Bank (Australia)	AA-	£15m	1 Year	21/05/19	20/05/20	365	233	1.14%	£5.0m
Commonwealth Bank of Australia (Australia)	AA-	£15m	1 Year	12/04/19	13/01/20	276	105	0.95%	£5.0m
Commonwealth Bank of Australia (Australia)	AA-	£15m	1 Year	01/05/19	24/02/20	299	147	0.95%	£5.0m
Commonwealth Bank of Australia (Australia)	AA-	£15m	1 Year	12/04/19	09/04/20	363	192	0.98%	£5.0m
United Overseas Bank (Singapore)	AA-	£15m	1 Year	26/06/19	20/12/19	177	81	0.80%	£10.0m
United Overseas Bank (Singapore)	AA-	£15m	1 Year	02/08/19	04/11/19	94	35	0.72%	£5.0m

Table 4: Short-Term Money Market Funds – Total £46.2m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	Interest Rate	Amount
Aberdeen Standard Sterling Liquidity Fund	AAA	£25m	Note (ii)	n/a	n/a	n/a	n/a	0.73%	£25.0m
Blackrock Sterling Liquidity Fund	AAA	£25m	Note (ii)	n/a	n/a	n/a	n/a	0.68%	£21.2m

(ii) No defined maturity periods for short-term Money Market Funds; withdrawals based on cash flow liquidity requirements.

Table 5: UK Local Authorities – Total £40.0m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	Interest Rate	Amount
Cambridgeshire County Council	AA- (iii)	£25m	20 Years	11/04/19	09/04/20	364	192	0.98%	£5.0m
Doncaster Metropolitan Borough Council	AA- (iii)	£25m	20 Years	15/08/19	13/08/20	364	318	0.88%	£5.0m
Plymouth City Council	AA- (iii)	£25m	20 Years	09/04/18	09/04/20	731	192	1.40%	£10.0m
Thurrock Council	AA- (iii)	£25m	20 Years	03/07/19	02/07/20	365	276	0.95%	£10.0m
Thurrock Council	AA- (iii)	£25m	20 Years	05/08/19	04/08/20	365	309	0.92%	£10.0m

(iii) Assumed UK Local Authority credit rating if no actual rating exists (one notch lower than the UK sovereign rating).

Table 6: UK Housing Associations (RSLs) – Total £10.0m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	Interest Rate	Amount
Metropolitan Housing Trust (MTVH Group)	A-	£15m	5 Years	05/09/19	06/09/21	732	707	1.40%	£10.0m

Table 7: Pooled Funds (Externally Managed) – Total £64.0m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	Interest Rate	Amount
Federated Sterling Cash Plus Fund	AAA	£25m	Note (iv)	11/04/19	n/a	173	n/a	0.86%	£24.6m
Fidelity Multi-Asset Income Fund	n/a	£15m	Note (v)	11/12/18	n/a	294	n/a	4.87%	£8.0m
Investec Diversified Income Fund	n/a	£15m	Note (v)	05/12/18	n/a	300	n/a	4.57%	£7.4m
CCLA (Local Authorities' Property Fund)	n/a	£15m	Note (vi)	28/02/17	n/a	945	n/a	4.11%	£9.8m
Hermes Property Unit Trust (HPUT)	n/a	£15m	Note (vi)	28/08/18	n/a	399	n/a	2.89%	£9.5m
Lothbury Property Trust (LPT)	n/a	£15m	Note (vi)	03/09/18	n/a	393	n/a	2.98%	£4.7m

(iv) Up to one year investment horizon for externally managed ultra-short dated bond funds (enhanced cash).

(v) Three year investment horizon for externally managed multi-asset income funds.

(vi) Minimum five year investment horizon for externally managed property funds.

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