

Public Document Pack

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26 October 2018

Regulation, Audit and Accounts Committee

A meeting of the committee will be held at **10.30 am on Monday, 5 November 2018 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 - 14)

The Committee is asked to agree the minutes of the meeting held on 23 July 2018 (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. Quarterly Review of the Corporate Risk Register (Pages 15 - 28)

Report by the Director of Finance, Performance and Procurement.

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

5. External Audit

The Committee is asked to note the Annual Audit Letter; and the 2018/19 fee letters for the County Council and Pension Fund that have been received from the External Auditor EY.

(a) Annual Audit Letter (Pages 29 - 54)

(b) **West Sussex County Council - 2018-19 Fee Letter** (Pages 55 - 58)

(c) **West Sussex Pension Fund - 2018-19 Fee Letter** (Pages 59 - 62)

6. **Internal Audit Progress Report - October 2018** (Pages 63 - 84)

Report by the Head of Southern Internal Audit Partnership.

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

7. **Annual Governance Statement - Action Plan** (Pages 85 - 92)

Report by the Director of Finance, Performance and Procurement and Director of Law and Assurance

The Committee is asked to note progress against actions arising from the Annual Governance Statement 2017-18.

8. **Staff Induction** (Pages 93 - 98)

Report by Director of Human Resources & Organisational Change.

The Committee is asked to consider the recommendations in the report relating to the progress with staff inductions.

9. **Treasury Management Compliance Report - Second Quarter 2018/19**
(Pages 99 - 104)

Report by the Director of Finance, Performance and Procurement.

The Committee is asked to note the report.

10. **Date of Next Meeting**

The next meeting of the Committee will be held at 10.30 am on 23 January 2019 at County Hall, Chichester.

To all members of the Regulation, Audit and Accounts Committee

Regulation, Audit and Accounts Committee

23 July 2018 – 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, Mr Bradford, Mrs Dennis, Mr Fitzjohn and Mr Lea

Apologies were received from Mr Jupp

Also in attendance: Mr Hunt

Part I

1. Declarations of Interest

1.1 Mr Lea declared a personal interest as a Member of the Mid Sussex District Council Audit Committee. Mr Lea also declared a personal interest in relation to his professional role in IT.

1.2 Ms Eberhart (Director of Finance, Performance & Procurement) declared a personal interest as her daughter is employed at Ernst & Young (EY).

1.3 Mr Bradford declared a personal interest in relation to the Annual Audit Report 2017/18 agenda item as a family member has a Deprivation of Liberty Safeguards (DOLS) order.

2. Minutes of the last meeting of the Committee

2.1 Mr Lea gave an update on minute 203 and reported that the data had been submitted to the finance team for investigation. The finance team had looked through the data and the results were reassuring in that no duplication had been found.

2.2 Resolved – That the minutes of the meeting of the Committee held on 26 March 2018 be approved as a correct record and that they be signed by the Chairman.

3. Responses Received

3.1 The Committee noted the letters from the Cabinet Member for Environment and the Chairman of the Contract Management Scrutiny Task and Finish Group in response to the queries raised at the previous meeting (copies appended to the signed minutes).

3.2 The Committee made comments including those that follow.

- Asked how the processes outlined within the Cabinet Member for Environment's letter linked with the embedding of risk culture within the County Council. – *Mr Kershaw (Director of Law and Assurance) proposed this discussion should be held later on the agenda during the Quarterly Review of the Corporate Risk Register item.*

- Queried where issues were reported and when highlight reports had been completed; and why the Regulation, Audit and Accounts Committee (RAAC) had not been informed of the situation. – *Mr Kershaw explained that it would be unusual for the committee to see risk assessments of individual matters. RAAC has a broad, strategic role for risk management and should seek reassurance that risk management processes are in place. It was also highlighted that all members are able to ask officers to see any documentation.*
- Queried the process for Arun Construction's appointment. – *Mr Kershaw explained that this process was fully described within the Cabinet Member for Environment's decision that was made available to all members.*
- Queried the term '...verbally advised by the Cabinet Office' and if this was formal guidance. – *Mr Kershaw explained that the Cabinet Office had notified local authorities of the situation and asked them to look into their own positions. It had no other status or purpose.*

3.3 Resolved – That the letters are noted.

4. External Audit Report

4.1 The Committee considered the Audit Result Reports by the External Auditor EY (copies appended to the signed minutes).

4.2 Mrs Thompson (EY) began by thanking officers for their prompt work during the accounts audit. The audit had been smooth as a result of this and the accounts were in a good place.

4.3 The Committee agreed to focus on the West Sussex County Council Statement audit first.

4.3 Mrs Thompson outlined the key work that had taken place including the work required to reflect the change in portfolios which had led to a change in audit scope and so an additional fee had been included. There had also been a change in materiality levels which had led to an updated threshold for reporting misstatements of £1.3m.

4.4 It was explained that there was outstanding work related to the Whole of Government Accounts submission. The deadline for this was the end of August, but it was confirmed that this did not affect the audit.

4.5 There were no adjusted misstatements to highlight and it was proposed that an unqualified opinion would be given on the accounts.

4.6 Mr Mathers (EY) reported that a risk had been identified for management override. This had been investigated and no evidence of management override was found. A main focus of the audit had been on land and building valuation which had found a potentially material difference. Additional work was undertaken to investigate. This work showed that no changes were ultimately required.

4.7 Mr Mathers reported that all recommended adjustments arising from the audit had been made or, in the case of the PFI recommendations that had been reported later, would be made in the 2018/19 accounts.

4.8 Mr Mathers reported on value for money (VFM) risks and the two areas that had been identified; weakness in procurement and contract management, and financial resilience. Improved commissioning activity had been seen for Adult services, but there is still work to do. Childrens' Services represented a high cost pressure and work is still required. A holistic approach had been recommended to ensure good working with other parties. In terms of financial resilience, slippage within the capital programme had been identified which officers were addressing. There was appropriate monitoring of the Medium Term Financial Strategy. Overall EY were satisfied with arrangements and an unqualified VFM conclusion was proposed.

4.9 The Chairman thanked EY and officers for their hard work in preparing the accounts in time for the new deadline.

4.10 The Committee made comments including those that follow.

- Sought clarity on the difference in materiality on the Property, Plant and Equipment (PPE) revaluation issue. – *Mr Mathers explained that the £44m related to EY's estimate of the difference between the carrying value and the current value of PPE assets that are not subject to revaluation, which if the council had adopted to index the assets which had not been valued in the year, would have resulted in an increase of the carrying value of PPE. The internal valuation specialist within EY reported that the County Council's approach was reasonable.*
- Asked if the Committee could request that items were revalued outside of the five year cycle. – *Mr Mathers reported that it was the County Council's judgement over what was included in the valuation. It was thought that the County Council's approach was sensible as it covered a good sample and allowed for further investigation if required.*
- Questioned if certain asset types could be revalued at different times, and if the valuation included unrealised assets such as infrastructure. – *Mr Mathers explained that CIPFA stated what assets should be valued over a 5 year cycle with sufficient work performed to ensure no material misstatement in any one year. The County Council undertook an annual impairment review to look at specific assets. All PPE had been included. Short life assets such as vehicles were not included.*
- Queried why the Schools PFI had looked back to 2009/10. – *Mr Mathers explained that this was due to a review of the accounting changes which came in in 2009/10. Some residual differences had been identified in the 2016/17 audit but had not been amended as they were not material. These differences were highlighted this year by the EY specialist at a very late stage of the audit.*
- Requested an explanation on the difference in the capital budget from the outturn. – *Ms Eberhart explained that the difference was linked to a refresh of the capital programme and the identification of underspends and delays to projects. The Performance and Finance*

Select Committee (PFSC) had looked into this and were satisfied with the explanation. Mr Hunt clarified that the issues were linked to factors outside of the County Council's control. A good team were in place to work on this with assistance from a multi-disciplinary partner.

- *Queried if the process for commissioning was too complex and sought guidance on best practice. – Mrs Thompson explained that commissioning was a key action, and a challenge for all councils to comply with best practice. A review had been undertaken to give assurance on the Council's arrangements. More work was required and recognised by the County Council within the Annual Governance Statement.*
- *Sought clarity on the process for the Target Operating Model (TOM). – Ms Eberhart explained that PFSC had set up the Contracts Task and Finish Group which had looked into the TOM. The PFSC report outlined the details of the procurement cycle, and the new organisational structure was out for consultation. Ms Eberhart agreed to circulate slides on this.*

4.11 The Committee then considered the West Sussex Pension Fund statement.

4.12 Mrs Thompson introduced the report and explained that there were no areas of outstanding work. Mr Mathers reported that there were significant risks of management override that EY would seek assurance that the grounds for this were appropriately managed. There were no specific areas that required bringing to the Committee's attention.

4.13 The Committee made comments including those that follow.

- *Queried the project to reduce the differences in membership numbers. – Mr Hunt explained that the pension administration transfer was in train and would address this. Mrs Davies (Finance Manager – Pension Fund (Accounting & Reporting)) explained that officers were working with Capita and employers to resolve differences in active membership. An incorrect report had been received from Capita- HRMI and so the Pension Fund had to produce the correct report. Mr Mathers explained that this had been a new process to reconcile pensions paid at a member level.*
- *Concerns were raised on the transfer of erroneous data and reassurance was sought that this would be corrected. – Ms Eberhart stressed the importance of the transfer project and gave reassurance that officers were working with Capita and Hampshire County Council to ensure clean, reconciled data is uploaded onto the Hampshire County Council system. Work on the reconciliation would be completed and correct for the triennial valuation. The Committee agreed to write to the Pensions Panel Chairman to request reassurance on this process. Mrs Thompson confirmed that this was a focus for EY. Mr O'Brennan (Principal Pensions Accountant) explained that officers completed an annual reconciliation of the data to highlight and correct errors.*

4.13 Resolved – That the Committee notes the audit result reports from EY for West Sussex County Council and the West Sussex Pension Fund.

5. Financial Statements 2017/18

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

5.2 Mrs Chuter (Financial Reporting Manager) introduced the report and explained that the same process had been used for the West Sussex County Council statements and the West Sussex Pension Fund statements. Officers had adopted a staggered approach, with 2013/14 being the baseline when the accounts were signed on 30 June, in order to meet the new deadline for audit. EY had been on site for 5 weeks performing their audit.

5.3 The Committee made comments including those that follow.

- Queried the level of reserves and if these should be utilised to assist with meeting the budget demands. – *Ms Eberhart explained that the policy when setting the budget was to not rely on reserves for budget pressures. There were planned uses for the reserves. An aspirational aim is to increase reserves where possible.*
- Requested clarity on the work of PwC for the Transformation Programme. – *Ms Eberhart explained that PwC were supporting in two main areas. They had assisted EY with the look at commissioning services for adults and children. PwC had helped improve controls in this area and with the procurement and contract management redesign. Secondly, PwC were helping with organisational design and making better use of technology.*
- Questioned the reduction in net cash over two years and if this was an issue. – *Mr Mathers explained that this was not a deliberate strategy and that the figure referred to particularly liquid cash. Mrs Chuter added that this was not a particular issue and that it was better for the council to consider longer term investments where cash flow allowed.*
- Queried the lack of financial resilience listed as a key strategic risk. – *Ms Eberhart confirmed that this was a key risk for consideration.*
- Questioned the increase in Capital Programme financing from £1m in 2018/19 to £81m in 2022/23 and the importance of realising receipts; and asked if sensitivity analysis were considered. – *Ms Eberhart explained that the figures included assumptions on capital receipts for property schemes. Sensitivity analysis was used to monitor risk. PFSC has picked up this issue when looking at specific projects. Mr Hunt noted the concerns and proposed additional dialogue could be included within the Capital Programme.*
- Questioned what would happen if receipt assumptions were not realised within the capital programme. – *Mr Hunt reported that this would be discussed if it occurred.*

5.4 Mrs Chuter highlighted that within the Pension Fund statements the Partners Group actual valuation was £2.2m higher than the statement estimate.

5.5 The Committee asked if the risk schedule for the Pension Fund included consideration for the change in policy for the investment

strategy. – *Ms Eberhart explained that this would be included in next year's report as the policy was not implemented yet.*

5.6 Resolved – That the Committee approve the Statement of Accounts for 2017/18 for West Sussex County Council and the West Sussex Pension Fund for signing by the Chairman of the Committee.

6. Annual Governance Statement 2017/18

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

6.2 Mr Gauntlett (Senior Advisor) introduced the report and explained the draft Statement had been updated following comments received at the previous meeting. Discussions had taken place with EY which had influenced the statement.

6.3 The Committee made comments including those that follow.

- Queried the action for procurement. – *Ms Eberhart explained this reflected EY's comments regarding value for money. The action recognised the need for improvement for the approach to procurement. The action would include the work on the TOM.*
- Commented that it would be good to monitor performance against previous action plans.
- Sought clarity on how long records of decision and agendas are held. – *Mr Gauntlett explained that the website kept this information for six years and all hard copy records were kept in the Records Office. Mr Gauntlett agreed to look into the requirements of long term website storage.*
- Queried the issue relating to skills shortage. – *Mr Gauntlett explained that was an issue for areas of the authority that relied on contract staff. Mrs Daley, Director of Human Resources & Organisational Change, was looking into the workforce strategy to improve this.*

6.4 Mr Gauntlett reported that the first action plan would come to the November meeting.

6.5 Resolved – That the Committee approves the draft Annual Governance Statement for signature by the Leader of the County Council and the Chief Executive; and also agrees the draft action plan arising from the 2017/18 Statement.

7. Review of Financial Regulations and Financial Procedures

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

7.2 Mrs Chuter introduced the report and explained the proposal to review the Financial Regulations and Procedures every three years. As part of the streamlining project for the Council's Constitution, it is also

proposed to hold the Treasury Management Policy Statement and the Financial Procedures outside the constitution.

7.3 The Committee queried the limit for budget transfers and raised concerns that Directors could move multiple large sums just under the threshold. – *Mrs Chuter gave reassurance that all movements were monitored and that movements across portfolios required a two part sign off. Ms Eberhart agreed to raise this concern at the Total Performance Monitor Task and Finish Group.*

7.4 Resolved – That the Committee:

(1) Approves the revised Financial Regulations following endorsement by the Governance Committee on 25 June 2018.

(2) Endorses the proposal to hold the Treasury Management Policy Statement and the Financial Procedures outside of the Council's Constitution.

(3) Agrees with proposal to review the Financial Regulations and Financial Procedures in 2021.

8. Internal Audit - Annual Audit Report 2017/18

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

8.2 Mr Pitman, Head of Southern Internal Audit Partnership, introduced the report and informed the Committee that the Annual Internal Audit Opinion for 2017/18 was Satisfactory.

8.3 The Committee made comments including those that follow.

- Queried if DOLS were a key issue for other authorities. – *Mr Pitman explained that a recent change in legal requirements had brought this under the microscope for local authorities.*
- Asked if the one hundred day plan for Adult Social Care would address concerns. – *Mr Pitman commented that the plan would address some of the issues. Ms Eberhart reported that governance would be overseen by the Adult Improvement Board.*
- Sought clarity on the actions for business resilience. – *Ms Eberhart explained that it was important to understand the distinction between contingency and emergency plans. Business resilience focused on specific services and contingency plans needed proper rigor checking.*
- Questioned the testing for resilience with regard to power outages and virtual attacks to data. – *Mr Pitman explained that these tests were part of the IT audit plan. Ms Eberhart reported that a white hacker had conducted an attack on the County Council's system and reported that it was robust. The attack had taken two days to breach the firewall, compared to previous tests where it had only taken eight hours. The Committee queried if training was given to officers on phishing tactics. Mr Chisnall explained the mandatory training modules for staff on IT security.*

- Queried General Data Protection Regulation (GDPR) and if the County Council was fully compliant. – *Mr Pitman explained that local authorities had clear guidance for GDPR requirements. Full reassurance could only be given when a review was undertaken.*
- Queried the lack of opinions for the schools listed in the report. – *Mr Pitman explained that it was unusual to provide a specific audit opinion for each school. Mr Pitman agreed to share his comments on each school with the Committee.*
- Asked for progress on previous recommendations. – *Mr Pitman informed the Committee that a progress report would be included within the annual report.*
- Queried what would be required to receive a substantial assurance rating. – *Mr Pitman commented that in the current climate with a large and diverse authority, satisfactory is a good rating to receive.*

8.4 Resolved – That the Committee approves the annual audit report for the year ended 31 March 2018.

9. Internal Audit - Annual Fraud Report 2017/18

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

9.2 Mr Pitman introduced the report and informed the committee that the identified fraud was a typical spread compared to other authorities. It was felt that the increase in numbers for 2017/18 was linked to better detection. The number of cases was considered low given the size of the authority.

9.3 The Committee made comments including those that follow.

- Queried the work being done with schools. – *Mr Pitman explained that work was being done to understand the controls that schools had in place. Identified issues had been linked to hospitality gifts and IT controls. The Committee asked if this work looked into false addresses used for school catchment. Mr Pitman explained that this issue was looked at by school catchment works.*
- Sought clarity on the work on blue badges. – *Mr Pitman explained that this was an initiative being undertaken with Brighton and Hove City Council to detect fraudulent use of blue badges. The Committee queried the level of fraud detected for this. Mr Pitman reported that low levels had been found, but the work was important to deter a larger risk of fraud.*
- The Committee raised concerns on people challenging blue badge holders as not all disability was visible and reiterated the importance of bus passes for vulnerable residents. – *Mr Pitman explained that the report was looking at fraudulent use and would add detail to future reports to clarify this.*
- Asked if the whistle blowing process was adequate. – *Mr Pitman explained that the whistle blowing hotline was publicised to many areas to also encourage external calls. Work would continue on this initiative.*

9.4 Resolved – That the Committee notes the annual fraud report for the year ended 31 March 2018.

10. Quarterly Review of the Corporate Risk Register

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

10.2 The Chairman informed the Committee that Mrs Curry, Executive Director Children, Adults, Families, Health & Education, would be attending the next meeting to talk on Corporate Risk 55. The Committee requested that Mrs Curry also discuss Corporate Risk 56.

10.3 Mr Pake, Corporate Risk and Business Planning Manager, introduced the report and explained the new format for the Corporate Risk Register which included an action plan to help monitor responsibility.

10.4 The Committee made comments including those that follow.

- Queried the order of the risk register and if it could be sorted by priority order. – *Mr Pake explained that this was possible; however he felt it was important to consider risk proximity as well as the risk score.*
- The Committee requested clarity on the definition of risk proximity and if this should be recorded in the risk register. – *Mr Pake explained that risk proximity gave consideration to when the impact of a risk would occur. This was considered during the risk assessment stage and may influence the priority of a risk. A high scoring risk may not impact for some time, whereas a risk with a slightly lower score could occur sooner. Due to this it may be necessary to commit resources to mitigate the lower scoring risk first. Ms Eberhart gave reassurance that all risks were discussed individually regardless of score. Ms Eberhart resolved to look into this query and add clarity to future reports.*
- Noted the risks related to IT and sought clarity on the plans to improve IT and the costs involved. – *Ms Eberhart reported that this was being considered by the Cabinet Member for Highways and Infrastructure and that there was a detailed roadmap for the migration of IT. Mr Mezulis, Chief Information Officer, explained that the IT strategy included a cloud based approach that would help with the business change drive. The 'Evergreen' status of this approach would ensure all applications were kept up to date which would ensure compliance. Secure email accounts would be used by default. Mr Mezulis resolved to share an IT Strategy update with the Committee.*
- Queried the change for Members' IT. – *Mr Mezulis explained that the IT strategy included a major upgrade to the Microsoft suite that would be a migration in the autumn. Members would be included at an appropriate time to ensure a smooth transition. Options within the strategy included smartphone and tablet capability. Lifetime passwords were also being considered, which would require 14 characters.*
- Noted the previous discussion on contract risks and asked if future reports could include this information. – *Ms Eberhart resolved to*

add information to future reports that would highlight key risks. Mr Hunt added that the new arrangements would have PFSC looking at these risks.

- Commented that key contract discussions took place at the negotiation stage and that scrutiny may be ineffective if the contract was already in place. – *Ms Eberhart agreed that commissioning was a key area for consideration and that the TOM would be looking at this. Ms Eberhart agreed to circulate slides on the TOM to the Committee.*
- Raised concerns on the security risks for cloud services.
- Welcomed the new design which would help with risk monitoring.

10.5 Resolved – That the Committee notes the information detailed in the report, the current Corporate Risk Register and requests that future reports include highlight information on key contract risks.

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

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

11.2 Mrs Chuter introduced the report and informed the Committee that there had been no breaches for the quarter. A monetary exposure limit had been exceeded for one day.

11.3 Resolved – That the report be noted.

12. General Data Protection Regulations

12.1 Mr Mezulis gave a verbal update to the Committee on the progress with GDPR.

12.2 The recruitment exercise discussed at the previous meeting had now been completed and the team were in place and reporting to Mr Kershaw.

12.3 Communications had been sent internally and externally regarding issues such as subscriptions to services. It was reported that most users had re-subscribed.

12.4 There had been 44 breaches that were currently under a high focus to resolve. The enhanced reporting would improve the accuracy of held data.

12.5 Officers had expected a high level of demand for subject matter requests. Whilst Adult Services had experienced double the number of requests for the first month, the level of requests had tailed back and there was not expected to be a high demand going forwards.

12.6 Mr Mezulis reported to the Committee that he was confident of the capacity and processes required to comply with the new regulations.

12.7 The Committee made comments including those that follow.

- Sought clarity on the impact on Parish Councils. – *Mr Mezulis reported that the new team in place should be able to assist small parishes. It was recommended that Parish Councils also contact The Surrey and Sussex Associations of Local Councils (SSALC) for assistance.*
- Queried the breaches that had occurred. – *Mr Mezulis explained that there were no significant issues and nothing had been required to be reported to the Information Commissioner's Office. Most issues were linked to not adhering to policy or the misfiling of data.*

12.8 The Committee welcomed the update and progress with GDPR compliance.

13. Training Considerations

13.1 Mr Chisnall asked the Committee to consider any training requirements they had.

13.2 It was agreed that a training session to consider Northamptonshire County Council's financial situation and how to detect a deteriorating financial position of this type would be useful. – *Mr Chisnall resolved to look into this request.*

14. Date of Next Meeting

14.1 The Committee noted that its next scheduled meeting would be held at 10.30 am on 5 November 2018 at County Hall, Chichester.

The meeting ended at 2.30 pm

Chairman

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Regulation, Audit and Accounts Committee

5 November 2018

Quarterly Review of the Corporate Risk Register

Report by Director of Finance, Performance and Procurement

Executive Summary

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

A new risk regarding failure of social care provision has been added to the corporate risk register. In addition, the risk severity surrounding compliance with new data protection legislation has reduced due to the completion of planned mitigating actions. The partnership risk of operating essential services and interfaces has been de-escalated to the CAFHE directorates.

Risk will now be considered and discussed as part of a performance review by Executive Leadership Team (ELT). This report highlights the mitigating actions that have been completed, current and target risk exposure by severity, and their progress; and risk subjects for consideration.

The risk management eLearning course is progressing and a completion date of December 18 has been agreed. Risk management Lunch 'n' Learn sessions have been designed and will be delivered at four locations across the county, every quarter. These events will run for a year; however it is anticipated that they will remain on the risk management course programme as an introductory course once the foundation course has launched. Two bespoke risk workshops have been conducted this quarter; to a directorate management team and a complete directorate as part of their away day.

An amendment/addition was made to the County Council Risk Management Strategy to provide guidance on escalation and de-escalation of directorate risks.

Recommendations

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 July 2018 meeting this committee reviewed the corporate risk register and risk management processes. The Corporate Risk Manager presented the new format risk register which was recently introduced and is now being used throughout the Council. The committee were also informed of the developments regarding risk information management and 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.

- New Corporate risk #58 – Social care failure
- Corporate risk #34 – Operating essential services and interfaces with partners
 - De-escalated from corporate risk register to CAFHE directorate risk registers
- Corporate risk #12 – Demographic needs and demands for social care
 - De-escalated from corporate risk register to CAFHE directorate risk registers
- Corporate risk #9a – Organisational restructuring
 - De-escalated from corporate risk register to HR & OC directorate risk register
- Corporate risk #9b – Governance of internal partners and contractors
 - De-escalated from corporate risk register to HR & OC directorate risk register
- Corporate risk #9c – Governance of external partners and contractors
 - Removed from corporate risk register as CR36 captures concerns
- Corporate risk #39b – Non-compliance with new data protection legislation
 - Current score reduced from 16 to 12 (Likelihood reduced from 4 to 3)
- Corporate risk #55 – Adult safeguarding failure
 - Current score reduced from 20 to 15 (Likelihood reduced from 4 to 3)
- Corporate risk #53 – Asset management
 - Risk ownership changed from Director of Economy, Planning and Place to Director of Energy, Waste and Environment

2.3 Since the last committee meeting the corporate risk register has been reviewed once by ELT. In addition a risk report has been included within the performance pack, which is reviewed monthly at ELT. This report highlights the mitigating actions that have been completed, current and target risk exposure by severity, and their progress; and risk subjects for consideration. The risks on the corporate risk register with a severity graded above 15 (above tolerance threshold) are as follows:

Risk No	Risk	Score
CR56	LGA Peer Review of Adults' Services	25
CR57	Backlog of Deprivation of Liberty Safeguards (DoLS) assessments	25
CR58	Failure of social care provisions	25
CR14	Lack of capacity or competition	20
CR39a	Cyber-security	20
CR1	Brexit	16
CR11	Recruit and retain staff	16
CR18	Limited cost consciousness and immaturity in benchmarking and trend analysis in social care	16
CR36	Third party suppliers failure to ensure that contractors perform or operate safely, or to ensure compliance with contract terms and prices	16
CR42	Ageing IT infrastructure	16
CR50	Insufficient health & safety governance	16
CR53	Asset management	16
CR54	Child safeguarding failure	16
CR55	Adult safeguarding failure	15

2.4 Recent events have brought to the fore the need for the Authority to more actively manage our relationship with suppliers. Officers are currently working with our credit reference agency (Creditsafe) to develop a report that will give early notice of changes in our suppliers credit rating. Whilst, at the margins, these indicators can be volatile continued monitoring will establish any trends in the deterioration of a suppliers credit worthiness and allow early interventions and contingency plans to be put in place. Any issues that arise from the analysis of this data will be reviewed monthly and reported as part of a standing item at Procurement Board. The financial review of suppliers can be found at Appendix B.

2.5 The directorate risk registers have been reviewed at least monthly by each Director and their management team, with support and guidance from the Corporate Business Managers where required. The Corporate Risk Manager has continued to engage monthly with Corporate Leadership Team members to discuss owned corporate risks, and quarterly to provide assurance on directorate risks and governance.

2.6 A completion date for the risk management e-learning course has been agreed for December 18. Risk management Lunch 'n' Learn sessions have been designed and will be delivered at four locations across the county every quarter. The first session took place in October. These events will run for a year; however it is anticipated that they will remain on the risk management course programme as an introductory course once the foundation course has launched. Two bespoke risk workshops have been conducted this quarter; to a directorate management team and a complete directorate as part of their away day.

2.7 An amendment/addition was made to the County Council Risk Management Strategy which provides guidance on escalation and de-escalation of directorate

risks. At present risks are discussed at directorate monthly management team meetings; however this amendment provides further direction on adding or removing risks from the directorate risk register, or escalating to the corporate risk register. The Corporate Risk Manager will be invited to attend these meetings to support risk discussions, provide guidance and support, and advise on escalation.

2.8 The quality and currency of information contained in the corporate and directorate risk registers will continue to be reviewed and updated. Ensuring risk owners identify specific action owners and completion dates is encouraging risk discussion, awareness and ownership; providing assurance of proactive management of risk.

2.9 Activities the Corporate Risk Manager is going to carry out/continue with this quarter, to ensure continuous improvement and alignment with best practice.

- 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
- Support projects and programmes to provide assurance and support on robust governance
- Engage and support service managers and their teams on capturing and communicating risk

2.10 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, Performance
and Procurement

Contact: Katharine Eberhart, 0330 2222 087

Appendices

Appendix A - Corporate Risk Register

Appendix B – Financial Review of Suppliers

Background Papers

None

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Risk No	Risk Category	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	Political	As a result off Brexit there may be changes to laws and policies that may impact WSCC and partners (i.e. employment law).	Nathan Elvery	1. Uncertainty on staff available to deliver council services i.e. care workers. 2. Uncertainty on local businesses. 3. Impact of growth projections.	Nov-17	4	4	16	Tolerate	4	4	16	Brexit implications across all current corporate risks is being carried out			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	4	16	Dec-18
CR7	Governance	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	Dec-18
				2. Fraud error.									Data on areas of non-compliance used to inform Directors to enforce compliance with standards.	Tony Kershaw	Dec-18	Included in Annual Governance Review. Partially completed				
				3. Poor VFM.									Guidance for specific procedures to be created.	Tony Kershaw	Dec-18	Partially completed.				
				4. Compliers 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	Managerial/ Professional	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	Dec-18	In progress.	4	4	16	Jan-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	Dec-18	In progress. Due to got to IT Governance Board in Dec 18				
				4. Low staff morale and performance.									Application of policy and provisions for various hard to fill posts	Jamie McGarry	Ongoing					
													Longer term strategies for addressing recruitment issues e.g. apprenticeships.	Lindsey Hannant	Ongoing	Developing 3 year plans. LGA consultancy engaged with; recommendations received. Marketing and awareness.				
CR14	Competitive	Due to a lack of capacity or competition in areas of the care market in which the Council operates, the Council is not able to manage or stimulate markets, or secure good deals. The LGA Peer Review identified that, in line with Care Act responsibilities, the nature of WSCC's relationship with the market needs to change to one of: 1. Partnership working, not solely commissioner to provider, 2. Co-design and 3. Co-production. The programme plan developed in response to the Peer Review will include the development of engagement strategies to deliver the above.	Kim Curry	1. The costs of care packages are increased as a lack of supply relative to demand.	Mar-17	5	4	20	Treat	4	3	12	Work with providers to improve recruitment and retention of their workforce.	Debbie Young	Ongoing	CAFHE posts embedded into HR	5	4	20	Jan-19
				2. The availability of care packages is reduced to lack of capacity, usually through lack of workforce.									Develop a Market Position Statement that clearly states the Council's requirements of the market and the methods by which it will support them.	Catherine Galvin	Jan-19					
				3. Customers must wait longer for care affecting their ability to remain independent or with lower care needs for longer.									Introduce and implement commissioning strategy developed with PwC.	Catherine Galvin	Jan-19					
				4. Inability to develop innovative service pathways due to lack of capacity or choice of care.									As a result of the Peer Review develop Market engagement strategy that includes processes for codesign and coproduction with	Catherine Galvin	Jan-19					
				5. Reputational damage for the Council and potential censure from inspectors.																

CR18	Competitive	Limited cost consciousness (activity costs, opportunity costs, etc.) and immaturity in benchmarking and trend analysis in social care may lead to a lack of awareness of how services sit in the marketplace. As a consequence the Council is not able to identify where it can make improvements.	Kim Curry	1. The Council does not achieve value for money in respect of its procurement and commissioning activity.	Mar-17	4	4	16	Treat	4	2	8	Linked to CR12 and CR14 make better use of data in understanding of service demand and impact, through DLT oversight.	Kim Curry	Ongoing		4	4	16	Jan-19
				2. Service redesign and innovative approaches can not be introduced through lack of market and trend intelligence.									Catherine Galvin	Jan-19						
				3. Budget setting and management is hampered as a result of insufficient or incomplete data.									Kim Curry	Ongoing						
													Kim Curry	Ongoing						
CR22	Reputational	West Sussex County Council has a large Council tax base, relatively low deprivation levels and West Sussex's economy is generally strong. If the Council do not seek to influence Central Government on the decisions taken on the national funding formula and on individual funding opportunities, there is a risk that the county will be disadvantaged and miss out on funding.	Nathan Elvery	1. Insufficient funding to deliver services.	Mar-17	4	4	16	Treat	4	3	12	To continue to work as part of a representative group of authorities through 3SC, SE7 and SESL to ensure the case can be made for West Sussex County Council and the needs of its residents.	Nathan Elvery	Ongoing		4	3	12	Mar-19
													Nathan Elvery	Ongoing						
													Nathan Elvery	Ongoing						
													Nathan Elvery	Ongoing						
													Nathan Elvery	Ongoing						
CR24	Economic	The Council's funding is heavily reliant on the global, EU, national local economy (e.g. Government reductions for local government, future of EU grants with Brexit, local retention of Business Rates, inflation, energy costs, etc.). As a result income and costs may be adversely affected and budget planning more challenging. Budget and spending or savings decisions may also have unplanned consequences for service pressures and both internal and external costs	Katharine Eberhart	1. Adverse effect on reserves/balanced budget.	Mar-17	4	4	16	Treat	3	3	9	Influence development of funding initiatives through Treasurers working groups.	Katharine Eberhart	Ongoing	Delivery of Growth Deals with D and Bs to help support built environment.	3	4	12	Feb-19
				2. Reputational impact through reduction of service quality									Katharine Eberhart	Ongoing						
				3. Increased liability of service delivery, transferred by external partners due to funding restrictions i.e. supporting homelessness									Katharine Eberhart	Ongoing	Business Rate Pools maximises available rates income support.					
				4. Additional unexpected service and cost pressures from savings decisions.									Katharine Eberhart	Ongoing						
													Katharine Eberhart	Feb-19						
CR36	Partnership/ Contractual/ Supplier	Due to the large number of contractors employed by the Council and potential instability, there is a risk that inconsistent contract governance and monitoring may lead to a failure of service	Katharine Eberhart	1. Failure to make planned improvements.	Mar-17	4	4	16	Treat	3	3	9	Create a central contracting unit to quality control contracting activities and support contract management in directorates.	Katharine Eberhart	Jan-19	Contract management service is underway. Contract monitoring will commence in Q3 (end-Dec 18)	4	4	16	Jan-19
				2. Off contract spend.									Katharine Eberhart	Ongoing						
				3. Poor value for money.																
				4. Failure to monitor outcomes for residents.																
				5. Commercial failure by contractor																

CR39a	Technological	<p>Cyber-security. The Council has a wealth of personal and confidential data that needs to be protected from corruption or loss as a result of deliberate and targeted malicious activity (e.g. virus, ransomware etc.). Similarly, the Council's on-line services are increasingly critical to service users and to the Council workforce, these need to be protected from service disruption through malicious technological attack (e.g. DDOS). There is a risk that Information is manipulated in such a way that it can no longer be accessed; or data is deleted, corrupted or stolen; or the Council is subject to a cyber-attack resulting in loss of technology-based digital services.</p>	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	Regular communications are being distributed to all members of staff. Requested to include as annual refresher. Request made for interim course to communicate essential/key information as soon as possible.	4	5	20	Jan-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)				
				3. Resident's trust in the Council is undermined.									Conduct tests including penetration, DR and social engineering.	Roland Mezulis	Dec-18	Next DR test due Nov 18.				
				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.				
				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.				
													Enable safe data sharing, including using appropriate data standards & appropriate anonymization techniques.	Roland Mezulis / Caroline Pegg	Dec-18	As part of GDPR reviews of existing arrangements.				
													Subscribe to early warning and intelligence sharing arrangements.	Roland Mezulis	Ongoing					
													Adopt ISO27001 (Information Security Management) aligned process & practices.	Roland Mezulis	Ongoing					
													Maintain IG Toolkit (NHS) & Public Service Network security accreditations.	Roland Mezulis	Dec-18	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.				
				CR39b									Governance	<p>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.</p>	Tony Kershaw	1. Individuals or groups come to harm.				
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	Dec-18																	
	Maintain IG Toolkit (NHS) & Public Service Network security accreditations.	Roland Mezulis	Dec-18		Joint submission to NHS Digital in the 2019 assessment by the Data Protection Team; to ensure IGTK incorporates Information Security, along with Information Governance.															
	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																	
	Ensure mandatory training is undertaken and updated for annual refresher.	Tony Kershaw	Ongoing		Processes settled. Training content has been designed															

CR42	Technological	The Council's IT infrastructure is ageing and it has historically under-invested in IT. Although there is a strategy, priorities aren't clear and there is a lack of agility and speed in making changes; which may result in new and emerging IT opportunities not evaluated, core infrastructure and applications become unfit for purpose, shadow IT capability emerges creating data silos, cost and complexity.	Katharine Eberhart	1. Economies of scale are lost.	Mar-17	4	5	20		3	4	12	Clearly link IT investment with achievement of desired organisational outcomes. Complete	Roland Mezulis	Sep-18	1. IT business case agreed and in process of implementation. Phase 1 due for completion Jan 19. Phase 2 (migraton to cloud) by Apr 21.	4	4	16	Jan-19	
				2. Data and information cannot be joined up to support re-design of service and process.									Undertake full review of existing infrastructure to identify opportunities from planned equipment refresh.	Roland Mezulis	Mar-19						
				3. Data quality suffers, introducing inaccuracies and, therefore, re-work and service failure.									Plan for IT investment implications arising from the end of current outsource arrangements. Complete	Roland Mezulis	Sep-18						
				4. Inaccurate reporting and decision- making.									Review commercial arrangements to ensure all parties are motivated to maintain pace with technology change. Complete	Roland Mezulis	Sep-18						
				5. Failure to re-configure services.									Work within our partners to enable agile and innovative responses to IT challenges and review of Continuous Service Improvement Plan.	Roland Mezulis	Jun-19						
				6. Joint working hampered.									Develop the rationale and implement principles that articulate the need to keep pace with technology change.	Roland Mezulis	Dec-18						Re-issue of IT strategy to re-state key principles.
				7. Increased costs as systems require more support.																	
				8. Adverse effect on morale.																	
				9. Stress and absenteeism.																	
				10. Adverse effect on the Council's partners and providers.																	
CR50	Governance	Insufficient health & safety governance and training across the organisation and in relation to outsourced providers or via traded services eg 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. H&S and Wellbeing framework agreed and in place, with representative committee meetings and governance boards taking place 6 monthly.	4	4	16	Oct-18	
				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	Dec-18	TNA to be produced by Sep 18. LNA spreadsheets being created by L&D and H&S Manager. Fire Warden training to be included in annual refresher training					
				3. Increased costs.									Review well-being service delivery model.	Head of Specialist HR	Dec-18						
				4. Censure by audit/inspection/intervention by statutory agencies.									Incorporate HS&W information into current performance dashboard.	Amanda Rablin/ Colin Chadwick		Dashboard to capture details on sickness, absence and H&S.					
				5. Adverse publicity.									Invite peer review from other LGA to share best practice (critical friend).	Heather Daley	Oct-18	Completed. Review and report completed. Meeting between 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	Oct-18	Review completed and outcomes to be identified. Outcomes feeding into training action/control. Draft IA report signed off by CEO. Final IA report to be completed and issued by IA by end Oct 18.					
				7. Adverse effect on morale.																	
				8. Stress and absenteeism.																	

CR53	Physical	The Council has an extensive asset base and its asset management strategy is inadequate. Condition surveys are out of data and some buildings are known not to be fit for purpose (e.g. condition, space, accessibility, parking). The lack of robust asset data may lead to poor maintenance scheduling, reactive maintenance, and pose a significant H&S risk.	Steve Read	1. Danger to life.	Mar-17	4	5	20	Treat	4	3	12	Asset Strategy completed and signed off and recommendations implemented.	Jo Twine	Aug-18	17/4/18 - Completed strategy going for approval at CAB on 1/5/18. To be presented to P&F committee for scrutiny Jul 18. Passed call-in. Completed	4	4	16	Aug-18
				2. Reputation damage and/or poor publicity.									Demolition of structures at Southwick, Barnham and the Wallis Centre.		Apr-18	Completed.				
				3. Litigation and compensation claims.									Strategic Outline Case for targeted asset improvement capital line.	Nick Smales	Apr-18	Completed.				
				4. Criminal prosecution (Corporate Manslaughter).									Facilities Management restructure.	Nick Smales	May-18	Completed.				
				5. Poor VFM.									Asset register completed.	Jo Twine	Aug-18	17/4/18 - Completed strategy going for approval at CAB on 1/5/18. To be presented to P&F committee for scrutiny Jul 18. Passed call-in. Completed				
				6. Financial - increased costs through reactive maintenance budget overspend.									Full asset condition survey to be carried out (£1.5m initially approved)	Jeremy Rigby	Apr-19	Draft preliminary survey expected on priority assets by end Dec 18 by MDC. Pilot asset condition survey underway by MDC. Product will be assessed in the New Year to refine requirements and validate Vfm.				
				7. Adverse effect on the Council's partners and providers.																
CR54	Physical	A child safeguarding failure occurs due to a child dying or being seriously injured as a result of abuse and neglect. The child will be currently or recently known to childrens social care or IPEH (Integrated Prevention and Earliest Help).	Annie Maclver/ Ellie Evans	1. People come to harm.	Mar-17	5	4	20	Treat	4	3	12	S11 audits completed in timely fashion.	Annie Maclver	Ongoing		4	4	16	Oct-18
				2. Complaints/claims/litigation.									Recruit and retain sufficient number of qualified social workers	Annie Maclver	Ongoing	To be dealt with under CR11; LH to capture hard to fill posts through organisational wide engagement				
				3. Increased costs.									Manageable case loads	Annie Maclver	Ongoing					
				4. Censure by audit/inspection.									Front line family workers receive safeguarding training at level 3 or 4 as appropriate.	Annie Maclver	Ongoing					
				5. Adverse publicity.									Campaign material available advising public about how to make a referral.	Annie Maclver	Ongoing					
				6. Reputation damage.									Enhance risk knowledge and capability of Practice Managers to equip them to undertake their role effectively	Annie Maclver	Ongoing					
				7. Adverse effect on the Council's partners and providers.																
				8. Adverse effect on morale.																
				9. Stress and absenteeism.																
				10. Political turmoil.																

CR55	Physical	Due to a lack of compliance to The Care Act 2014 and local authority directives, an adult safeguarding failure occurs.	Kim Curry	1. Potential that people will come to harm as a result of safeguarding issues not being addressed quickly and comprehensively.	Mar-17	5	4	20	Treat	5	2	10	As part of the response to the Adults' Services Peer Review an improvement programme is being developed, of which a major project will be a review of Safeguarding. Specific actions and activity will need to be scoped following ASCIB on 12/6/18.	Dave Sargeant	Jun-18	Complete. The 100 day programme addressed the most serious issues identified by the review. It has focused on the immediate areas of concern, and key updates have included: 1. Changes in staff & management Practice including the implementation of a new streamlined safeguarding form and Quality pathway to capture service quality issues. 3. A new safeguarding dashboard which identifies safeguarding concerns where decisions have not been made within 5 working days. 4. All previous Safeguarding audit recommendations have been reviewed to ensure action has been taken or current action plans are in place. 3. The introduction of a managed service to address the backlog will further reduce this risk 4. The longer term systemic challenges will be managed via a second phase of projects that incorporate the lessons learned and longer term deliverables identified by the initial programme.	5	3	15	Jan-19		
		The LGA Peer Review identified that there is work for the Council to do in respect of Making Safeguarding Personal and the management of safeguarding processes. Consequently, a major piece of work will be delivered in the improvement work that Adults' Services must undertake. This is yet to be agreed through ASCIB but is likely to include: 1. Fundamental process review, 2. Making Safeguarding Personal guidance, 3. Improved performance monitoring arrangements 4. Addressing backlogs 5. Contract monitoring and quality process development.		2. Potential for legal challenge to WSCC for failure to comply with statutory obligations.									The new independent chair of the Safeguarding Adults Board is undertaking a review of its processes and governance.			Dave Sargeant					Jan-19	The Interim Head of Safeguarding is working with the Independent Chair to help strengthen WS SAB governance arrangements. A new SAB quality assurance framework has been drafted and a meeting with the statutory partners is planned to agree the priorities
				3. Reputational damage to the Council for failure or manage safeguarding issues in a timely and comprehensive manner.									Sussex Health Care risks are being managed via a separate mechanism and being reviewed monthly at strategic oversight meeting. CR58			Kim Curry					Ongoing	Closure of Horncastle House 14th September, Threat of JR by SHC, Contingency plans in place for 2 homes.
				4. Potential financial impact for the Council as a result of any legal action.									Ensure the sustainability and momentum of 100 day plan is continued			Dave Sargeant					Ongoing	
				5. Censure by inspectors for failure to tackle issues identified as a result of peer review exercise.																		

CR56	Managerial/ Professional	The LGA Peer Review of Adults' Services in May 2018, highlighted a number of areas for improvement required within provision of Adults Social Care. These included: long waiting lists across a number of services; lack of understanding of and work aligned to the Care Act 2016; working in a non-evidenced base manner; lack of genuine partnership working to address system wide issues; little evidence that Making Safeguarding Personal has been understood or implemented; and issues regarding use of Mosaic.	Kim Curry	1. People are not assessed in a timely way and so their needs increase, reducing quality of life for the individual and incurring increased costs for the Council.	May-18	5	5	25	Treat	3	3	9	Develop and implement a 100 Day Action Plan to tackle the most serious issues raised within the review, including waiting lists.	Dave Sargeant	Sep-18	Complete. The 100 day programme addressed the most serious issues identified by the review. It has focused on the immediate areas of concern, including: 1. The introduction of management & performance reporting based upon accurate data 2. The introduction of a new leadership team structure 2. Changes in staff & management practice and the introduction of a managed service to tackle existing backlogs. 3. The longer term systemic challenges will be managed via a second phase of projects that incorporate the lessons learned and longer term deliverables identified by the initial programme	5	5	25	Jan-19						
				2. People are not assessed based on their strengths leading to decompensation and costlier interventions.									Develop and implement a longer term strategy for continued improvement including co-design and co-production with partners.			Dave Sargeant					Dec-18	The Directorate is developing an inclusive three year plan that will ensure that AS policy and practice is fully Care Act compliant. The plan will inform future phases of the 100 day programme				
				3. The MOSAIC system leads practice and generates artificial service boundaries.									Continue to work to develop Mosaic to be more practise lead and supportive.									Dave Sargeant	Mar-19	The 100 day programme has initiated a process of system refinement and staff practice and training that has (and continues to) address MOSAIC design and staff knowledge		
				4. Partners, including the VCS, are not able to work with the Council in the best way to address need and help slow the demand for higher cost interventions.									Continue to work to develop through ASCIB a data suite that highlights performance and areas of concern.											Dave Sargeant	Dec-18	The 100 day programme has introduced a suite of reports that enable managers and staff to understand and react to performance needs. This includes the Safe indicators for ASCIB and the supporting Leadership Team information pack. It also has developed a dash board report for localised social care team leaders
				5. There is potential that future safeguarding issues may arise through lack of appropriate management at an early stage.									Regularly review the learning from the Peer Review to ensure that progress is being made.													Dave Sargeant

CR57	Managerial/ Professional	There is a significant backlog of Deprivation of Liberty Safeguards (DoLS) assessments , both those received in paper format and in community teams, the latter can't be quantified due to lack of monitoring data.	Kim Curry	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. The 100 day project has identified clarity on the current position of Dols assessments that are outstanding and an action plan has been developed and activated. This action plan is now embedded in the Service Improvement Plan and a comprehensive series of actions with time lines is in place.	5	5	25	Jan-19
				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.	Dave Sargeant	Dec-18	Existing qualified BIAs employed by WSCC are now being required to contribute to the BIA rota, thus increasing the number of assessments carried out and contributing to a reducing back log.				
				3. The Councils performance in this area is reportable so could leave the Council open to reputational risk if the backlog is not reduced significantly.									Establish a working group to oversee the rectification of the issue with clearly defined targets, scope and authority.	Dave Sargeant	Jul-18	Complete. The Dols working group is established and meets regularly. A comprehensive action and workforce plan is being completed and a managed service commissioned to deal with and significantly reduce the back log of assessments.				
				4. Best Interest Assessor training and individuals with those skills are not being directed to tackle the backlog meaning that training resource is not being utilised effectively.									Report progress back via separate workstream of ASCIB Governance.	Dave Sargeant	Ongoing	A comprehensive workforce plan will inform a subsequent training plan and BIA training will be commissioned and delivered to appropriate staff and managers to significantly increase capacity				
				5. Staff morale in teams with significant backlogs will decline.																
CR58	Social	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.	Kim Curry	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.	Dave Sargeant			5	5	25	Jan-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	Dave Sargeant						
				3. People apply for CQC legal action against SHC which could lead to establishment closure at short notice.									Post incident, ensure a full debrief and lessons learned is carried out.	Dave Sargeant		Existing process in place with RET.				
				4. Public perception that the council are willing to accept poor standards of care.									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.	Dave Sargeant						

West Sussex County Council

Annual Audit Letter for the year
ended 31 March 2018

August 2018

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the letters.

Building a better
working world

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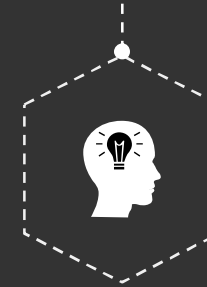
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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk)

The 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 23 February 2017)' issued by PSAA sets 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. 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

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 2018.

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: ▶ Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council and Pension Fund as at 31 March 2018 and of its expenditure and income for the year then ended.
▶ 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.

Area of Work	Conclusion
Reports by exception: ▶ Consistency of Annual Governance Statement	The Governance Statement was consistent with our understanding of the Council. Some amendments were made to the Statement as a result of our work.
▶ 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.

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.

Executive Summary (cont'd)

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 Report was issued on 12 July 2018. We presented it to the 23 July 2018 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 15 August 2018.

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 2017/18 Audit Results Report to the 23 July 2018 meeting of the 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

▶ Reporting by exception:

Our 2017/18 audit work has been undertaken in accordance with the Audit Plan that we issued on 26 March 2018 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

▶ Expressing an opinion:

- ▶ On the 2017/18 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.

- ▶ 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. In the Annual Governance Statement, 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 Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 24 July 2018. Our detailed findings were reported to the 23 July Regulation Audit and Accounts Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Misstatements due to fraud or error</p> <p>There is a risk that the financial statements as a whole are not free of material misstatements whether caused by fraud or error.</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>To address this risk we:</p> <ul style="list-style-type: none"> • Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements; • Considered the appropriateness and application of the Council's stated accounting policies; • Reviewed accounting estimates for evidence of management bias; and • Evaluated the business rationale for any significant unusual transactions. <p>We did not identify any material weaknesses in controls or evidence of material management override based on our work undertaken to date. Specifically:</p> <ul style="list-style-type: none"> • We did not identify any inappropriate journals or adjustments. • Accounting policies were in line with the requirements of the financial reporting framework. We identified no instances of the Council's accounting policies being inappropriately selected or applied by management to misreport the financial performance or position of the Council. • We did not identify any instances of inappropriate judgements being applied in relation to accounting estimates, or 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. <p>We also considered the risk of misstatement due to fraud and error as part of our audit of the Pension Fund financial statements and identified no significant issues.</p>

The other areas of audit focus identified were as follows:

Area of Audit Focus	Conclusion
<p>Valuation of Land and Buildings</p> <p>The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<p>To gain assurance in this area, we:</p> <ul style="list-style-type: none"> • Considered the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; • Sample tested key asset information used by the valuers in performing their valuation (for example floor plans to support valuations based on price per square metre) and challenge the key assumptions used by the valuer; • Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for Investment Property; • Reviewed assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated; and • Tested to confirm that accounting entries had been correctly processed in the financial statements. <p>We identified no material misstatements as a result of our work. We did, however, identify the Council should do more to develop its internal procedures to gain assurance that the carrying value of assets not subject to actual annual revaluation as part of its 5 year rolling programme are not materially misstated.</p>
<p>PFI Accounting</p> <p>The Council has three material PFI arrangements. PFI accounting is a complex area, and a detailed review of these arrangements was undertaken by our internal expert in 2016/17. This resulted in amendments to entries in the financial statements and supporting accounting models for Council's Waste and Schools PFIs. Adjustments were not made for some residual differences across all three PFI schemes as they were not material at the end of 2016/17.</p>	<p>To gain assurance in this area we:</p> <ul style="list-style-type: none"> • Reviewed assurances brought forward from prior years regarding the appropriateness of the PFI accounting models; • Re-engaged our internal expert to consider whether any remaining adjustments were required to the three PFI models to prevent residual differences between the output of the models and the findings of our 2016/17 review becoming cumulatively material over time; • Reviewed the PFI financial models for any significant changes; • Ensured the PFI accounting models had been updated for any service or other agreed variations and confirm the consistency of current year model with prior year brought forward assurances; and • Agreed outputs of the models to the accounts, including balances and disclosures for assets, liabilities, and expenditure, and review the completeness and accuracy of disclosures. <p>We identified some remaining adjustments required to the accounting models and disclosures in the financial statements for the Waste and Schools PFIs. These were not material to our responsibilities and adjustments were not made to the financial statements to correct these issues. The adjustments were identified late in the audit process and it was not practicable for the Council to make the necessary adjustments in the period. The Council has undertaken to correct the accounting model to reflect our findings in 2018/19.</p>



Financial Statement Audit (cont'd)

Conclusion

Pension Asset/Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by West Sussex County Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2017, our assessment at the planning stage of the audit, this totalled £704.1 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

To gain assurance in this area we:

- liaised with the auditors of West Sussex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to West Sussex County Council;
- Assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

We did not identify any material issues with regard to the valuation of pension assets and liabilities.

Restatement of Comprehensive Income and Expenditure Statement (CIES) and Expenditure and Funding Analysis (EFA)

Restructuring of services undertaken in the period required the Council to re-analyse, re-present and re-state the portfolio analysis of its service level income and expenditure disclosed in the CIES and other related disclosures in its financial statements.

To gain assurance in this area we:

- Agreed the restated comparative figures back to the Council's prior year financial statements and supporting working papers;
- Reviewed the CIES, EFA and supporting notes to ensure disclosures are in line with the Code; and
- Reviewed the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect the Council's organisational structure and how overheads are apportioned across the service areas reported.

We did not identify any material issues with regard to the restatement of the CIES, EFA and related disclosure notes.

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>We determined planning materiality for the Council's financial statements to be £25.8 million (2016/17: £12.8 m), which is 2% of gross revenue expenditure reported in the accounts. In the prior year we applied a threshold of 1%. Although the Council is a public interest entity and a major local authority based on its size, we considered the overall risk profile and public interest in comparison to other councils, and did not consider there to be any heightened risks that would mean we need to adopt a lower level of materiality. As such we deemed it appropriate to increase planning materiality to 2%.</p> <p>We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p> <p>We determined planning materiality for the Pension Fund's financial statements to be £82 million, which is 2% of net assets reported in the accounts.</p> <p>We consider net assets to be one of the principal considerations for stakeholders in assessing the financial performance of the Pension Fund.</p>
Reporting threshold	<p>We agreed with the Regulation, Audit and Accounts Committee that we would report to the Committee all audit differences in excess of £19.4 million for the Council and £61.5 million for the Pension Fund.</p>

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations. We considered both the qualitative impact and aggregate value of uncorrected misstatements and agreed with management's assessment that they did not have a material impact.

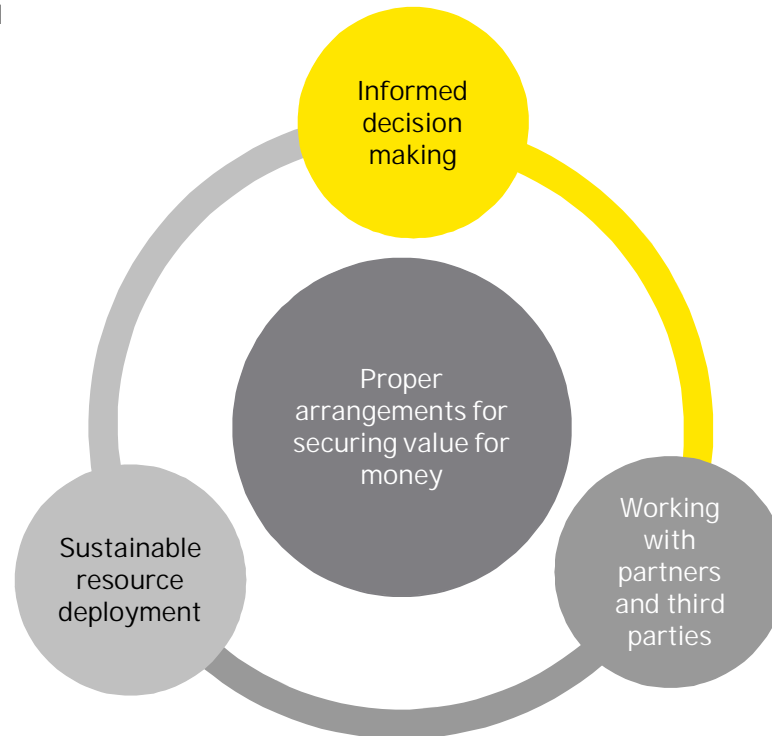


04 Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on 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.



We identified two significant risks in relation to these arrangements. The tables below present the findings of our work in response to the risks identified and any other significant weaknesses or issues to bring to your attention.

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore issued an unqualified value for money conclusion on 24 July 2018.

Significant Risk	Conclusion
Weaknesses in commissioning, procurement and contract management arrangements	<p>Our approach focused on:</p> <ul style="list-style-type: none"> • Reviewing measures introduced to improve commissioning, particularly in the areas of Adults and Children’s Services, with a view to improving the Council’s ability to assess future needs and the subsequent cost and quality of service provision. • Reviewing the arrangements the Council has put in place to develop a more proactive procurement function. • Reviewing any enhancements to contract management arrangements, including actions taken to address resource and skill gaps. <p>Commissioning Arrangements</p> <p>We found that:</p> <ul style="list-style-type: none"> • there has been a shift in commissioning strategy in Adults to invest in prevention to reduce demand generally, and particularly for higher cost care settings. The success of this is difficult to gauge, particularly in the short term, but there are some indications that this is starting to have an impact based on outcome based measures. • A Local Government Association peer review of Adult Social has been undertaken early in 2018/19. Although not yet final or solely focused on commissioning initial indications are that this will highlight a continued need for some improvement within the service including commissioning practice. • The introduction of new arrangements in Children’s Services have provided a clearer governance structure and a mechanism to hold commissioners to account on demand, quality and cost. • Although there have been some changes to the commissioning process during 2017/18 there is a clear recognition that further change is necessary for the Council to continue discharge its duties and maintain service quality in the face of growing demographic and cost pressures. In response to this the likely direction of travel is towards a single integrated commissioning function working across service areas and together with key external partners, covering children, adults, families, health and education.

Significant Risk	Conclusion
Weaknesses in commissioning, procurement and contract management arrangements (contd)	<p>Contract management and procurement</p> <p>We found that:</p> <ul style="list-style-type: none"> • In response to previously identified weaknesses a draft corporate procurement strategy and detailed target operating model (TOM) have been developed to provide the overall framework for completely revised procurement arrangements. • The revised arrangements will not be fully established and embedded until 2019/20 recognising the need to secure cultural changes, and will then take some time to embed into working practices. There was some slippage in the timetable during the development of the TOM, and it is important there is a continuing focus on timely introduction of the new arrangements and monitoring against the timetable for implementation set out on the TOM. • Although some progress has been made during the year in devising a new contract management system and framework the development of arrangements also needs to be accelerated. <p>Overall we are satisfied that adequate arrangements were in place during the year. However, the current development of arrangements to address weaknesses in all areas considered remains a work in progress and is essential that momentum is maintained on the timely implementation of revised arrangements.</p>

Significant Risk	Conclusion
<p>Financial resilience and sustainable resource deployment</p>	<p>To address the risk, we:</p> <ul style="list-style-type: none"> • Considered the 2017/18 financial outturn for the Council, both revenue and capital, and any associated impacts on the Council's medium term financial planning. • Considered the reasonableness of key assumptions used in medium term financial planning. • Considered the adequacy of savings plans in place and the historic achievement of these. <p>We found that:</p> <ul style="list-style-type: none"> • The Council delivered an underspend of £6 million against its revenue budget for the year. This was made up of £0.4 million overspending against service level budgets, £4.5 million underspending against non-portfolio budgets and £1.9 million of unused contingency. Managing spend within budget while making higher than planned contributions to reserves is a significant achievement in a challenging environment, and is also important given the high level of continuing financial uncertainty the Council needs to plan for over the medium term. • There continues to be slippage against the Council's capital programme. The Council's future financial planning factors in recurrent revenue benefits from capital investment, so continued slippage of the capital programme presents some risk over the medium term and needs to be addressed • The assumptions underpinning the Council's Medium Term Financial Strategy (MTFS) and associated savings programmes are reasonable. However, many planned savings are fundamentally estimates. It is therefore essential that outcome and cost based measures of performance against savings targets will require close and careful review through budget and service monitoring processes to continue to assess and potentially refine the targets set. <p>Overall we are satisfied that adequate arrangements are in place. However, like many other councils, West Sussex remains subject to significant financial pressures and uncertainties over the medium term. Continued robust financial planning and monitoring arrangements, financial discipline and a preparedness to take difficult decisions will be required to maintain its financial resilience.</p>



05 Other Reporting Issues



Other Reporting Issues

Whole of Government Accounts

We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. We 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 identified a small number of areas where further disclosure was required to reflect the position at the Council. The Council amended the Annual Governance Statement to include these areas.

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 2017/18 financial statements from members of the public.

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 2018. 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 of 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.

Our audit did not identify any significant deficiencies in internal control but we did identify the following matters, both in relation to the audit of the Pension Fund, which we brought to the attention of the Regulation, Audit and Accounts Committee. The matters reported are shown below and are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported.

Description	Impact
We concluded that membership data in the pension administration system, and disclosed at Note 1 to the Pension Fund financial statements, could be inaccurate. The finding was consistent with known weaknesses in the accuracy of membership data on the pensions administration system, and other findings from Internal Audit reviews and our own work in previous periods.	We were satisfied the issue did not have a material impact on the financial statements. The Fund noted that it is working proactively to reduce as far as possible differences associated with work in progress at all points during the year, but particularly mindful of the end of year.
The Fund had difficulty in producing a transaction level listing of benefits paid to support the audit. Although a transaction listing supporting the balance disclosed in the financial statements was ultimately produced we considered the inability to be able to routinely provide a listing to be a deficiency in internal control that needs to be addressed.	The Fund accepted this as a weakness in management oversight and clarity of instruction which it will address in the future through self-servicing where possible and ownership of instructing request where reliant on a third party



06 Data Analytics

Use of Data Analytics in the Audit

[Data analytics – Journals Testing]



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 2017/18, our use of these analysers in the Council's audit included testing journal entries, 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.



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 9 Financial Instruments	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> • How financial assets are classified and measured; • How the impairment of financial assets are calculated; and • The disclosure requirements for financial assets. <p>There are transitional arrangements within the standard and the 2018/19 Accounting Code of Practice for Local Authorities has now been issued, providing guidance on the application of IFRS 9. In advance of the Guidance Notes being issued, CIPFA have issued some provisional information providing detail on the impact on local authority accounting of IFRS 9, however the key outstanding issue is whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although the Code has now been issued, providing guidance on the application of the standard, along with other provisional information issued by CIPFA on the approach to adopting IFRS 9, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to:</p> <ul style="list-style-type: none"> • Reclassify existing financial instrument assets • Re-measure and recalculate potential impairments of those assets; and • Prepare additional disclosure notes for material items.
IFRS 15 Revenue from Contracts with Customers	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> • Leases; • Financial instruments; • Insurance contracts; and • For local authorities; Council Tax and NDR income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>Now that the 2018/19 Accounting Code of Practice for Local Authorities has been issued it is becoming clear what the impact on local authority accounting will be. As the vast majority of revenue streams of Local Authorities fall outside the scope of IFRS 15, the impact of this standard is likely to be limited.</p>	<p>As with IFRS 9, some provisional information on the approach to adopting IFRS 15 has been issued by CIPFA in advance of the Guidance Notes. Now that the Code has been issued, initial views have been confirmed; that due to the revenue streams of Local Authorities the impact of this standard is likely to be limited.</p> <p>The standard is far more likely to impact on Local Authority Trading Companies who will have material revenue streams arising from contracts with customers. The impact on the Council, which does not have trading companies, is therefore unlikely to be significant.</p>



Focused on your future (cont'd)

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2019/20 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 2019/20 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 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>

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24 April 2018

Ref: 1819feeletter

Direct line: 023 8038 2099

Email: HThompson2@uk.ey.com

Dear Nathan

Annual Audit 2018/19

We are writing to confirm the audit that we propose to undertake for the 2018/19 financial year at West Sussex County Council.

From 2018/19, new arrangements for local auditor appointment set out in the Local Audit and Accountability Act 2014 apply for principal local government and police bodies. These audited bodies are responsible for making their own arrangements for the audit of the accounts and certification of the housing benefit subsidy claim. Public Sector Audit Appointments Ltd (PSAA) has appointed auditors for bodies that have opted into the national scheme. Appointments were made for the duration of the five-year appointing period, covering the audits of the accounts for 2018/19 to 2022/23. Appointments for all bodies that had opted into the appointing person scheme before 9 March 2017 were confirmed, following consultation, in December 2017.

Indicative audit fee

For the 2018/19 financial year, PSAA has set the scale fee for each audited body that has opted into its national auditor appointment scheme. Following consultation on its Work Programme and Scale of Fees, PSAA has reduced the 2018/19 scale audit fee for all opted-in bodies by 23 per cent from the fees applicable for 2017/18.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fee covers the:

- Audit of the financial statements
- Value for money conclusion
- Whole of Government accounts.

For West Sussex County Council our indicative fee is set at the scale fee level. This indicative fee is based on certain assumptions, including:

- The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year;



- Officers meeting the agreed timetable of deliverables;
- We can rely on the work of internal audit if we decide to seek to do so;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council;
- There is an effective control environment; and
- Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

As we have not yet completed our audit for 2017/18, our audit planning process for 2018/19 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

Summary of fees

	Indicative fee 2018/19 £	Planned fee 2017/18 £	Actual fee 2016/17 £
Total Code audit fee	90,561	117,612	121,062

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance.

Billing

The indicative audit fee will be billed in 4 quarterly instalments of £22,640.

Audit plan

We expect to issue our plan before March 2019. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee. It will also set out the significant risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Director of Finance, Performance and Procurement and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Regulation, Audit and Accounts Committee.



We are committed to providing you with a high quality service. 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, please contact me as your Engagement Lead. 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.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Helen Thompson', written in a cursive style.

Helen Thompson
Associate Partner

For and on behalf of Ernst & Young LLP

cc. Katharine Eberhart, Director of Finance, Performance and Procurement
Councillor Nigel Dennis, Chairman of the Regulation, Audit and Accounts Committee

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 Southampton
 SO14 3QB

Nathan Elvery
 Chief Executive
 West Sussex Pension Fund
 West Sussex County Council
 County Hall
 West Street
 Chichester
 West Sussex
 PO19 1RQ

24 April 2018

Ref: 1819feeletter

Direct line: 023 8038 2099

Email: HThompson2@uk.ey.com

Dear Nathan

Annual Audit 2018/19

We are writing to confirm the audit that we propose to undertake for the 2018/19 financial year at West Sussex Pension Fund.

From 2018/19, new arrangements for local auditor appointment set out in the Local Audit and Accountability Act 2014 apply for principal local government and police bodies. These audited bodies are responsible for making their own arrangements for the audit of the accounts. Public Sector Audit Appointments Ltd (PSAA) has appointed auditors for bodies that have opted into the national scheme. Appointments were made for the duration of the five-year appointing period, covering the audits of the accounts for 2018/19 to 2022/23. Appointments for all bodies that had opted into the appointing person scheme before 9 March 2017 were confirmed, following consultation, in December 2017.

Indicative audit fee

For the 2018/19 financial year, PSAA has set the scale fee for each audited body that has opted into its national auditor appointment scheme. Following consultation on its Work Programme and Scale of Fees, PSAA has reduced the 2018/19 scale audit fee for all opted-in bodies by 23 per cent from the fees applicable for 2017/18.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fee covers the audit of the financial statements.

For West Sussex Pension Fund our indicative fee is set at the scale fee level. This indicative fee is based on certain assumptions, including:

- The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year;
- Officers meeting the agreed timetable of deliverables;
- We can rely on the work of internal audit if we decide to seek to do so;
- Our accounts opinion being unqualified;



- Appropriate quality of documentation is provided by the Pension Fund;
- There is an effective control environment; and
- Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

As we have not yet completed our audit for 2017/18, our audit planning process for 2018/19 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

Summary of fees

	Indicative fee 2018/19 £	Planned fee 2017/18 £	Actual fee 2016/17 £
Total Code audit fee	20,364	26,447	31,947*

** Includes an additional fee of £5,500 for IAS 19 assurance work on behalf of admitted bodies that remains subject to final approval by Public Sector Audit Appointments Limited. It is likely that a scale fee variation will be charged again for this work in 2017/18 and 2018/19. This assumption is not included in the fees stated above.*

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance.

Billing

The indicative audit fee will be billed in 4 quarterly instalments of £5,091.

Audit plan

We expect to issue our plan before March 2019. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Director of Finance, Performance and Procurement and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Regulation, Audit and Accounts Committee.



We are committed to providing you with a high quality service. 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, please contact me as your Engagement Lead. 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.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Helen Thompson', written in a cursive style.

Helen Thompson
Associate Partner

For and on behalf of Ernst & Young LLP

cc. Katharine Eberhart, Director of Finance, Performance and Procurement
Councillor Nigel Dennis, Chairman of the Regulation, Audit and Accounts Committee

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Regulation, Audit & Accounts Committee

5 November 2018

Internal Audit Progress Report – October 2018

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 October 2018 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

- 2.1 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.
- 2.2 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
- 2.3 Appendix A summarises the activities of internal audit for the period up to October 2018.

Agenda Item 6

3. Resource Implications and Value for Money

3.1 None arising directly from this report

4. Equality Duty.

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

5. Risk Management Implications

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

Katharine Eberhart

Director of Finance, Performance &
Procurement

Neil Pitman

Head of Southern Internal Audit
Partnership

Contact: Neil Pitman, 033 022 23672

Appendices

Appendix A - Internal Audit Progress Report – October 2018

Background Papers

None

Internal Audit Progress Report

October 2018

West Sussex County Council



Southern Internal Audit Partnership

Assurance through excellence
and innovation

Contents:

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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:

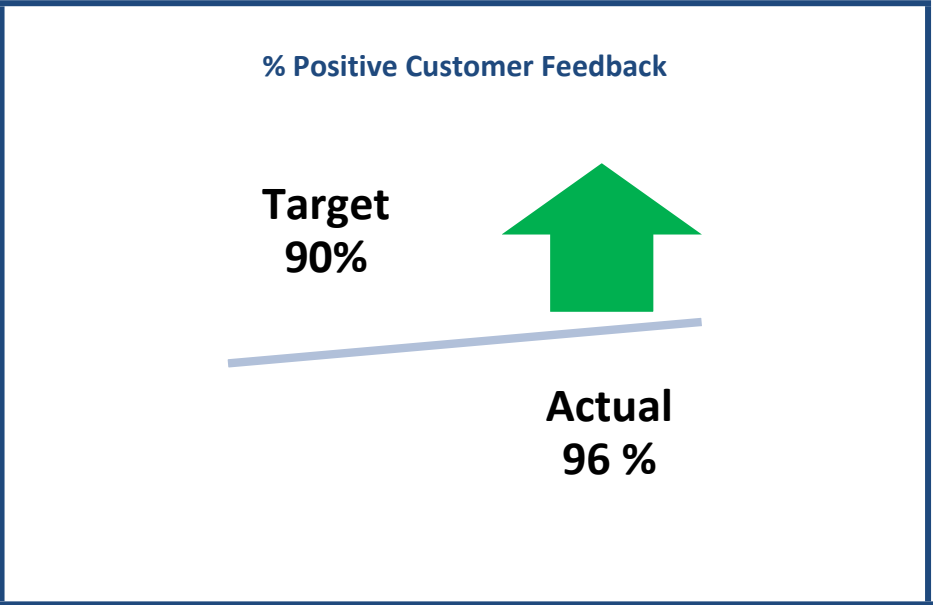
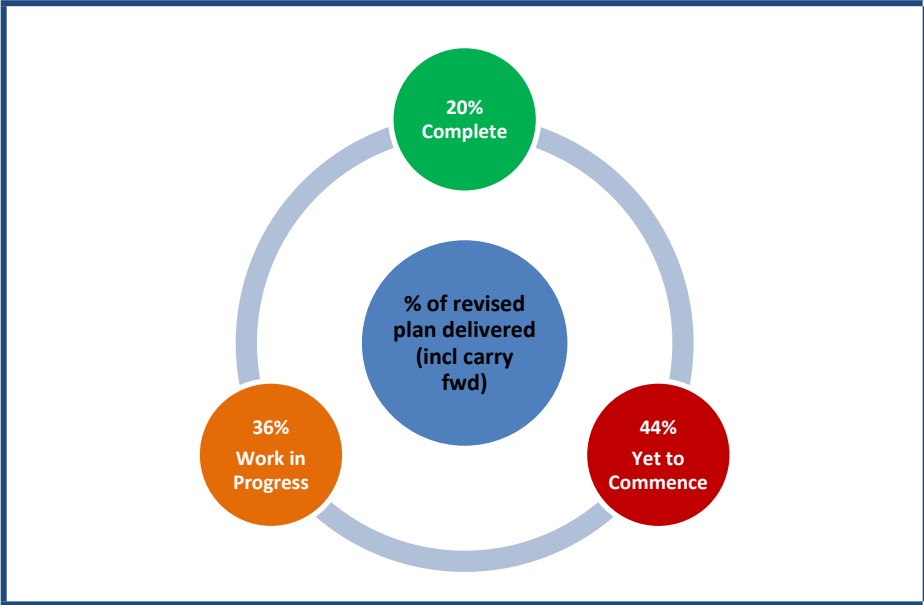
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

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



Compliance with Public Sector Internal Audit Standards	
	<p>An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015. The report concluded:</p> <p><i>'It is our view that the Southern Internal Audit Partnership 'generally conforms' to all of the principles contained within the International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).</i></p>

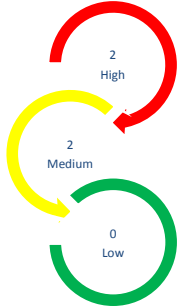
4. Analysis of ‘Live’ audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions						
				Total Rec's Reported	Not Accepted	Not Yet Due	Complete	Overdue		
								L	M	H
Ethical Governance	Apr 2017	L&A	Limited	9			8		1	
Payroll	Jun 2017	HR&OD	Satisfactory	5			4		1	
Cyber Security	July 2017	FP&P	Satisfactory	11	2		8		1	
Prevent	Dec 2017	CAFH&E	Satisfactory	10		1	7		2	
GDPR Compliance	Jan 2018	L&A	Limited	9			7		2	
Agency Staff	April 2018	Corp	Limited	7		1	5		1	
Procurement	Jun 2018	FP&P	Limited	10		4	5		1	
Fleet Management	Jun 2018	C&PP	Satisfactory	9		4	2	2	1	
Early Years Provider Payments	Jun 2018	CAFH&E	Satisfactory	4		2	1		1	
Scheme of Delegation	July 2018	L&A	Satisfactory	1				1		
Pension Administration	July 2018	FP&P	Satisfactory	5		1	3			1
Payroll and Employment Administration	July 2018	FP&P	Satisfactory	8		4	2	1	1	
Fire Core Systems	Aug 2018	C&PP	Limited	3		1	2			
Health & Safety	Oct 2018	HR&OD	Limited	4		4				
Total				95	2	22	54	4	12	1

Audit Sponsor			
FP&P	Director of Finance, Performance & Procurement (s151)	C&PP	Executive Director of Communities & Public Protection
HR&OD	Director of Human Resources & Organisational	EIE	Executive Director of Economy, Infrastructure & Environment
L&A	Director of Law & Assurance	CAFH&E	Executive Director of Children’s, Adults, Families, Health & Education

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

Fire - Core Systems		
<p>Directorate Sponsor:</p> <p>Director of Communities and Public Protection</p> <p>Final Report Issued: 8th August 2018</p>	<p>Assurance opinion:</p> <p>Limited</p>	<p>Management Actions:</p>
<p>Summary of key observations:</p> <p>Due to organisational changes and the absence of key personnel it was not possible to assess or evaluate the control framework for ordering, requisition and the raising of invoices. The future process and set up was also unclear.</p> <p>A review of the discretionary fees and charges for WSFRS Commercial Training for the financial year 2018/2019 were found to have been agreed by the Cabinet Member for Finance and Resources in February 2018 (Amended March 2018), however, the fees shown on the website in April 2018 were higher than those agreed (variances range from 1% - 8% against the agreed fee).</p> <p>Payroll monitor pay exceptions including for example net pay variances over 25% and reports relating to payroll are available to managers in MSS enabling review of payments made against their budget. Paper exception reports are not provided as a matter of course to managers without access to ESS/MSS. Reports showing payments made to staff against budgets are a key enabler in effective budgetary control.</p>		
<p>Management Response / Update:</p> <p>A review and gap analysis has been undertaken by the Area Manager and a means of securing financial provision moving forward has been agreed.</p> <p>The Commercial Business & Marketing Manager now has ownership of the fee setting process for WSFRS commercial training and will ensure that the commercial marketing pricing review takes place prior to the agreement of fees and charges for 2019/2020 by the Cabinet Member. Target date will be 31/3/2019.</p> <p>The HR Business Partner – West Sussex Fire & Rescue Service and Trading Standards will arrange a meeting with the Payroll Team Leader to look at exception reports and how People Support could use them.</p>		

Health & Safety		
<p>Directorate Sponsor:</p> <p>Director of Human Resources & Organisational Development</p> <p>Final Report Issued: 2nd October 2018</p>	<p>Assurance opinion:</p> <p>Limited</p>	<p>Management Actions:</p> 
<p>Summary of key observations:</p> <p>The Health and Safety Policy requires an annual performance report of health and safety management to be produced and reported to ELT. An interim report was prepared in December 2016 before the Health, Safety and Workforce Wellbeing lead left the authority. An end of year report has not been issued for the financial years 2016/17 or 2017/18. The report requirements and format are currently being reviewed as part of the action plan by the Acting Health and Safety Manager who has provided a situation report to the Chief Executive.</p> <p>All Directors participated in an exercise to identify how they are getting assurance that health and safety is being discussed at their management meetings and how they ensure that health and safety risks are being reported, monitored and managed. There were three areas where assurance could not be given as there were insufficient mechanisms in place. There is no regular reporting from the Director of Human Resource and Organisational Change on Health and Safety to ELT.</p> <p>Access to training has been reviewed and is deemed insufficient to ensure all staff are aware of the mandatory health and safety requirements for undertaking their role. Once this is in place the next step is for training monitoring information to be developed to ensure where there are gaps in employees training, in particular for the mandatory training; these are identified and reported to Directors on a regular basis.</p> <p>The Scheme of Delegation was discussed with the Director of Law and Assurance, where it was identified the current iteration does not identify Executive Director and Directors responsibilities as per the Health and Safety Policy..</p>		
<p>Management Response / Update:</p> <p>Whilst there is no legislative requirement for an organisation to cover occupational safety and health (OSH) in their published annual reports, the law requires employers to monitor and review arrangements for managing OSH risks. The government recommends that public bodies report internally on OSH by providing statistics on accidents, incidents and ill health. At their meeting on 11th July 2018, the Executive Leadership Team (ELT) agreed that the corporate structure for HSW should be tightened up and strengthened by creating a new HSW Governance Board to deal with strategic matters. Given that an annual report has not been produced for the last two years, it is proposed to bridge the gap in the current year by producing a pro forma set of statistics 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 and will then be cumulated into an annual report at the end of the financial year.</p>		

One of the short term outcomes proposed in the Health, Safety and Wellbeing interventions and outcomes strategy is to have ‘regular and relevant training in place specific to role and environment’. The intervention to deliver this is the undertaking of a training needs analysis and initial work has already started to deliver this, supported by colleagues in Learning and Development. The first step will be to identify the gaps in the current delivery model. The second stage will be to identify what training needs to be taken forward as mandatory training in the organisation and clear pathways put in place to access the training available with role specific mandatory training identified. Additional evidence of course completion can be provided by reports generated from the Learning and Development Gateway. This will enable Directors to be made aware of outstanding mandatory HSW training within their Directorates. Statistics on training completed will then form part of the quarterly pro forma set of statistics produced for the HSW Representatives Committee.

The scheme of delegation and the Health and Safety Policy will be revised.

As noted in the section ‘annual performance for health and safety’ 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 which will be chaired by the Director of HR and OC will also be reporting to ELT bi-annually and these meetings will coincide with the quarterly meetings. One of the interventions proposed in the Health, Safety and Wellbeing Interventions and Outcomes Strategy is to ensure legislative compliance. Another of the interventions proposed is to have a framework in place for managing directorate risks. This includes reactivating common plans, which is already underway. It is proposed that common plans will be used to identify risks specific to directorates and plans put in place to address those risks. In the terms of reference for the new HSW Representatives Committee members are tasked with reviewing and monitoring action taken to meet Directorates’ common plans and business unit special plan objectives.

6. Planning & Resourcing

The internal audit plan for 2018-19 was approved by the County Council’s Executive Leadership Team and the Regulation, Audit & Accounts Committee in March 2018.

To complement the internal audit plan a comprehensive IT audit needs assessment was undertaken to ensure adequacy of coverage over the period 2018/19 – 2020/21. The outcomes of the IT audit needs assessment are detailed at Annexe 3

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
IT Capita Contract Management	FP&P	✓	✓	✓	Aug 18			
IT Programme & Project Management	FP&P	✓	✓	✓	Jul 18			
Health & Safety	L&A	✓	✓	✓	Sep 18	Oct 18	Limited	
Governance compliance	L&A	✓						Q3
PSIAS Self-assessment	HIA	✓	✓	✓	n/a	n/a	n/a	Self-assessment
Annual Governance Statement	L&A	n/a	n/a	n/a	n/a	n/a	n/a	Advisory
Risk Management	FP&P							Q4
Information Governance	L&A							Q4
Compliments & Complaints	C&PP	✓	✓	✓	Oct 18	Oct 18	Adequate	
Business Continuity	C&PP							Q3
IR35	HR&OC							Q4
MSS (self Service Compliance)	Corporate							Q4

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
Commissioning	FP&P							Q4
Procurement	FP&P							Q3
Contract Management	FP&P							Q3-4
Accounts Receivable & Debt Recovery	FP&P							Q4
Treasury Management	FP&P							Q3
E-Income	FP&P							Q4
Accounts Payable	FP&P							Q3-4
Prepayment Cards	FP&P							Q4
Payroll	FP&P							Q3
Budgetary Control	FP&P							Q4
IT Asset management	FP&P	✓	✓					
Software licencing	FP&P	✓	✓	✓				
Capacity planning and monitoring	FP&P							Q3

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
Cyber security	FP&P							Q4
Application reviews	FP&P							Q3
System resilience	FP&P							Q3
Access control	FP&P	✓	✓	✓				
Virtualisation	FP&P	✓	✓	✓				
Cloud	FP&P							Q4
External Placements	CAFH&E							Q3
Think Family	CAFH&E	✓	✓	✓	n/a	n/a	n/a	On-going
Supervised Contact	CAFH&E	✓						
Special Guardianship Orders	CAFH&E	✓						
Home to School Transport	H&T							Q3
School Thematic - Pupil Premium	CAFH&E	✓	✓	✓				
School Thematic - 6th Form Funding Assurance and Bursary Fund	CAFH&E	✓						
SFVS	CAFH&E	n/a	n/a	n/a	n/a	n/a	n/a	Facilitation

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
Retained Firefighters	C&PP							Q4
FRS Workforce Development	C&PP	✓	✓	✓				
FRS Risk Management	C&PP	✓	✓	✓				
Fire Core Financial Systems 18/19	C&PP							Q4
Sustainability	EIE	✓	✓	✓	Aug 18			Q1/2
Adults Desktop Review	CAFH&E	n/a	n/a	n/a	n/a	Jul 18	Consultancy	Q2
Shared Lives	CAFH&E							Q4
FAS Team	CAFH&E	✓	✓	✓				
Deprivation of Liberty Safeguards	CAFH&E	✓	✓	✓	May 18	June 18	No	
Residential Care Payments	CAFH&E							Q3
Disabled Facilities Grant	CAFH&E	n/a	n/a	n/a	n/a	n/a	n/a	Grant certification
Acquisition and disposal of assets	EIE							Q4
SEND (Special Educational Needs & Disability)	CAFH&E							Q4
Section 106 / Community Infrastructure Levy / Commuted sums	EIE	✓	✓	✓				

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
Local Enterprise Partnership	EIE	✓	✓	✓				
Alternative Delivery Models	Corporate							Q3-4
Civil Parking Arrangements	EIE							Q3
Public Health Contracts	PH	✓	✓	✓	Sep 18			Q2
Grant Certification(s)	Corporate	n/a	n/a	n/a	n/a	n/a	n/a	On-going
Durrington Infants School	CAFH&E	✓	✓	✓	Oct 18			
Field Place Infant School	CAFH&E	✓	✓	✓	Jun 18	Jul 18	Adequate	
Colgate Primary School	CAFH&E	✓	✓	✓	May 18	Jul 18	Adequate	
Lyndhurst Infants	CAFH&E	✓	✓	✓	Jul 18	Sep 18	Adequate	
Petworth CE Primary School	CAFH&E	✓	✓					
St Andrew's C.E. Primary, Furnace Green, Crawley	CAFH&E	✓	✓					
St John's Catholic Primary Horsham	CAFH&E	✓	✓	✓	Jul 18	Jul 18	Adequate	
St Joseph's Catholic Primary School Haywards Heath	CAFH&E	✓	✓	✓	Jul 18	Jul 18	Adequate	
St Wilfrid's C.E. Primary School, Haywards Heath	CAFH&E	✓	✓	✓	Jun 18	Jul 18	Substantial	

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
Yapton C.E. Primary School	CAFH&E	✓	✓	✓	Jun 18	Jun 18	Adequate	
Downlands Community	CAFH&E	✓	✓	✓	Sep 18	Oct 18	Adequate	
Sackville Community College	CAFH&E	✓	✓	✓	Oct 18			
Littlegreen (Follow Up)	CAFH&E	✓	✓	✓	May 18	May 18	Satisfactory	
High Trees	CAFH&E							Q3
Maidenbower Day Centre	CAFH&E	✓	✓	✓	Sep 18			
Rowans Day Centre	CAFH&E	✓	✓					
Stanhope Lodge + ISU	CAFH&E							Q3

8. Adjustment to the Internal Audit Plan

Audit reviews removed from the plan		
Beechfield follow up	Removed	Beechfield not currently open
MASH (Compliance audit)	Removed	Exec. Director, no longer required. More pressing work from 100 day plan implementation.

Audit reviews added to the plan (included in Rolling work programme above)	
Adults Desktop Review	Assurance mapping to contribute toward the 100 day plan
Health & Safety	Follow up of 17-18 fieldwork
Cloud (IT review)	To align resources to complement organisational objectives

Annexe 1

Overdue ‘High Priority’ Management Actions

Recommendation	Management Action(s)	Due Date	Comments
Pensions Administration – July 2018			
Pension Administration should ensure that all outstanding transfer in payments are correctly recorded on Hartlink promptly and in accordance with West Sussex Pension Scheme regulations and that any historical cases identified in the financial reconciliations are actioned appropriately.	A list of all outstanding cases as at the last reconciliation has been distributed to the Admin Team Leaders to ensure the cases are processed	Aug 2018 Oct 2018	The majority of updates have been made to the system to bring this up to date. Due to resource constraints, not all cases have been processed but following the addition of further resources into the team this exercise swill be completed in October 2018

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.

IT Audit Needs Assessment

Auditable area	Risk	2018/19	2019/20	2020/21
IT GOVERNANCE				
IT strategy and planning	M		✓	
Asset management	M	✓		
Change management	H		✓	
Software licencing	M	✓		
Capita contract management	M			✓
Problem and incident management	L			✓
DATA MANAGEMENT				
Data storage and data backup	M		✓	
Data centre facilities and security	L		✓	
Capacity planning and monitoring	H	✓		
Data classification and data ownership	M			✓
INFORMATION SECURITY				
Remote access	M			
Public facing internet security	L			✓

Auditable area	Risk	2018/19	2019/20	2020/21
Cyber security	H	✓		
Cloud	H	✓		
SYSTEM DEVELOPMENT & IMPLEMENTATION				
Application reviews	M		✓	
Programme and project management	L		✓	
BUSINESS CONTINUITY				
Business Continuity Planning	H		✓	
System resilience	H	✓		
Disaster recovery	M			✓
NETWORKING AND COMMUNICATIONS				
Firewalls and malware protection	M	✓		
Network security and access control (incl. wireless network security & network infrastructure management & monitoring)	H	✓	✓	✓
Virtualisation	M	✓		
Operating system management, patch management	H		✓	
Telecoms / VOIP	H			✓

Regulation, Audit & Accounts Committee**5 November 2018****Annual Governance Statement 2017/18 – Actions Update****Report by Director of Finance, Performance and Procurement and 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 2017-18.

Recommendation

The Committee is asked to note progress against actions arising from the Annual Governance Statement 2017-18.

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 2018, 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 2017-18 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 2017-18. 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.

Katharine Eberhart
Director of Finance, Performance &
Procurement

Tony Kershaw
Director of Law and Assurance

Contact: Charles Gauntlett, Senior Advisor, 033 022 22524

Appendices

Appendix A- Status of 2017-18 Annual Governance Statement - Action Plan

Background Papers

None

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

2017-18 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)
Principle B – Openness and Stakeholders			
Revision of the Forward Plan format		Director of Law and Assurance	Format revised in summer 2018 to ensure that the key information is included in a clear way.
Review to structure and effectiveness of Health & Wellbeing Board		Director of Public Health	<ul style="list-style-type: none"> • The West Sussex Health and Wellbeing Board (HWB) is currently reviewing and refreshing its Joint Health and Wellbeing Strategy (JHWS), replacing the current 2015–2018 strategy. The Board is utilising the opportunity this presents to engage in a “learning by doing” process, to develop the Board as system leaders for health and wellbeing whilst producing a refreshed strategy. As system leaders, the Board looks to provide leadership across geographical, organisational and professional boundaries, to identify local needs and assets using the Joint Strategic Needs Assessment (JSNA) and ways of addressing these through the JHWS. • The Board are currently engaging with partners and stakeholders on a refreshed HWB vision, a set of guiding principles and model of strategic leadership. • The consultation period for the refreshed Joint Health and Wellbeing Strategy is scheduled to begin in mid November 2018, running for an 8 week period.

2017-18 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)
Consultation Q&A system effectiveness review		Head of Communications and Engagement	Review to be undertaken in spring 2019
Principle C – Sustainability			
The actions to embed the priorities of the Sustainability Strategy		Executive Director Economy, Infrastructure & Environment	The Council’s annual Sustainability Report is available on line at: https://www.westsussex.gov.uk/about-the-council/policies-and-reports/environment-planning-and-waste-policy-and-reports/sustainability/
To update the Council’s Social Value Policy		Director of Finance, Performance & Procurement	The Social Value Policy is being reviewed by officers through workshops. The update is on track for delivery this year.
Principle D – Optimising Interventions			
Review of the form and presentation of the Total Performance Monitor		Director of Finance, Performance & Procurement	A review was undertaken by a Cabinet Member Task and Finish Group. The new format report was presented to Performance and Finance Select Committee at its October meeting.
Refresh of formal decision report format		Director of Law and Assurance	Format revised in summer 2018 to ensure that the key information is included in a clear way.

2017-18 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)
Principle F – Risk and Performance Management			
A review of the Risk Management system and recording process	FPP10	Director of Finance, Performance & Procurement	The risk management system has been reviewed and the format of Risk Report updated to reflect the changes.
Review and update of Financial Regulations and Procedures		Director of Finance, Performance & Procurement	Completed. The new regulations were approved by the Regulation Audit and Accounts Committee in July.
Adults Services audit and peer review actions	CR55; CR56	Executive Director Children, Adults, Families, Health & Education	A 100 day programme across adult’s social care has addressed the immediate recommendations from the peer review across six areas; practice, safeguarding, waiting lists, leadership and culture, performance and systems and longer-term transformation. A longer-term improvement programme is currently being scoped which will deliver the long term vision for adult’s social care across West Sussex.
Deprivation of Liberty (DOLS) internal audit recommendations	CR57	Executive Director Children, Adults, Families, Health & Education	Additional resources are in the process of being planned and deployed to contribute to a significant decrease in current backlogs of assessments. This resource will be deployed on a priority basis in relation to minimising risk to both the individual and the authority.

2017-18 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)
			<p>It will:</p> <ul style="list-style-type: none"> • Implement a consistent approach across the council to uphold customers' legal rights under the Mental Capacity Act 2005. • Ensure clear and accessible policies and procedures are in place to manage the risks to the individual (harm) and the council (reputational and compensational damage). • Ensure monitoring information is accurate and available to manage risk and enable decision making about how best to deploy limited resources. • Develop governance procedures that demonstrates a clear audit trail that reflects responsibility for key decision making in managing the risks associated with a limited resource that may result in situations where an authorisation for a 'Deprivation of Liberty' is not in place, or not reviewed, and as a consequence the individual may suffer arbitrary detention.

2017-18 Annual Governance Statement - Issue	Risk Register (Ref)	Responsible Officer	Action(s)
Business resilience internal audit recommendations		Director of Public Protection & Deputy Chief Fire Officer	A rolling programme of reviews of the departmental business continuity plans has been established. Following an independent review of WSCC Business Continuity planning arrangements a business case is now to be consider to streamline the methodology of Business Continuity Planning, this includes a review of current policy, structure and planning alignment to ISO 22301. If the business case is agreed in November 2018 the revised planning arrangements will reduce the number of plans required, provide a more flexible approach in supporting disruptive events whilst maintaining the most critical of WSCC services.
Procurement – regulatory compliance check		Director of Finance, Performance & Procurement	The Standing Orders have been updated and will be presented to Governance Committee at their next meeting. A review of regulatory issues will be added to the monthly Procurement Board Agenda.

Regulation, Audit and Accounts Committee

5 November 2018

Staff Induction

Report by Director of Human Resources & Organisational Change

Executive Summary This paper is a follow-up to the paper presented to Regulation, Audit and Accounts Committee (RAAC) in November 2017 regarding staff induction and updates on the progress made to-date (completion rate for mandatory elements was 44% in 2017 and is now 41% after 6 months and 51% after 12 months of joining the County Council).

Recommendations

1. Monitoring completion rates of mandatory elements continues with escalation and follow-up as appropriate
2. Working group set up in HR to tackle the lack of progress in driving completion rates up
3. Change completion date for on-line elements to first month and all elements by month 3.
4. Trends of performance indicators monitored to see what impact, using 2017/18 as the benchmark; induction is having and making adjustments as necessary and fed back to RAAC in November 2019.
5. Use of staff pulse surveys to measure progress on some of the more behavioural and cultural elements of induction, for example, "I am treated with fairness, respect and am trusted to do my job".

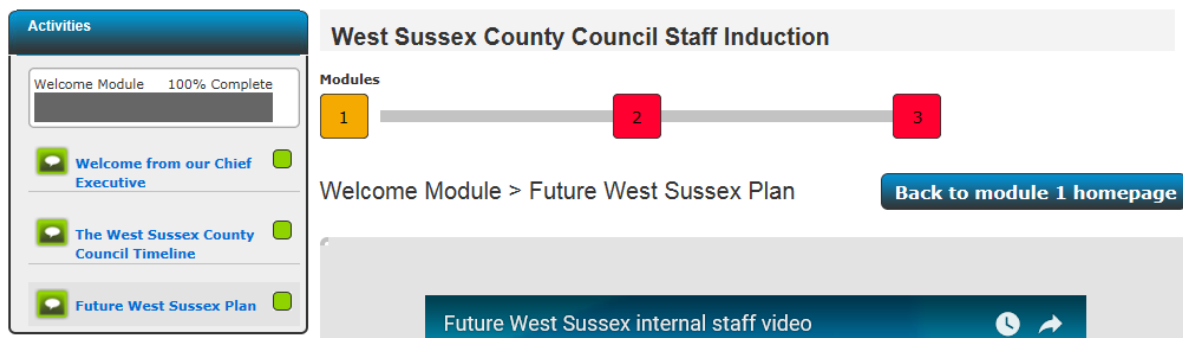
1. Background

- 1.1 This paper was requested following the November 2017 RAAC meeting in order that the progress on the new corporate induction programme, implemented in April 2017 could be monitored.

2. New staff Induction Pathway

- 2.1 The new starter corporate induction pathway was revised and implemented in April 2017, following consultation and engagement with key stakeholders. The feedback from this engagement showed:
 - A lack of awareness of line managers as to their responsibilities
 - An overwhelming amount of information to take in, in the first few days of an new starter joining
 - Some elements just relied on reading a policy which can be lengthy, and in places difficult to understand (for example, financial regulations).

- 2.2 The new pathway is a series of engaging, streamlined learning activities – both on-line and face-to-face where new starters find out:
- Who we are
 - What we do
 - Our purpose and values
 - What is expected from them
 - How they and their role fit into delivering a great service to our customers.
- 2.3 Alongside the corporate induction, staff are also expected to complete a service induction, this is designed to help new starters to integrate within their team and the organisation but importantly will include any role specific induction requirements, e.g. the care certificate for staff new to care, the children’s residential training pathway for months 1-6 and 7-12.
- 2.4 The induction starts prior to a new starter joining the organisation with a welcome module, including a welcome video message from our Chief Executive.
- 2.5 New starters can track their completion progress in real-time, whilst line managers can track progress of their new starter through the L&D Gateway:



3. Expectations and Monitoring

- 3.1 New starters are expected to complete the mandatory elements of the corporate induction in their first 6 months of employment.
- 3.2 Recruiting managers are responsible for ensuring new members of staff have an effective and appropriate induction, and are given sufficient time to complete it.
- 3.3 As part of the relaunch of corporate induction, the induction policy was refreshed, and includes a step by guide, and toolkit of resources. Additionally manager briefings were held to remind managers of their responsibilities with regards to induction and performance management in the first 12 months of employment.

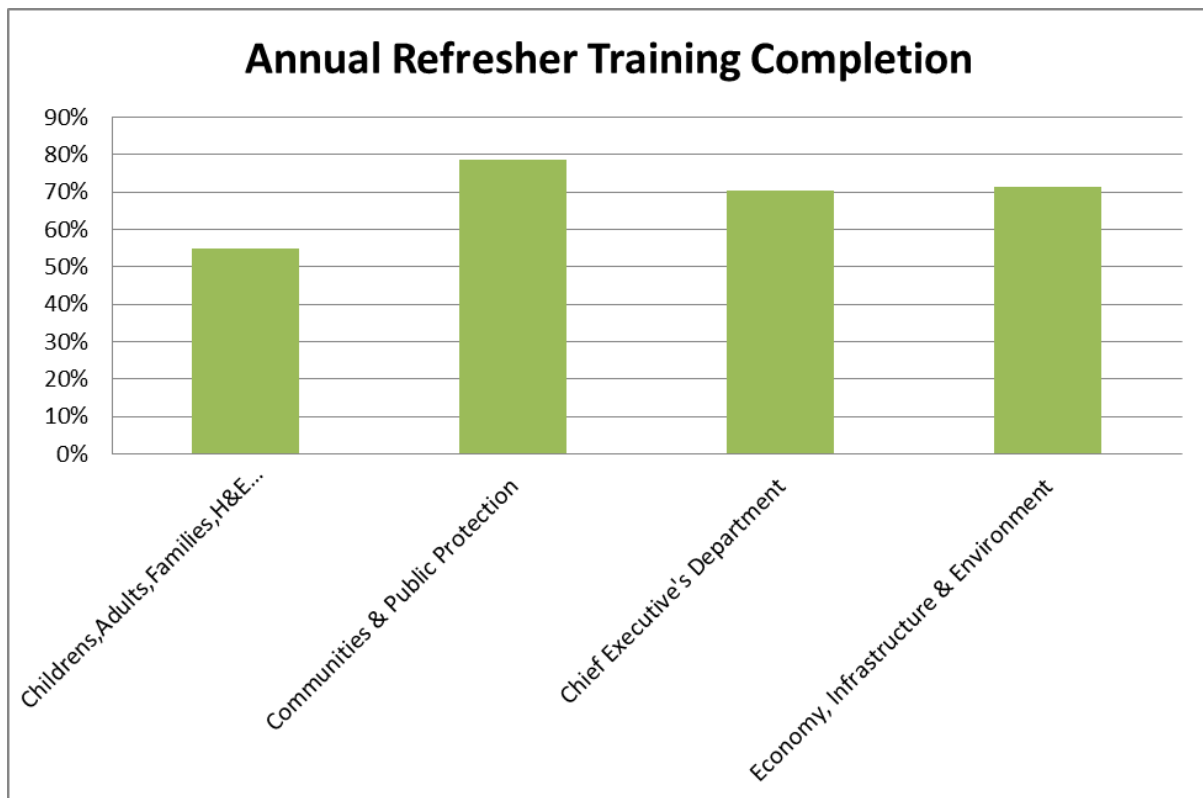
- 3.4 1 month after starting the new starter and manager, are sent a reminder email, regarding induction expectations and responsibilities. Monitoring of mandatory module completion takes place at the 3 month and 5 month anniversary of start detailing which modules have/haven't been completed. This reporting coincides with the regular reviews that managers will be having with their new starters at 3, 6 and 9 months as part of the performance management requirements within the first 12 months of employment/probationary period and to encourage completion within the first 6 months.
- 3.5 If a new starter has not completed all mandatory modules at the 5 month reporting period, the line manager's line manager also receives notification and a request to ensure that induction is completed as soon as possible.
- 3.6 A final report is run at the 6 month point, with details of those members of staff who have not completed the mandatory elements of their induction is sent to Directors for follow-up.
- 3.7 The first 6 and 12 month completion reports for the cohort of staff who joined in April 2017 are as follows:

Month New Starter Joined	Total Number of New Starters	Total Completed at 1 year	Completed at Six Months
April 2017	53	55%	45%
May 2017	38	55%	45%
June 2017	39	44%	31%
July 2017	55	56%	42%
August 2017	54	56%	44%
September 2017	56	41%	36%
Total	295	51%	41%

4. Impact

- 4.1 Given the low completion rates historically regarding induction, annual refresher training was introduced in January 2018 (with monitoring of completion) to ensure that **all** employees update their knowledge and understanding with regards to some of the key induction topics, namely:
- Health and Safety
 - Data and Information Security
 - Equality and Inclusion
 - Being an Employee (e.g. standards of conduct, gifts and hospitality, financial regulations, our reputation, conflicts of interest)

4.2 The overall completion rate for the organisation was 69%, and the completion levels by department are detailed below:



4.3 With an increase in completion levels and the introduction of the refresher training, monitoring trends in performance indicators to see what impact, induction is having will commence and adjustments to the induction programme made as necessary. Using 2017/18 as the baseline year, the areas of focus will be:

- Number of Information Security Breaches
- Number of Health and Safety Related Accidents
- Number of employee grievances and disciplinaries related to Bullying and Harassment, Equality and Diversity
- One Way to Buy Compliance

4.4 Use of staff pulse surveys to measure progress on some of the more behavioural and cultural elements of induction, for example, "I am treated with fairness, respect and am trusted to do my job".

5. Next Steps

5.1 Given the plateauing in the completion rates for corporate induction a working group has been set up to review and share learning from areas where completion rates are high, and identify what additional actions need to be taken in order to gain the traction across the organisation.

- The current monitoring and escalation regime will be revised, to reflect a new expectation that on-line elements are completed in month 1, and the remaining face to face element by month 3.

- Phasing out of direct recruitment, and bringing all recruitment through the recruitment team, this will mean that all line managers receive the notifications and instructions for on-boarding and induction from the point of confirming start date.
- Continue to raise awareness and socialisation of line manager responsibilities through appropriate communication channels, for example through relevant training sessions and the L&D newsletter.

Heather Daley

Director of Human Resources & Organisational Change

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Background Papers

None

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Regulation, Audit and Accounts Committee

5 November 2018

Treasury Management Compliance Report – Second Quarter 2018/19

Report by Director of Finance, Performance and Procurement

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 2018/19 the Council complied with all of the relevant statutory and regulatory requirements related to its treasury management activities. The Director of Finance, Performance and Procurement confirms that there were no breaches of the approved TMSS (including the Annual Investment Strategy) during the period.

Recommendation

That the report be noted.

1. Introduction

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

2. Compliance Report

1.1 Throughout the second quarter of 2018/19 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 2018/19 lending list as a result of credit updates; including rating information published by Fitch, Moody's and Standard & Poor's, credit default swap/equity price trends and general media alerts.

1.2 Borrowing Strategy: The Director of Finance, Performance and Procurement confirms that there were no breaches of the Council's Prudential Indicators approved in connection with its capital programme and borrowing activities (in accordance with CIPFA's "Prudential Code"). At 30 September 2018 the Council's Public Works Loan Board (PWLB) borrowing totalled £392.4m (unchanged 30 June 2018). During the second quarter:

- There was no new external borrowing for capital purposes (an internal borrowing strategy was maintained throughout 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 other short-term borrowing was undertaken for cash flow purposes. All daily cash flow shortages were funded by withdrawals from the Council's instant access accounts (including short-term Money Market Funds).

1.3 Investment Strategy: The average level of Council funds available for treasury investment during 2018/19 (to-date) including Local Enterprise Partnership (LEP) grant monies was £308.6m; actual levels of investments amounted to £266.8m at 30 September 2018 (£333.7m as at 30 June 2018). 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.

1.4 UK banking legislation places the burden of rescuing failing banks disproportionately onto unsecured creditors (including local authority investors) through the potential bail-in of unsecured bank deposits. The use of unsecured bank deposits and short-term Money Market Funds however remains an integral part of the Council's investment strategy in maintaining adequate cash-flow liquidity as well as enhancing short-term investment returns. As a consequence, the disposition of bank unsecured/other investments at 30 September 2018 as compared with 30 June 2018, is detailed below:

Investment Type	30-June-18		30-Sept-18	
	£m	%	£m	%
Bank & Building Society Unsecured	139.6	41.8	99.7	37.4
Money Market Funds	78.8	23.6	52.5	19.7
Total Bank Unsecured	218.4	65.4	152.2	57.1
Bank Secured (greater than 1 year)	7.9	2.4	7.9	3.0
Non-Bank (less than 1 year)	46.5	13.9	46.5	17.4
Non-Bank (greater than 1 year)	26.2	7.9	26.2	9.8
Internally Managed Investments	299.0	89.6	232.8	87.3
Externally Managed - Bond Funds (i)	25.0	7.5	10.0	3.7
Externally Managed - Property Funds	9.7	2.9	24.0	9.0
TOTAL INVESTMENTS	333.7	100.0	266.8	100.0

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

1.5 The full breakdown of the Council's investment portfolio at 30 September 2018 is shown in Appendix A. The decrease in the investment portfolio from 30 June 2018 is a consequence of no precept monies being received during September 2018 (given the ten instalment payment profile agreed with West Sussex Boroughs and Districts throughout 2018/19) and LEP capital grant monies being paid to third parties during the period (£32m). Furthermore the Council is due to pay-over the remaining LEP balance held (£48.9m) to the new accountable body (Croydon Council) on 4 October 2018.

- 1.6 In demonstrating compliance with the Council's creditworthiness policy (as contained within the approved 2018/19 "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	2017/18	2018/19			
	31.03.18 £'m	30-Jun £'m	30-Sep £'m	31-Dec £'m	31-Mar £'m
AAA (i)	57.1	86.7	60.4		
AA	0.0	0.0	0.0		
AA- (ii)	118.7	137.9	123.0		
A+	8.5	14.7	14.7		
A	44.7	55.0	30.0		
A-	0.0	4.5	4.5		
BBB+	0.0	0.0	0.0		
Externally Managed Funds	24.7	34.7	34.0		
UK Municipal Bond Agency	0.2	0.2	0.2		
TOTAL INVESTMENTS	253.9	333.7	266.8		

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

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

- 1.7 Included within "Externally Managed Funds" (as reported above) the Council purchased units in the Hermes and Lothbury property pooled investment funds during the second quarter of 2018/19 (£10m and £5m respectively). Both long-term investments were approved by the Director of Finance, Performance and Procurement in accordance with the 2018/19 Treasury Management Strategy.
- 1.8 Furthermore, the Director of Finance, Performance and Procurement confirms that during the second quarter there were no breaches of the following additional exposure limits as approved within the 2018/19 Annual Investment Strategy, including:
- Up to a maximum of £90m (£30m per individual sovereign) may be invested in non-UK organisations (excluding investments held in short-term Money Market Funds and externally managed pooled funds): **Actual £40.0m** at 30 September 2018 (£25m Australia; £10m Canada; and £5m 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 £22.4m** at 30 September 2018.
 - Up to a maximum of £115m may be invested in short-term Money Market Funds (excluding externally managed pooled funds): **Actual £52.5m** at 30 September 2018.
 - 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 £34.0m** total investment at 30 September 2018 (of which **£24.0m** is invested in unrated 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 **£58.1m** at 30 September 2018.

3. Resource and Value for Money Implications

Covered in main body of report.

4. Risk Management Implications

Covered in main body of report.

5. Human Rights Act Implications

Not applicable.

6. Crime and Disorder Act Implications

Not applicable

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Director of Finance, Performance and Procurement

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Appendices

Appendix A - Investment portfolio at 30 September 2018

Background Papers

None

Investments held with counterparty's approved within the Council's 2018/19 Treasury Management Strategy (together with prevailing credit ratings and maximum monetary and duration limits) at 30 September 2018, are set out below:

Counterparty	Credit Rating	Approved Limits		WSCC Investment	
		Monetary	Duration	Amount	Maximum Period
UK Banks (Unsecured):					
Close Brothers Ltd	A	£15m	6 Months	£15.0m	183 Days
HSBC Bank plc	AA-	£15m	1 Year	£15.0m	3 Months (Notice)
Lloyds Bank Plc (<i>Ring-fenced Bank</i>)	A+	£15m	1 Year	£14.7m	175 Days (Notice)
Nationwide Building Society	A	£15m	6 Months	£15.0m	91 Days
UK Banks (Secured):					
Nationwide BS (Covered Floating Rate Note)	AAA	£10m (<i>i</i>)	10 Years	£7.9m	1,095 Days
Non-UK Banks (Unsecured):					
Australia and New Zealand Bank (Australia)	AA-	£15m	1 Year	£10.0m	365 Days
Commonwealth Bank of Australia (Australia)	AA-	£15m	1 Year	£15.0m	365 Days
Toronto-Dominion Bank (Canada)	AA-	£15m	1 Year	£10.0m	364 Days
United Overseas Bank (Singapore)	AA-	£15m	1 Year	£5.0m	364 Days
Short-Term Money Market Funds:					
Blackrock Sterling Liquidity Fund	AAA	£25m	Overnight	£25.0m	Instant Access
Federated Prime Sterling Liquidity Fund	AAA	£17m	Overnight	£14.9m	Instant Access
Standard Life (SLI) Sterling Liquidity Fund	AAA	£25m	Overnight	£12.6m	Instant Access
Non-Bank (UK Corporate):					
BP Capital Markets plc	A-	£15m	6 Months	£4.5m	182 Days
UK Municipal Bond Agency plc	n/a	£0.2m	-	£0.2m	-

UK Local Authorities:					
Cambridgeshire County Council	AA- (ii)	£25m	20 Years	£15.0m	364 Days
City of Lincoln Council	AA- (ii)	£25m	20 Years	£2.0m	364 Days
Dorset County Council	AA- (ii)	£25m	20 Years	£10.0m	364 Days
Lancashire County Council	AA-	£25m	20 Years	£10.0m	1,187 Days
Northamptonshire County Council	AA- (ii)	£25m	20 Years	£15.0m	364 Days
Plymouth City Council	AA- (ii)	£25m	20 Years	£10.0m	731 Days
Wolverhampton City Council	AA- (ii)	£25m	20 Years	£6.0m	1,096 Days
Pooled Funds (Externally Managed):					
Federated Sterling Cash Plus Fund	AAA	£25m	Note (iii)	£10.0m	To Be Agreed (iv)
CCLA (Local Authorities Property Fund)	n/a	£15m	Note (iii)	£9.7m	To Be Agreed (v)
Hermes Property Unit Trust (HPUT)	n/a	£15m	Note (iii)	£9.5m	To Be Agreed (v)
Lothbury Property Trust (LPT)	n/a	£15m	Note (iii)	£4.8m	To Be Agreed (v)
TOTAL INVESTMENTS				£266.8m	

- (i) The total amount invested per financial institution (secured and unsecured deposits) cannot exceed £25m.
- (ii) Assumed UK Local Authority credit rating if no actual rating exists (one notch lower than the UK sovereign rating).
- (iii) No defined maturity periods for externally managed pooled funds; withdrawals based on liquidity requirements and/or fund performance (as per approved Treasury Management Strategy).
- (iv) Up to one year investment horizon for externally managed ultra-short dated bond funds (enhanced cash funds).
- (v) Minimum five year investment horizon for externally managed property funds.