



AUDIT, BEST VALUE AND COMMUNITY SERVICES SCRUTINY COMMITTEE

TUESDAY, 14 MARCH 2017

10.00 am COMMITTEE ROOM, COUNTY HALL, LEWES

MEMBERSHIP - Councillor Mike Blanch (Chair)
Councillors John Barnes (Vice Chair), Laurence Keeley, Carolyn Lambert,
Peter Pragnell, Bob Standley and Trevor Webb

A G E N D A

- 1 Minutes of the meeting held on 8 November 2016 (*Pages 3 - 14*)
- 2 Apologies for absence
- 3 Disclosures of interests
Disclosures by all members present of personal interests in matters on the agenda, the nature of any interest and whether the member regards the interest as prejudicial under the terms of the Code of Conduct.
- 4 Urgent items
Notification of items which the Chair considers to be urgent and proposes to take at the appropriate part of the agenda. Any members who wish to raise urgent items are asked, wherever possible, to notify the Chair before the start of the meeting. In so doing, they must state the special circumstances which they consider justify the matter being considered urgent.

Audit Items

- 5 External Audit Plan 2016/17 (*Pages 15 - 32*)
Report by the Chief Operating Officer
- 6 KPMG Certification of claims and returns for the year ended 31 March 2016 (*Pages 33 - 36*)
Report by the Chief Operating Officer
- 7 External Audit Plan for East Sussex Pension Fund 2016/17 (*Pages 37 - 48*)
Report by the Chief Operating Officer
- 8 Internal Audit Strategy 2017/18 and Annual Plan (*Pages 49 - 66*)
Report by the Chief Operating Officer
- 9 Internal Audit Progress report - Quarter 3 (01/10/16 - 31/12/16) (*Pages 67 - 80*)
Report by the Chief Operating Officer
- 10 Strategic Risk Monitoring - Quarter 3 2016/17 (*Pages 81 - 88*)
Report by the Chief Operating Officer

Scrutiny Items

- 11 Reconciling Policy, Performance and Resources (*Pages 89 - 94*)
Report by the Chief Executive
- 12 Apprenticeship Levy (*Pages 95 - 98*)
Report by the Chief Operating Officer
- 13 Scrutiny committee future work programme (*Pages 99 - 102*)
- 14 Forward Plan (*Pages 103 - 110*)
The Forward Plan for the period to 30 June 2017. The Committee is asked to make comments or request further information.
- 15 Any other items previously notified under agenda item 4

PHILIP BAKER
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6 March 2017

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Agenda Item 1

AUDIT, BEST VALUE AND COMMUNITY SERVICES SCRUTINY COMMITTEE

MINUTES of a meeting of the Audit, Best Value and Community Services Scrutiny Committee held at Committee Room, County Hall, Lewes on 8 November 2016.

PRESENT Councillors Mike Blanch (Chair), John Barnes (Vice Chair), Carolyn Lambert, Peter Pragnell, Mike Pursglove and Bob Standley

ALSO PRESENT Kevin Foster, Chief Operating Officer
Russell Banks, Head of Assurance
Nigel Chilcott, Senior Audit Manager
Phil Hall, Interim Chief Finance Officer
Richard Carcas, Principal Finance Officer (Treasury Management)
Sarah Mainwaring, Head of HR and Organisational Development
Ross Duguid, Procurement Category Manager
Matthew Powell, Asset Strategy Manager
Cynthia Lyons, Acting Director of Public Health
Rupert Clubb, Director of Communities, Economy and Transport
Karl Taylor, Assistant Director Operations
Justin Foster, Waste Team Manager
Robyn Hunter, PA to Chief Operating Officer

Martin Jenks, Senior Democratic Services Advisor

31 MINUTES OF THE MEETING HELD ON 27 SEPTEMBER 2016

31.1 The Committee RESOLVED to approve as a correct record the minutes of the meeting held on 27 September 2016.

32 APOLOGIES FOR ABSENCE

32.1 Apologies for absence were received from Councillor Trevor Webb.

32.2 It was noted that Councillor Pursglove was substituting for Councillor Keeley.

33 DISCLOSURES OF INTERESTS

33.1 Councillor Blanch declared a personal interest in item 13 (see minute 43), as a family member is a member of the Beachy Head Chaplaincy Team. He did not consider this to be prejudicial.

34 URGENT ITEMS

34.1 There were none.

35 INTERNAL AUDIT 2016/17 PROGRESS REPORT - QUARTER 2

35.1 The report was introduced by the Head of Assurance, which provides a summary of the opinions for the audits carried out in Quarter 2. With the exception of schools audits, they were in general positive with none less than substantial assurance opinion. A number of additional audits have been added to the audit plan and there were no outstanding high risk recommendations.

35.2 The Committee were reminded of the approach regarding school audits, with the second phase of randomly selected school audits carried out by Mazars starting in September. At this stage there is an indication that there has been an improvement following the schools training programme.

35.3 The Committee commented that it was pleasing to see the full assurance opinion for the Pension Fund Governance and Investments audit, and the work on the Pensions system Altair data merge to support this project. It also congratulated Internal Audit team on their work and noted the number of positive audit opinions.

35.4 The Head of Assurance confirmed that all the existing items that are outstanding from the schools audit work are scheduled to be followed up and completed by the end of March 2017.

35.5 The Committee RESOLVED:

- 1) that no further action should be taken in response to the issues raised in any of the audits carried out during Quarter 2;
- 2) there were no new or emerging risks for inclusion in the Internal Audit Plan; and
- 3) to congratulate officers on their work.

36 ANNUAL AUDIT LETTER 2015/16 AND FEE UPDATE

36.1 The report was introduced by the Interim Chief Finance Officer. The Annual Audit Letter does not contain any new information compared with the report previously made to the Committee by the External Auditors.

36.2 The Committee noted that the audit fee had reduced as a consequence of the greater efficiency achieved in the closing of accounts in comparison with the old Audit Commission process.

36.3 The Committee RESOLVED to note the Annual Audit Letter and the fee update for 2015/16.

37 TREASURY MANAGEMENT ANNUAL REPORT 2015/16 AND MID YEAR REPORT (2016/17)

37.1 The report was introduced by the Interim Chief Finance Officer and the Principal Finance Officer (Treasury Management). A new Code of Practice for Treasury Management was introduced following the Icelandic Bank collapses, which requires three areas of Treasury Management activity to be regularly reported. This report combines a review of actual activity in the previous year 2015/16 and a mid-year review for 2016/17.

37.2 The Interim Chief Finance Officer outlined that interest on deposits over the previous financial year (2015/16) had been fairly low, averaging 0.7%, and around £20million of new borrowing had taken place. In the first half of the current financial year a small amount of new borrowing took place to replace debt that had matured. Interest rates on short term investments remain low.

37.3 Information on the Capital Financing Requirement (CFR) and Minimum Revenue Provision (MRP) are also included in the report. A review of the Minimum Revenue Provision (MRP) is underway and is scheduled to be reported back to the Committee at the December Reconciling Policy, Performance and Resources (RPPR) Board meeting. It is likely that the review will result in a reduced Minimum Revenue Provision (MRP) in future years.

37.4 The Committee asked about the replacement of long term debt; whether LOBO (Lender Option, Borrower Option) loans will be due for redemption soon and; whether the Council will continue to be able to borrow at lower interest rates.

37.5 The Principal Finance Officer (Treasury Management) responded that the Council had repaid some Public Works Loan Board (PWLB) historic debt early, which has the highest interest rates, and replaced it with lower interest LOBO products. The interest on the three LOBO products is on average 4.5%. All LOBO loans are within option and are monitored on a regular basis.

37.6 The Council's Treasury Management advisors, Capita, expect the PWLB interest rates to remain relatively low in next two years. They will be monitored with Capita and the advice is to take out loans as the Council needs them and take action when required. It is likely that the PWLB will remain the main borrowing source, but alternative sources such as the Municipal Bonds Agency will offer alternatives which will help to keep PWLB rates lower.

37.7 The Committee were advised that it is not worth redeeming higher rate debt at present due to early redemption penalties, which make redeeming debt early too expensive. New borrowing will only be undertaken when the Council needs the funds due to the high carrying cost of debt (i.e. the interest paid on borrowing is significantly higher than the interest paid on short term investments).

37.8 The Committee RESOLVED to:

- 1) note the Treasury Management performance in 2015/16 incorporating the Mid-Year review for the first half of 2016/17; and
- 2) to continue the discussion regarding the Capital Financing Requirement (CFR) and Minimum Revenue Provision (MRP) at the RPPR Board.

38 RECONCILING POLICY, PERFORMANCE AND RESOURCES (RPPR) 2017/18

38.1 The Chief Operating Officer introduced report. The Chair referred the Committee to the list of further information requests contained in the minutes of the previous meeting. There were no additional items for the Committee to consider with the exception of the additional savings requirement for Orbis.

38.2 The Committee asked if the additional Orbis savings involved bringing existing savings plans forward from 2018/19. The Chief Operating Officer responded that the additional savings would be achieved in part by bringing savings forward and in part from increased savings from 'manged on behalf of' budgets. The increased savings will come from Procurement and Business Operations. At present Orbis is checking to make sure that the additional savings are applied in an equal and fair way across the two organisations. More detail will be provided at RPPR Board meeting.

38.3 The Committee asked for further detail about the savings being made in Trading Standards. The Senior Democratic Services Advisor informed the Committee that this service area was within the remit of the Economy, Transport and Environment (ETE) Scrutiny Committee, and agreed to circulate an earlier report to the ETE Scrutiny Committee on Trading Standards.

38.4 The Committee RESOLVED to note the report and that there were no further requests for additional information for the RPPR Board.

39 ANNUAL UPDATE ON THE USE OF AGENCY STAFF

39.1 The Head of Human Resources (HR) and Organisational Development introduced the report. The predicted expenditure on agency staff for 2016/17 is lower than for 2015/16. The Council has had a new provider for agency staff, Adecco, since the 1st of January 2016. The Council is happy with the new service, which has improved governance and arrangements for pre-employment checks.

39.2 One of the key reasons for the use of agency staff is to cover sickness absence. There are a number of initiatives to tackle this, which are detailed in Appendix 3 of the report. The focus of the work to reduce sickness absence levels has been on Adult Social Care (ASC) and Children's Services (CS) departments. A comparison of sickness absence figures with other Local Authorities has confirmed the profile of absences is very similar to other councils.

39.3 There are two key targets measuring sickness absence; the number of days lost per employee (Council Plan target); and return to work interview compliance. Both targets have improved and the Council Plan target for reducing the number of days lost per employee has been achieved. There is good evidence of the impact that conducting return to work interviews is having. For longer term sickness absence, making contact within seven days makes a big difference and managers are also using Skype to contact staff, where appropriate. This improvement has been achieved through targeted work with departments, increased support for managers and the development e-learning resources to help with these issues.

39.4 The Committee congratulated the HR Team on this achievement and noted that there had been a reduction in the use of agency staff in the Business Services Department (BSD) as number of corporate projects had finished. The Committee asked for a projection of the level of expenditure in BSD for consultants and corporate projects in the coming year.

39.5 The Chief Operating Officer responded that BSD are continually bringing down use of agency staff. Continued use of agency staff and consultants is mainly for specialist knowledge areas, which could rise if there are large pieces of specialised work that need to be undertaken. The Information Communications Technology (ICT) team is staffed slightly above budget to make sure we have resources and flexibility for projects and to deal with peaks in demand. ICT have also looked at skills across Orbis to make the best use of the resources available. The department can report on the levels of expenditure on agency staff built into next years budget at the RPPR Board.

39.6 The Committee asked if the increasing number of apprenticeships would have an impact on agency staff use. The Head of HR and Organisational Development replied that a lot of agency staff are used to fill skilled roles in ASC and CS. Consequently the number of apprenticeships will not have an impact on the need for sickness absence cover. However, apprenticeships may have more impact where we are seeking to train and develop our own staff for roles where recruitment is difficult .

39.7 The Committee discussed the use of Newly Qualified Teachers (NQT's) in schools. The Head of HR and Organisational Development confirmed that the Council is developing programmes to recruit teachers in partnership with the local universities. There are NQT's in rural schools, where support can be in an issue due to the school size. The Head of HR and Organisational Development is not aware of the dropout rate for these programmes, but can speak to Children's Services about this.

39.8 The Chief Operating Officer added that Orbis is working to share staff in order to reduce the use of agency staff. Orbis is also developing its own talent across the three partners (East Sussex County Council (ESCC), Surrey County Council and Brighton & Hove City Council) through the Ingenium and EPIC+ programmes. The department believes that it is important to develop and encourage young talented people within the organisation.

39.9 The Committee asked what the evaluation and testing arrangements were for the new agency contract. The Head of HR and Organisational Development outlined that there was a robust infrastructure in place to monitor the contract, and has the sort of Key Performance Indicators that would be usual for such a contract. There are regular contract meetings and Adecco have employee in County Hall one day a week to look at any contract issues. The Head of HR and Organisational Development has found Adecco very responsive to any issues that have arisen.

39.10 The Committee RESOLVED to:

- 1) congratulate to HR Team on their achievement;
- 2) note the findings and conclusions presented in the report; and
- 3) request further information on the predicted agency staff and consultancy expenditure for BSD for the RPPR Board meeting December.

40 PROCUREMENT UPDATE

40.1 The Chief Operating Officer introduced report and Ross Duguid, Procurement Category Manager, to the Committee. The restructuring of the Procurement Team, into the new target operating model of four key work areas, has been completed. The report outlines the efficiency savings and cost avoidance achieved through the work of the Procurement Team. The Team have also been working to deliver social value from key contracts.

40.2 The Committee asked for clarification on the achievement of revenue and capital savings targets and whether the savings figures in the report are notional rather than real cash savings.

40.3 The Chief Operating Officer explained that the target for the current year (2016/17) was £6.1m and so far the Team have achieved £3.9m in savings across capital and revenue. The savings figures are mixture of cash and notional savings to try and measure the benefit of having a Procurement Team (i.e. the costs saved and avoided by the intervention of the Procurement Team, compared with not have a procurement function). On projects like Hastings Library the £426,568 savings is the difference between predicted cost (estimated by an external consultant) and what the project was delivered for. The Procurement Category Manager stated that Procurement Team could examine different ways of presenting savings information for future reports, if that would be helpful.

40.4 The Chief Operating Officer outlined that the Procurement Team were working on the savings forecast for 2017/18, which should be completed by Christmas. The Committee asked if it could have sight of the first draft of 2017/18 projected savings at RPPR Board in December. The Procurement Category Manager confirmed that it should be possible to share a first draft of the savings for 2017/18. Some of the procurement savings are hard to forecast and may be more speculative in nature when they are based on procurement exercises.

40.5 The Committee asked how the Council manages inflation in contracts and how this takes into account the market pressures on goods and services. The Procurement Category Manager outlined that the Procurement Team look at inflation projections for the various market sectors, and use market intelligence to try and mitigate inflationary pressures. The combined purchasing power of the Orbis Partners is having an effect and is helping to keep costs down. The Procurement Team is using market intelligence to examine different ways of procuring goods and services, and the Team is also working with contractors to achieve efficiencies in the cost of existing contracts.

40.6 The Committee cited an example of a school where it was paying for electricity on a base load estimate that appeared to be too high. It asked if this was commonplace across schools. The Procurement Category Manager said he would investigate and report back to the Committee.

40.7 The Committee asked why the Cradle Hill School development project did not include the provision of a safe road crossing point. The Chief Operating Officer explained that the Procurement Team is not involved in design of road safety measures, and would not alter the specification of such features. The Chief Operating Officer agreed to investigate and respond directly to Councillor Lambert.

40.8 The Committee RESOLVED to:

- 1) note savings achieved by the Council through procurement activities in 2016/17, and the current forecast for 2016/17;
- 2) note progress on other key activities within the Procurement Service; and
- 3) request more contextual information in the savings tables presentation to include details of cost avoidance and cash savings; and
- 4) receive the first draft of 2017/18 projected savings at RPPR Board in December.

41 ATRIUM PROPERTY ASSET MANAGEMENT SYSTEM

41.1 The Chief Operating Officer introduced report and Matthew Powell, Asset Strategy Manager, to the Committee. The department is very close to having the full system up and running, which has also been implemented across a number of authorities in the South East (e.g. Surrey, Hampshire, Lewes, Eastbourne and Brighton & Hove City Council). The Atrium system is live for web based ordering, so supply chain contractors can see the status of orders. The next stage will be implementing planned maintenance programmes for both revenue and capital funded work.

41.2 The Committee asked a number of questions about the implementation of the new system, which are summarised below.

- The Asset Strategy Manager informed the Committee that all modules will be live very soon, but there had been some delays due to the hosted nature of the system which requires partners to work together on Atrium implementation.
- The projected cost of implementing a new property asset management system was not identified at the start of the project. This was because the Council had to replace system the previous SAP based system, which no longer met the Council's needs.
- The project looked at the procurement work and market testing that other Local Authorities had undertaken before procuring the new system. A saving of £85,000 was achieved in the procurement cost of the new property management system.

41.3 The Committee sought clarification on the policy around the renewal of leases, especially the new storage facility at Ropemaker Park in Hailsham. The Chief Operating Officer responded that ESCC had taken over an existing lease at Ropemaker Park which determined the initial term, and will provide further information on the lease renewal policy to the Committee.

41.4 The Committee RESOLVED to note progress made to date on the implementation of the Atrium Property Asset Management System and welcomed the work that had been undertaken.

42 PROPERTY SERVICE UPDATE

42.1 The Chief Operating Officer introduced report, which includes progress on solar projects, a list of assets for disposal, and a draft Meanwhile Use policy.

Solar

42.2 The Committee discussed the Solar projects outlined in the report. The Chief Operating Officer confirmed that the solar panels last between 20 – 25 years and that the reduction in the feed in tariff meant that the remaining projects could no longer achieve the required payback period.

42.3 The Committee asked if the benefit figures in the report represented income or savings in costs. It also asked if solar had reduced the running cost of County Hall. The Chief Operating Officer responded that the benefits should reflect both income and a reduction in costs, but will come back to Committee and confirm. The Committee asked for a short item to be presented to the RPPR Board on the breakdown of Solar benefits.

42.4 The Chief Operating Officer reported that the cost of heating County Hall had been reduced by 56% due to the combined introduction more efficient gas boilers, the window replacement programme and the installation of solar panels. This achieved a saving of around £29,000 for this building, and the utilisation of these energy saving measures across the Council had led to savings of around £500,000.

Property Pipeline.

42.5 The Committee noted the list of surplus assets and their current status. The Chief Operating Officer confirmed that these were all the assets currently declared surplus, but more assets may be added in the future. The Committee discussed a number of assets on the list and asked for further information as detailed below.

- Homefield Place is not on the list. The Chief Operating Officer to update Councillor Lambert.
- Land acquired as part of the Hastings to Bexhill Link Road project. Some land has been exchanged to reduce ESCC's compensation liabilities. A report will be presented to the Lead Member for Resources on the disposal of the Adams Farm on the 15 November 2016. The Chief Operating Officer will provide an update to Councillor Barnes.
- Former West St. Leonards Primary School site. ESCC is seeking to develop this site and is having discussion with other partners. There are flooding considerations for parts of this site which will limit potential development/uses.

- Former Grove School site. It is proposed to redevelop this site for housing to meet the housing need in the area. An application for planning permission is to be considered by the Hastings Borough Council Planning Committee. ESCC have re-provided the school and the capital receipt will help fund the schools programme. It is possible to restrict the use of the site to guard against future gains in value, but this can limit the amount of the money received from the sale of the site. ESCC may act as the developer for this site.

Meanwhile Use.

42.6 The Committee commented that it believes that Eastbourne Borough Council and possibly Hastings Borough Council may have a Meanwhile Use policy. The Chief Operating Officer responded that Meanwhile Use tends to be more suitable for the type of properties that District and Borough Councils own around town centres, rather than the type of property that ESCC typically owns.

42.7 The Committee added that Meanwhile Use not just about community use but also commercial use. The public have a negative perception of empty buildings, which can lead to reputational damage for the Council. Consequently ESCC may need to be slightly more proactive, as it may be missing out on income generating or cost minimisation opportunities. The Committee asked the department to report back with the final version of the Meanwhile Use policy.

42.8 The Committee RESOLVED to:

- 1) note the property updates including solar projects and the list of surplus property assets;
- 2) request further information on the breakdown of solar project benefits at the December RPPR Board; and
- 3) receive an update when the Meanwhile Use policy is finalised.

43 PUBLIC HEALTH ONE-OFF PROJECTS - UPDATE REPORT

43.1 The Acting Director of Public Health introduced the report. The Committee thanked officers for the detailed progress report on the three tranches of projects receiving one-off funding. It commented that there is a total of £6.3m worth of one-off projects in Tranche 2, of which almost £4m is linked to the Community Resilience programme. A summary of the key points raised during the discussion of the report is given below.

43.2 Suicide Prevention.

- This has been a successful project with a number of aspects moved into mainstream service provision. Work from the project has been included as a case study in the nationally published Public Health England Local Suicide Prevention Planning document. The Committee asked if it was possible to quantify the number of lives saved. The Chair indicated that records of the Beachy Head Chaplaincy show that they intercept around one suicidal person per day, equating to around 350 people a year and that they prevent around 9 out of 10 people they intercept from committing suicide. The Acting Director of Public Health confirmed that Public Health will continue working on Suicide Prevention as it is a core function and so is reflected in mainstream budgets.

43.3 Safer Streets – East Sussex Road Safety Programme

- The Public Health team are working with colleagues in the Communities, Economy and Transport (CET) department who are delivering this project. A joint Review Board was established with the Economy, Transport and Environment (ETE) Scrutiny Committee who received an update report at their meeting held on the 14 September 2016. The Senior Democratic Services Advisor to email a copy of the report to the Committee.

- A further project progress report will be presented to the ETE Scrutiny Committee in June 2017. Implementing 20 mph zones is one of the areas of work being considered by the East Sussex Road Safety Programme, as well as other speed reduction and road safety engineering schemes. However, the main focus is on driver behaviour and how to change it.
- 43.4 Reduced incidents of self-harm in young people
- This project is finished and was reviewed by a cross Council group and is achieving some success in reducing self-harm.
- 43.5 Addressing Obesity
- Obesity figures are of concern. The Committee asked who is going to deliver some of these programmes in schools and whether the Children's Services Scrutiny Committee is receiving updates on the programmes. The Acting Director of Public Health will follow this up with Children's Services so that the Scrutiny Committee receives the information.
- 43.6 Re-Offending levels.
- The Committee asked if this project had achieved a step change in re-offending rates. The Acting Director of Public Health outlined that this area will need continued intervention, but will get an update from Children's Services for the Committee.
- 43.7 Community Resilience
- The Community Resilience programme work is reviewed by the East Sussex Better Together (ESBT) Programme Board. The Acting Director of Public Health explained that the programme seeks to achieve greater Community Resilience by building upon assets within communities and the skills and assets of individuals to improve health and wellbeing and to reduce the need for statutory services. The Community Link workers have just been appointed and are linking to the integrated health and social care teams. The 'Connecting For You' programme, the transformation programme which covers the High Weald Lewes Havens area, has also now adopted the Community Resilience Programme as a key programme within their overall programme.
 - The funding to support the programme is based on the Cumbria model (previously reported). In total 33 communities were identified in Chances for Change programme. The Committee asked if the update going to the ESBT Programme Board will be presented to the ESBT Scrutiny Board. The Acting Director of Public Health can provide details of the implementation plan and delivery of the programme to the ESBT Scrutiny Board as part of normal reporting arrangements.
- 43.8 Exploitation, Domestic and Sexual Abuse
- The Committee commented that the update on this project indicates a successful step change so far judging by the progress made to specify services and the recruitment of specialist staff.
- 43.9 Embedding Health Improvements in Schools
- This project provides funding to all schools and colleges to develop and implement a health improvement plan. This has a particular focus on tackling childhood obesity.

43.10 The Committee commented on how useful the update report had been in outlining the progress of the various one-off funded projects. The Committee considered that it was important that monitoring of the projects evaluate whether the objectives have been achieved, including if the learning has been incorporated into mainstream services. The Committee recommended that the whole of update report should go to the relevant service Scrutiny Committees, for information.

43.11 The Committee RESOLVED to:

- 1) Thank the Public Health Team for their work;
- 2) Recommend that the whole update report is sent to the relevant service Scrutiny Committees for information; and
- 3) Request the monitoring of the projects evaluates whether they have achieved their objectives, including if the learning has been incorporated into mainstream activities, and whether there has been a sustainable step change or instead there exists a need for identified continuing funding.

44 WASTE PFI CONTRACT UPDATE

44.1 The Assistant Director, Operations introduced report. The report describes two pieces of work on the Waste Contract. One is the Department for Environment, Food and Rural Affairs (DEFRA) contract review and the other is a more detailed piece of work this is being undertaken with Local Partnerships. The intention is to bring outcome of the Local Partnerships, Operational Savings Review, to both Audit Best Value & Community Services (ABVCS) and Economy Transport and Environment (ETE) Scrutiny Committees.

44.2 The Committee discussed whether to establish a joint Review Board with the ETE Scrutiny Committee earlier in February or March 2017, to consider the outcome of the Operational Savings Review. Starting this piece of work earlier could be abortive, as it is close to the pre-election period (Purdah) and membership of the Committee may change as a result of the County Council elections. It was agreed to wait until after the County Council elections in May 2017 to start this piece of work with ETE Scrutiny.

44.3 The Committee RESOLVED to:

- 1) Note the update on work with the Department for Environment Food & Rural Affairs (DEFRA) and Local Partnerships; and
- 2) Await completion of the work being undertaken with Local Partnerships on the Operational Savings Review before considering further scrutiny work jointly with the Economy, Transport and Environment (ETE) Scrutiny Committee.

45 SCRUTINY COMMITTEE FUTURE WORK PROGRAMME

45.1 The Committee noted that the report on the Internal Audit Strategy and Plan for 2017/18 will now be presented at the March 2017 meeting. As a consequence the date for Internal Audit Strategy and Plan briefing, which will include an update on the Orbis Internal Audit work, will need to take place at some time during January 2017. It proposed to hold this briefing after Cabinet in January, or timed to coincide with another meeting that is being attended by Committee members.

46 FORWARD PLAN

46.1 The Committee RESOLVED to note the Forward Plan.

47 ANY OTHER ITEMS PREVIOUSLY NOTIFIED UNDER AGENDA ITEM 4

47.1 There were none.

The meeting ended at 12.20 pm.

Councillor Mike Blanch
Chair

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Report to: **Audit, Best Value and Community Services Scrutiny Committee**

Date: **14 March 2017**

By: **Chief Operating Officer**

Title of report: **External Audit Plan 2016/17**

Purpose of report: **To inform the Committee of the content of the Council's External Audit plan for 2016/17**

RECOMMENDATIONS

The Committee is recommended to consider and comment upon the External Audit Plan for 2016/17.

1. Background

1.1 The Plan confirms the 2016/17 core external audit fee as £83,572. This is unchanged from the 2015/16 fee. The fee is based on a number of assumptions, including the Council providing the auditors with complete and materially accurate financial statements, with good quality supporting working papers, within agreed timeframes.

2. Supporting Information

2.1 The attached East Sussex County Council (ESCC) external audit plan (Appendix 1) sets out in more detail the work the external auditors will conduct in order to audit the Council's 2016/17 accounts. The Plan reflects relevant issues that have arisen as a result of the 2015/16 account audit and other work carried out by KPMG e.g. the Value for Money assessment.

2.2 KPMG initial risk assessment has not identified any significant risks that are specific to the Council. Areas of audit focus either due to their size, level of judgement or their influence on other balances within the financial statements are:

- Significant changes in the pension liability due to LGPS Triennial Valuation;
- Minimum Revenue Provision; and
- Accounting for Local Authority Maintained Schools.

3. Conclusion and reasons for recommendations

3.1 KPMG overall audit approach remains similar to last year with no fundamental changes. Officers will continue to liaise with KPMG to ensure that their work is delivered as efficiently and effectively as possible and that internal and external audit plans are complementary and make best use of audit resources. The Plan will be reported to the Cabinet for approval on 18 April 2017.

KEVIN FOSTER
Chief Operating Officer

Contact Officer: Ola Owolabi, Head of Accounts and Pensions
Tel. No. 01273 482017
Email: Ola.Owolabi@eastsussex.gov.uk

Local Member(s): All
Background Documents
None

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External Audit Plan 2016/2017



East Sussex County Council

January 2017

Financial Statement Audit



There are no significant changes to the Code of Practice on Local Authority Accounting in 2016/17, which provides stability in terms of the accounting standards the Authority need to comply with.

Materiality

Materiality for planning purposes has set at **£9.5 million** for the Authority.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at **£475,000**.

Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- Significant changes in the pension liability due to LGPS Triennial Valuation;
- Minimum Revenue Provision; and
- Accounting for Local Authority Maintained Schools.

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding have been identified as:

- Assuring the Fair value of PPE

See pages 5 to 6 for more details.

Value for Money Arrangements work



Our risk assessment regarding your arrangements to secure value for money have not identified any VFM significant risks.

See pages 8 to 11 for more details

Logistics



Our team is:

- Phil Johnstone - Director
- Scott Walker - Manager
- Sana Naqvi – Assistant manager

More details are on **page 14**.

Our work will be completed in four phases from January to September and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 13**.

Our fee for the audit is £83,572 (£83,572 2015/2016) for the Authority. See **page 12**.

Introduction

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2016/17 presented to you in April 2016, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our audit has two key objectives, requiring us to audit/review and report on your:

- *Financial statements (including the Annual Governance Statement)*: Providing an opinion on your accounts; and
- *Use of resources*: Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

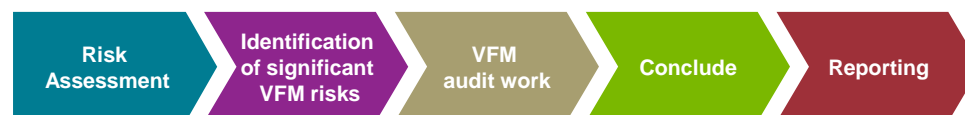
Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 8 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2016/17 and the findings of our VFM risk assessment.





Financial Statements Audit Planning

Our planning work takes place during January to February 2017. This involves the following key aspects:

- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 450 Report.

- **Management override of controls** – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- **Fraudulent revenue recognition** – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

The diagram opposite identifies, significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Keys: ● Significant risk ● Other area of audit focus ● Example other areas considered by our approach



Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

Risk : Significant changes in the pension liability due to LGPS Triennial Valuation

During the year, the Pension Fund has undergone a triennial valuation with an effective date of 31 March 2016 in line with the Local Government Pension Scheme (Administration) Regulations 2013. The share of pensions assets and liabilities for each admitted body is determined in detail, and a large volume of data is provided to the actuary to support this triennial valuation.

The pension numbers to be included in the financial statements for 2016/17 will be based on the output of the triennial valuation rolled forward to 31 March 2017. For 2017/18 and 2018/19 the actuary will then roll forward the valuation for accounting purposes based on more limited data.

There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts.

The Pension Fund only includes limited disclosures around pensions liabilities but we anticipate that this will be identified as a risk area by some of the admitted bodies, whose pension liabilities represent a significant element of their balance sheet. This includes the Authority itself.

Approach :

As part of our audit of the Pension Fund, we will undertake work on a test basis to agree the data provided to the actuary back to the systems and reports from which it was derived and to understand the controls in place to ensure the accuracy of this data. This work will be focused on the data relating to the Authority itself as largest member of the Pension Fund.

If we receive specific requests from the auditors of other admitted bodies, we are required to support their audits under the protocols put in place by the PSAA for this purpose. If the work they request is over and above that already planned, there will be additional costs arising from this. The Pension Fund can consider recharging these costs to the relevant admitted bodies

Risk : Minimum Revenue Provision

The Council is planning to reduce the annual Minimum Revenue Provision (MRP) that it makes. The set aside made may be incorrectly calculated and not accord with DCLG guidance.

Approach :

We will review the Council's revised annual MRP calculation to confirm that it complies with DLCG guidance and has been correctly calculated.



Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

Risk : Accounting for Local Authority Maintained Schools

LAAP Bulletin 101 Accounting for School Assets used by Local Authority Maintained Schools issued in December 2014 has been published to assist practitioners with the application of the Code in regard to accounting for Local Authority maintained schools. The challenges relate to school assets owned by third parties such as church bodies and made available to school governing bodies under a variety of arrangements. This includes assets used by Voluntary-Aided (VA) and Voluntary-Controlled (VC) Schools as well as Foundation Schools.

In 2014/15, management reviewed the agreements under which assets are used by VA/VC and Foundation schools and applied the relevant tests of control in the case of assets made available free of charge, or risks and rewards of ownership in the case of assets made available under leases. During the audit, we worked with the Authority to consider these schools fully in light of the applicable guidance and upon review of the newly acquired evidence, including additional legal documentation obtained from the Dioceses' and the deeds from the Land Registry. As part of this, the Council concluded that there was insufficient supporting evidence to confirm the ownership of the remaining 22 schools.

As a result, the Council included these 22 schools in the Council's financial statements where ownership is not currently certain. At that time, we also understood that the Diocese of Chichester was undertaking a process to review these schools and to register the Diocese as the legal owners where they can conclusively prove that they are legally theirs. It is therefore possible that some or all of these 22 schools may be removed from the Council's financial statements but this will only be done where ownership is conclusively proven. This is a key area of judgement and there is a risk that Authorities could omit school assets from, or include school assets in, their balance sheet.

Approach :

As part of our audit, we will discuss with the Authority the latest available information on the remaining schools and review the judgements it has made in this regard. This will include considering the Authority's application of the relevant accounting standards to account for these schools and challenging its judgements where necessary.

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

Risk : Assuring the Fair value of PPE

In 2015/16 the Council reported Property, Plant and Equipment of £879 million. Local authorities exercise judgement in determining the fair value of the different classes of assets held and the methods used to ensure the carrying values recorded each year reflect those fair values. Given the materiality in value and the judgement involved in determining the carrying amounts of assets we consider this to be an area of audit focus.

Approach :

We will understand the approach to valuation, the qualifications and reports by the Council's valuer and the judgements made by the Council in response to the information received. Where valuations are made other than at the year end we will review the Council's judgement in assessing movements from the valuation date.



Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

For the Authority, materiality for planning purposes has been set at £9.5 million which equates to 1% percent of gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision.

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Reporting to the Scrutiny Committee for Audit, Best Value and Community Services

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Scrutiny Committee for Audit, Best Value and Community Services any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260(UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £475,000.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Scrutiny Committee for Audit, Best Value and Community Services to assist it in fulfilling its governance responsibilities.



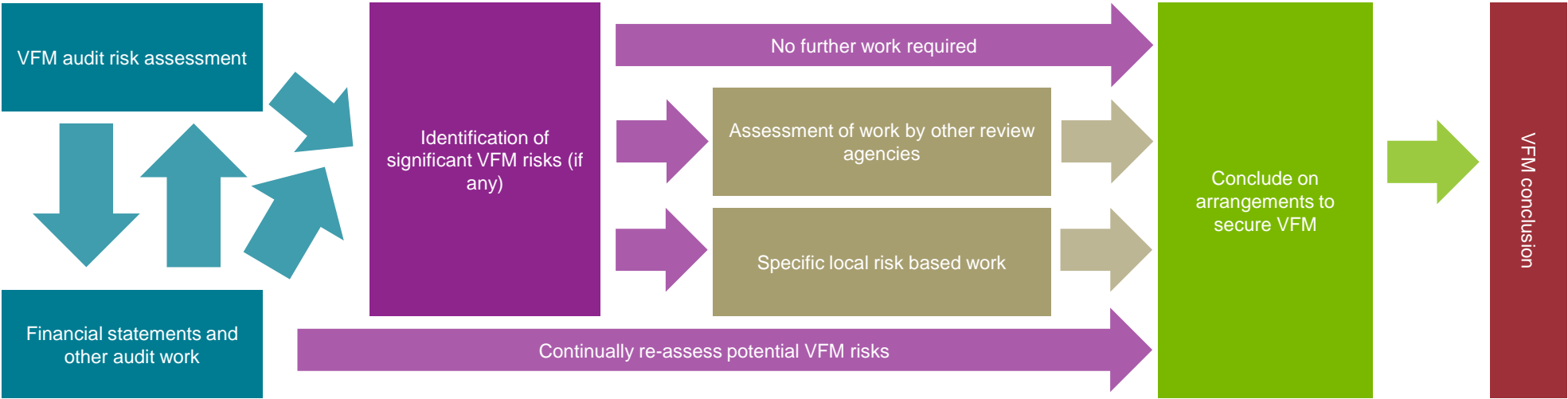
Background to approach to VFM work

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2015/2016 and the process is shown in the diagram below. The diagram overleaf shows the details of the criteria for our VFM work.

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Overall criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Informed decision making

Proper arrangements:

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance.
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.
- Reliable and timely financial reporting that supports the delivery of strategic priorities.
- Managing risks effectively and maintaining a sound system of internal control.

Sustainable resource deployment

Proper arrangements:

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
- Managing and utilising assets to support the delivery of strategic priorities.
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

Working with partners and third parties

Proper arrangements:

- Working with third parties effectively to deliver strategic priorities.
- Commissioning services effectively to support the delivery of strategic priorities.
- Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for money arrangements work (cont.)



| VFM audit stage | Audit approach |
|--|---|
| <p>VFM audit risk assessment</p> <p>Page 26</p> | <p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> ■ The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks; ■ Information from the Public Sector Auditor Appointments Limited VFM profile tool; ■ Evidence gained from previous audit work, including the response to that work; and ■ The work of other inspectorates and review agencies. |
| <p>Linkages with financial statements and other audit work</p> | <p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p> |
| <p>Identification of significant risks</p> | <p>The Code identifies a matter as significant <i>'if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.'</i></p> <p>If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> ■ Considering the results of work by the Authority, inspectorates and other review agencies; and ■ Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. |

Value for money arrangements work (cont.)



| VFM audit stage | Audit approach |
|--|---|
| <p>Assessment of work by other review agencies</p> <p>and</p> <p>Delivery of local risk based work</p> | <p>Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.</p> <p>If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:</p> <ul style="list-style-type: none"> ■ Meeting with senior managers across the Authority; ■ Review of minutes and internal reports; ■ Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector. |
| <p>Concluding on VFM arrangements</p> <p>Page 22</p> | <p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p> |
| <p>Reporting</p> | <p>We have completed our initial VFM risk assessment and have not identified any significant VFM risks. We will update our assessment throughout the year should any issues present themselves and report against these in our ISA260.</p> <p>We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Council's arrangements for securing VFM), which forms part of our audit report.</p> |

Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2016/17 have not yet been confirmed.

Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.

Our audit team

Our audit team will be led by Phil Johnstone (Director) and Scott Walker (Audit Manager) providing continuity at a senior level. Appendix 2 provides more details on specific roles and contact details of the team.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Scrutiny Committee for Audit, Best Value and Community Services. Our communication outputs are included in Appendix 1.

Independence and Objectivity

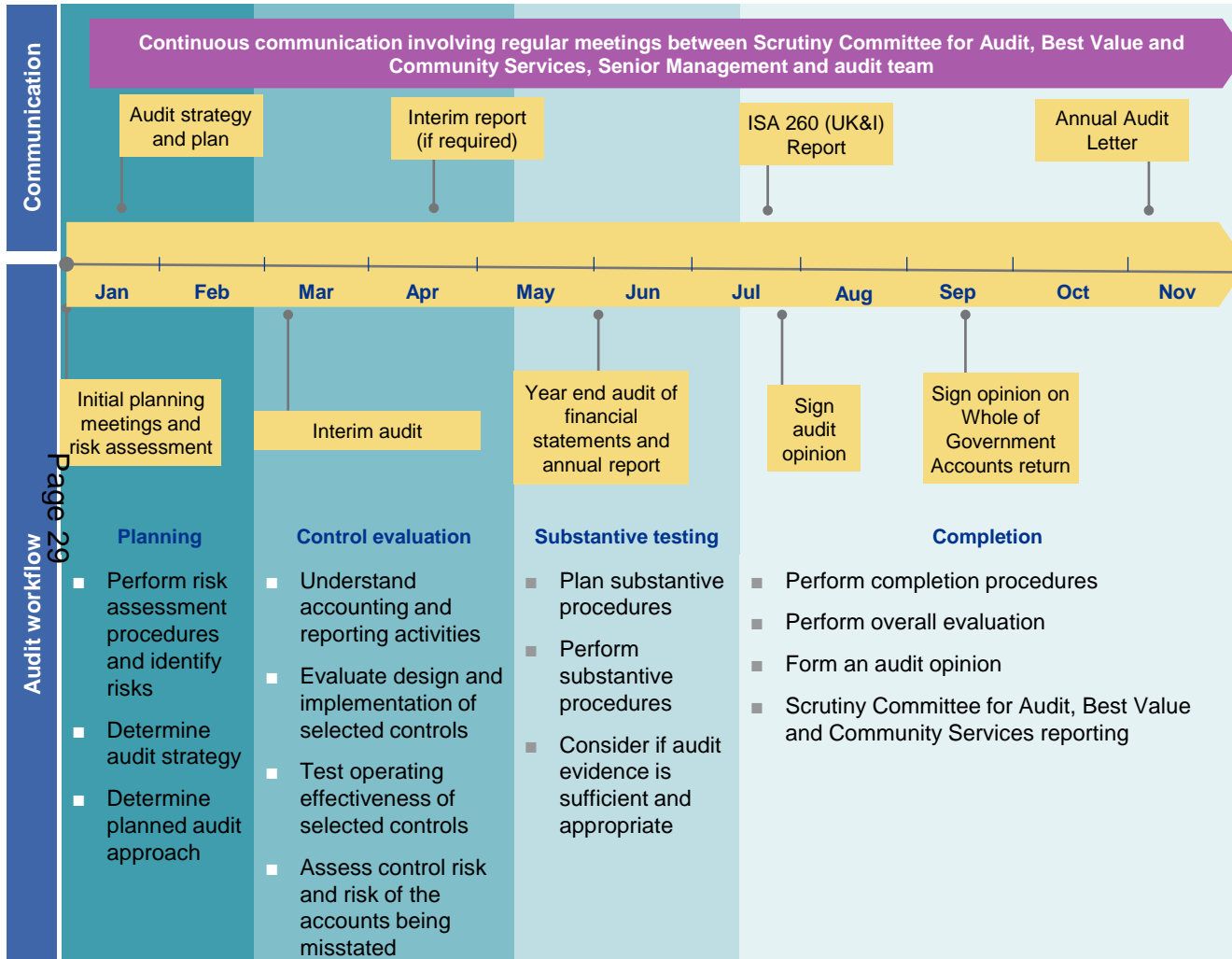
Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

Audit fee

Our Audit Fee Letter 2016/2017 presented to you in April 2016 first set out our fees for the 2016/2017 audit. This letter also sets out our assumptions. We have not considered it necessary to make any changes to the agreed fees at this stage.

The planned audit fee for 2016/17 is £83,572 for the Authority (2015/16: £83,572).

Appendix 1: Key elements of our financial statements audit approach



Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective 'business intelligence.' Data and Analytics allows us to:

- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as accounts payable and journals. We also expect to provide insights from our analysis of these tranches of data in our reporting to add further value from our audit.

Appendix 2: Audit team



Your audit team has been drawn from our specialist public sector assurance department. Our audit team were all part of the East Sussex County Council audit last year.



Page 30

| | |
|-----------------|---|
| Name | Phil Johnstone philip.johnstone@kpmg.co.uk |
| Position | Director |
| | <p>'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.</p> <p>I will be the main point of contact for the Scrutiny Committee for Audit, Best Value and Community Services, Chief Executive and Executive Directors.'</p> |



| | |
|-----------------|--|
| Name | Scott Walker Scott.walker@kpmg.co.uk |
| Position | Manager |
| | <p>'I provide quality assurance for the audit work and specifically any technical accounting and risk areas.</p> <p>I will work closely with Phil to ensure we add value.</p> <p>I will liaise with the Chief Finance Officer, Director of Finance and the Finance Team'</p> |



| | |
|-----------------|--|
| Name | Sana Naqvi sana.naqvi@kpmg.co.uk |
| Position | Assistant Manager |
| | <p>'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'</p> |

Appendix 3: Independence and objectivity requirements

Independence and objectivity

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Scrutiny Committee for Audit, Best Value and Community Services.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standards require us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.

- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

Confirmation statement

We confirm that as of January 2017 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.



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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment’s website (www.psa.co.uk).

External auditors do not act as a substitute for the audited body’s own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG’s work, in the first instance you should contact Phil Johnstone, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG’s work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk .After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA’s complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

Report to: **Audit, Best Value and Community Services Scrutiny Committee**
Date: **14 March 2017**
By: **Chief Operating Officer**
Title of report: **KPMG Certification of Claims and Returns for the year ended 31 March 2016**
Purpose of report: **To report to the Committee the external auditor's findings from the 2015/16 returns certification.**

RECOMMENDATIONS

The Committee is recommended to note the report.

1. Background

1.1 The Council is responsible for compiling grant claims and returns in accordance with the requirements and the timescales set by central government.

2. Supporting Information

2.1 The Council's external auditors (KPMG) annually review the claims/returns through a grants certification audit. KPMG require the Council to communicate the key messages from the grants certification audit with those charged with governance, which at East Sussex County Council is the Audit, Best Value and Community Services Scrutiny Committee. The attached report from KPMG (Appendix 1) covers certification of claims and returns during 2015/16.

2.2 There were two returns certified by KPMG in relation to the 2015/16 financial year, relating to the National College for Teaching and Leadership (NCTL) and Teachers Pension Authority (TPA) returns. The fees for these returns were £2,000 and £4,000 respectively.

2.3 Members will note that the external auditor is positive about the Council's processes for grant certification and makes no recommendations for improvement.

3. Conclusion and reasons for recommendations

3.1 KPMG has undertaken certification of returns and the audit did not identify any matters which require reporting to members.

KEVIN FOSTER
Chief Operating Officer

Contact Officer: Ola Owolabi, Head of Accounts and Pensions
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Local Member(s): All

Background Documents
None

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Members of the Audit, Best Value and
Community Services Scrutiny Committee
East Sussex County Council
County Hall
St Anne's Crescent
Lewes, East Sussex
BN7 1UE

Our ref SW/ESCC

Contact

18 January 2017

Dear Members

East Sussex County Council - Certification of claims and returns - annual report 2015/16

Public Sector Audit Appointments requires its external auditors to prepare an annual report on the claims and returns certified for each audited body. This letter is our annual report for the certification work we have undertaken for 2015/16.

In 2015/16 we did not carry out any certification work under the PSAA. We were engaged by management to carry out work to certify 2 returns outside of the PSAA. We provided;

- An Independent Assurance Report relating to the Councils National College for Teaching and Leadership Annual Grant Report (NCTL); and
- An Independent Accountants Report relating to the Councils Teachers' Pension Authority EOYCa Return (TPA).

Matters arising

Our work did not identify any issues or errors.

There were no recommendations made last year and there are no further matters to report to you regarding our certification work.

Certification work fees

We have not received any fees for certification work in 2015/16 through the PSAA. We agreed separate fee's with management relating to the NCTL and TPA returns; the fee's for these returns were £2,000 and £4,000 respectively.

Yours sincerely



Phil Johnstone
Engagement Lead

Report to: **Audit, Best Value and Community Services Scrutiny Committee**

Date: **14 March 2017**

By: **Chief Operating Officer**

Title of report: **External Audit Plan for East Sussex Pension Fund 2016/17**

Purpose of report: **To inform the Committee of the content of the Pension Fund external audit plan for 2016/17**

RECOMMENDATIONS

The Committee is recommended to consider and comment upon the External Audit Plan for the East Sussex Pension Fund for 2016/17.

1. Background

1.1 The Plan confirms the core external audit fee as £26,607. This is unchanged from the 2015/16 fee. The fee is based on a number of assumptions, including the Council providing the auditors with complete and materially accurate financial statements, with good quality supporting working papers, within agreed timeframes. The audit fee is charged to the Pension Fund and not to the Council itself.

2. Supporting Information

2.1 The attached Pension Fund external audit plan (Appendix 1) set out in more detail the work the external auditors will conduct in order to audit the Pension Fund's 2016/17 accounts. The Plan reflects relevant issues that have arisen as a result of the 2015/16 Pension Fund accounts audit and other work carried out by KPMG.

2.2 KPMG initial assessment has not identified any significant risks that are specific to the Pension Fund. Areas of audit focus either due to their size, level of judgement or their influence on other balances within the financial statements are:

- Fraud risk from management override of controls (required by ISAs).

3. Conclusion and reasons for recommendations

3.1 KPMG overall audit approach remains similar to last year with no fundamental changes. Officers will continue to liaise with KPMG to ensure that their work is delivered as efficiently and effectively as possible and that internal and external audit plans are complementary and make best use of audit resources. The Plan was reported to the Pension Board on 9 February 2017 and the Pension Committee for approval on 27 February 2017.

KEVIN FOSTER
Chief Operating Officer

Contact Officer: Ola Owolabi, Head of Accounts and Pensions
Tel. No. 01273 482017
Email: Ola.Owolabi@eastsussex.gov.uk

Local Member(s): All
Background Documents
None

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External Audit Plan 2016/2017



East Sussex County Council Pension Fund

January 2017

Financial Statement Audit



There are no significant changes to the Code of Practice on Local Authority Accounting in 2016/17, which provides stability in terms of the accounting standards the Authority need to comply with.

Materiality

Materiality for planning purposes has set at **£27 million** for the Pension Fund, which equates to 1% of Net Assets.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at **£1.35 million**.

Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- Fraud risk from management override of controls (required by ISAs)

See pages **4 to 8** for more details.

Logistics



Our team is:

- Phil Johnstone - Director
- Scott Walker - Manager
- Sana Naqvi – Assistant manager

More details are on **page 7**.

Our work will be completed in four phases from January to September and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 6**.

Our fee for the audit is £ 26,607 (£ 26,607 2015/2016) for the Pension Fund see **page 5**.

Introduction

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2016/17 presented to you in April 2016, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our key objective, is to audit/review and report on your:

- *Financial statements*: Providing an opinion on your accounts.

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.





Financial Statements Audit Planning

Our planning work takes place during January to February 2017. This involves the following key aspects:

- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

- **Management override of controls** – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- **Fraudulent revenue recognition** – We do not consider this to be a significant risk for Pension Funds as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

The diagram opposite identifies, significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

Materiality for planning purposes has been set at £27 million which equates to 1% of Net Assets.

We design our procedures to detect individual errors. This is £20.25 million for the year ended 31 March 2016, and we have some flexibility to adjust this level downwards.

Reporting to the Scrutiny Committee for Audit, Best Value and Community Services

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Scrutiny Committee for Audit, Best Value and Community Services any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260(UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

We propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.35 million.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Scrutiny Committee for Audit, Best Value and Community Services to assist it in fulfilling its governance responsibilities.

Other matters

Our audit team

Our audit team will be led by Phil Johnstone (Director) and Scott Walker (Audit Manager) providing continuity at a senior level. Appendix 2 provides more details on specific roles and contact details of the team.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Scrutiny Committee for Audit, Best Value and Community Services. Our communication outputs are included in Appendix 1.

Independence and Objectivity

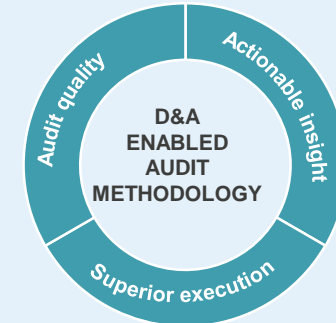
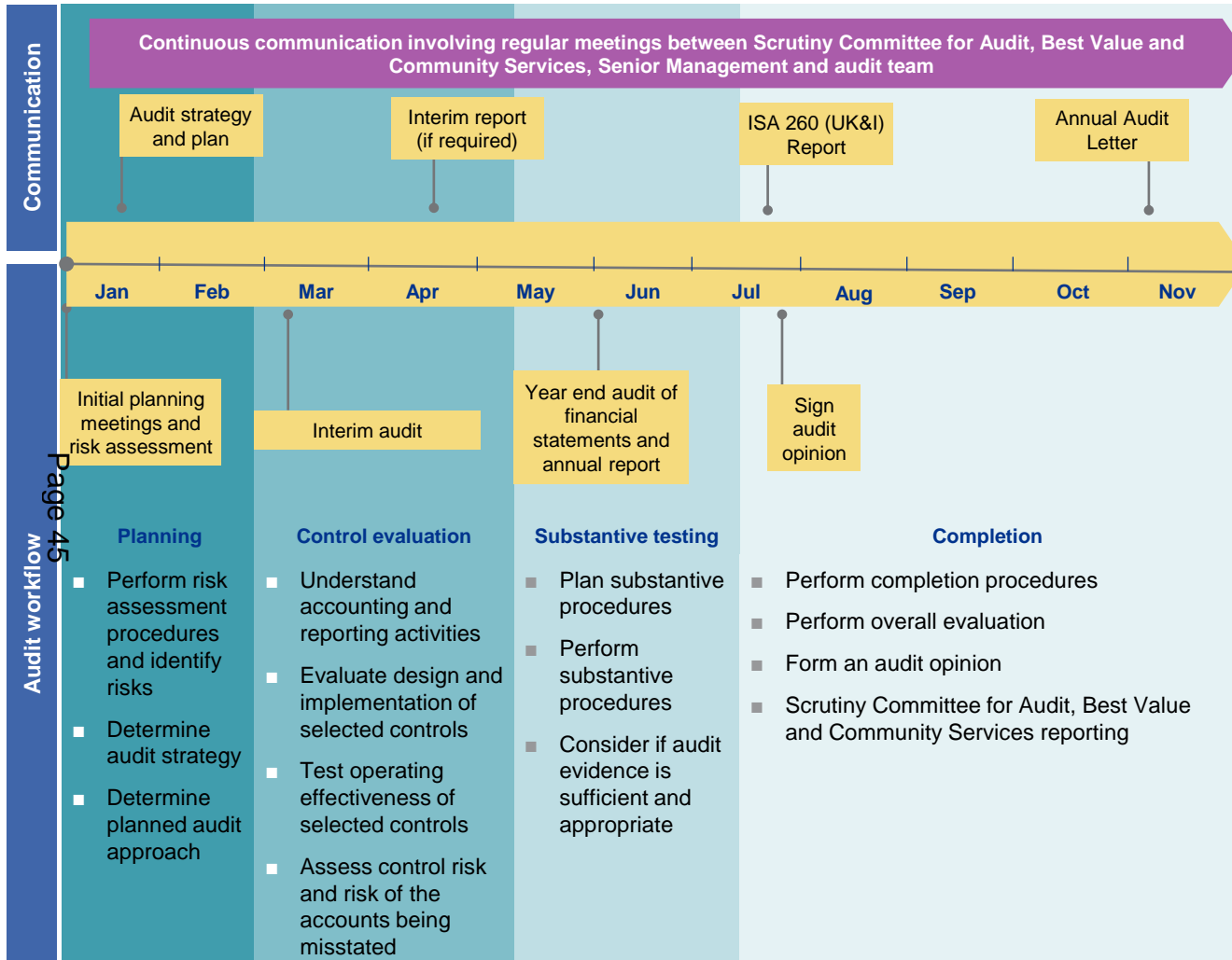
Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

Audit fee

Our Audit Fee Letter 2016/2017 presented to you in April 2016 first set out our fees for the 2016/2017 audit. This letter also sets out our assumptions. We have not considered it necessary to make any changes to the agreed fees at this stage.

The planned audit fee for 2016/17 is £26,607 for the Pension Fund (2015/16 £26,607).

Appendix 1: Key elements of our financial statements audit approach



Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective 'business intelligence.' Data and Analytics allows us to:

- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as accounts payable and journals. We also expect to provide insights from our analysis of these tranches of data in our reporting to add further value from our audit.

Appendix 2: Audit team



Your audit team has been drawn from our specialist public sector assurance department. Our audit team were all part of the East Sussex County Council Pension Fund audit last year.



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| | |
|-----------------|---|
| Name | Phil Johnstone philip.johnstone@kpmg.co.uk |
| Position | Director |
| | <p>'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.</p> <p>I will be the main point of contact for the Scrutiny Committee for Audit, Best Value and Community Services, Chief Executive and Executive Directors.'</p> |



| | |
|-----------------|--|
| Name | Scott Walker Scott.walker@kpmg.co.uk |
| Position | Manager |
| | <p>'I provide quality assurance for the audit work and specifically any technical accounting and risk areas.</p> <p>I will work closely with Phil to ensure we add value.</p> <p>I will liaise with the Chief Finance Officer, Director of Finance and the Finance Team'</p> |



| | |
|-----------------|--|
| Name | Sana Naqvi sana.naqvi@kpmg.co.uk |
| Position | Assistant Manager |
| | <p>'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'</p> |

Appendix 3: Independence and objectivity requirements

Independence and objectivity

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Scrutiny Committee for Audit, Best Value and Community Services.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standards require us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.

- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

Confirmation statement

We confirm that as of January 2017 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.



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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointments’s website (www.psa.co.uk).

External auditors do not act as a substitute for the audited body’s own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG’s work, in the first instance you should contact [...], the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG’s work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA’s complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

Agenda Item 8

Report to: **Audit, Best Value and Community Services Scrutiny Committee**

Date: **14 March 2017**

By: **Chief Operating Officer**

Title of report: **Internal Audit Strategy 2017/18 and Annual Plan**

Purpose of report: **To present the Council's Internal Audit Strategy 2017/18 and Annual Plan.**

RECOMMENDATIONS

The Committee is recommended to:

1. Review and endorse the Council's Internal Audit Strategy 2017/18 and Annual Plan.

1. Background

1.1 The Council's Internal Audit Strategy 2017/18 and Annual Plan (Appendix 1) sets out how the Council will meet its statutory requirements for internal audit, as defined within the Accounts and Audit Regulations 2015. The Strategy proposes an approach based on focussing audit resources in those areas where the highest risk to the achievement of the Council's objectives lies. These areas have been identified and prioritised based on the Council's own risk assessment processes (including strategic and departmental risk registers) and following extensive consultation with officers, Members and other stakeholders.

1.2 A workshop was also held with members of the Audit, Best Value and Community Services Scrutiny Committee on 24 January 2017 and comments made have been fed into the planning process.

2. Supporting Information

2.1 As with the previous year, we have sought to focus our audit and assurance activity on supporting the delivery of the Council's four overarching priority outcomes, namely:

- Driving economic growth;
- Keeping vulnerable people safe;
- Helping people help themselves; and
- Making best use of resources.

2.2 The Strategy and Plan will be delivered in line with proper internal audit practices as set out within Public Sector Internal Audit Standards (PSIAS).

2.3 The Internal Audit Charter sets out the scope and responsibility of internal audit, an updated version of which was approved by the Committee in June 2014.

3. Conclusions and Reasons for Recommendation

3.1 The Audit, Best Value and Community Services Scrutiny Committee is recommended to review and endorse the Internal Audit Strategy and Plan prior to submission to Cabinet in April 2017.

KEVIN FOSTER
Chief Operating Officer

Contact Officers: Russell Banks Tel No. 01273 481447

BACKGROUND DOCUMENTS

Internal Audit Strategy and Annual Audit Plan 2017/18

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INTERNAL AUDIT STRATEGY AND ANNUAL AUDIT PLAN 2017-2018



1. Role of Internal Audit

1.1 The full role and scope of the County Council's Internal Audit Service is set out within the Internal Audit Charter and Terms of Reference, which was last approved by the Audit, Best Value and Community Services Scrutiny Committee (ABVCSSC) in June 2014.

1.2 The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Internal Audit is defined "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

Internal Audit supports the whole Council to deliver economic, efficient and effective services and achieve the Council's vision, priorities and values.

2. Risk Assessment and Audit Planning

2.1 The County Council's Internal Audit Strategy is updated annually and is based on a number of factors, especially management's assessment of risk (including that set out within the departmental and strategic risk registers) and our own risk assessment of the Council's major systems and other auditable areas. This allows us to prioritise those areas to be included within the audit plan on the basis of risk.

2.2 The update of the annual plan for 2017/18 has involved extensive consultation with a range of stakeholders, to ensure that their views on risks and current issues, within individual departments and corporately, are identified and considered. In order to ensure that the most effective use is made of available resources, to avoid duplication and to minimise service disruption, every effort has been made to identify, and where possible, rely upon, other sources of assurance available. The following diagram sets out the various sources of information used to inform our 2017/18 audit planning process:



2.3 In order to ensure audit and assurance activity is properly focussed on supporting the delivery of the Council's Promise, and to reflect its aim to act as a single unified organisation

delivering corporate outcomes, the format of the audit plan has been aligned to the four key corporate priorities of:

- Driving economic growth;
- Keeping vulnerable people safe;
- Helping people help themselves;
- Making best use of our resources.

2.4 In producing the audit plan (which is set out in Appendix A to this report) the following key principles continue to be applied:

- All key financial systems are subject to a cyclical programme of audits covering compliance against key controls;
- Previous reviews which resulted in either 'no assurance' or 'minimal assurance' audit opinions will be subject to a specific follow-up review to assess the effective implementation by management of agreed recommendations. This will also include a number of previous reviews with a 'partial assurance' opinion where the area under review is of a higher risk nature.

2.5 In addition, formal action tracking arrangements are in place to monitor the implementation by management of all individual high risk recommendations, with the results of this work reported to CMT and ABVCSSC on a quarterly basis.

2.6 During the last two years, the County Council has been working with Surrey County Council, and more recently Brighton and Hove City Council, to develop and form the Orbis Partnership, covering a range of business services, including internal audit. This work is progressing well, with a clear project plan in place aimed at integrating the three internal audit teams into a single service over the next year. Wherever possible, opportunities to co-ordinate audit work with our Orbis partners have been identified and joint working has been taking place across the three organisations. This enables more effective use of the knowledge and skills available across the internal audit teams.

3. Key Issues

Major Change

3.1 In times of significant transformation, organisations must both manage change effectively and ensure that core controls remain in place. In order to respond to the continued reduction in financial resources and the increased demand for services, the Council needs to consider some radical changes to its service offer in all areas.

3.2 Internal Audit must therefore be in a position to give an opinion and assurance that covers the control environment in relation to both existing systems and these new developments. It is also essential that this work is undertaken in a flexible and supportive manner, in conjunction with management, to ensure that both risks and opportunities are properly considered. During 2017/18, a number of major organisational initiatives are featured within the audit plan, with the intention that Internal Audit is able to provide proactive advice, support and assurance as these programmes progress. These include:

- Better Together / Accountable Care Model;
- Orbis;
- Procurement and Contract Management.

3.3 In recognition that in some cases, sufficient information regarding the full extent of future changes and associated risks may not yet be known, the 2017/18 audit plan once again includes a proportion of time classified as ‘Emerging Risks’. This approach has been adopted to enable Internal Audit to react appropriately throughout the year as new risks materialise and to ensure that expertise in governance, risk and internal control can be utilised early in the change process.

3.4 In view of the above, Internal Audit will continue to work closely with CMT and senior management throughout the year to identify any new risks and to agree how and where audit resources can be utilised to best effect.

3.5 Other priority areas identified for inclusion within the audit plan include:

- Budget Management;
- Staff Travel and Expenses;
- Highways Contract;
- Waste Contract;
- Home To School Transport;
- Direct Payments;
- General Data Protection Regulations;
- Anti-Fraud and Corruption.

3.6 Where common themes and findings are identified as a result of our work across the Council, these will be highlighted in our quarterly and annual reports.

4. Matching Audit Needs to Resources

4.1 The overall aim of the Internal Audit Strategy is to allocate available internal audit resources so as to focus on the highest risk areas and to enable an annual opinion to be given on the adequacy and effectiveness of the Council’s framework of governance, risk management and control.

4.2 In addition to this, resources have been allocated to the external bodies for whom we also provide internal audit services at an appropriate charge. These include East Sussex Fire Authority and a number of local academies.

4.3 Internal audit activities will continue to be delivered through a combination of in-house staff and externally provided specialist resources, particularly in areas such as ICT audit. The following table summarises the level of audit resources expected to be available for 2017/18 (expressed in days) compared to the equivalent number of planned days in previous years. The overall level of resource has remained relatively consistent in recent years and is still considered to be sufficient to allow Internal Audit to deliver its risk based plan in accordance with professional ¹standards and to enable the Head of Assurance to provide his annual audit opinion.

Table 1: Annual Internal Audit Plan – Plan and Actual Days Delivered

¹ Public Sector Internal Audit Standards (PSIAS)

| | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|-------------|---------|---------|---------|---------|---------|---------|
| Plan Days | 1,771 | 1,642 | 1,580 | 1,712 | 1,622 | 1,668 |
| Actual Days | 1,830 | 1,618 | 1,500 | 1,581 | TBC | TBC |

5. Audit Approach

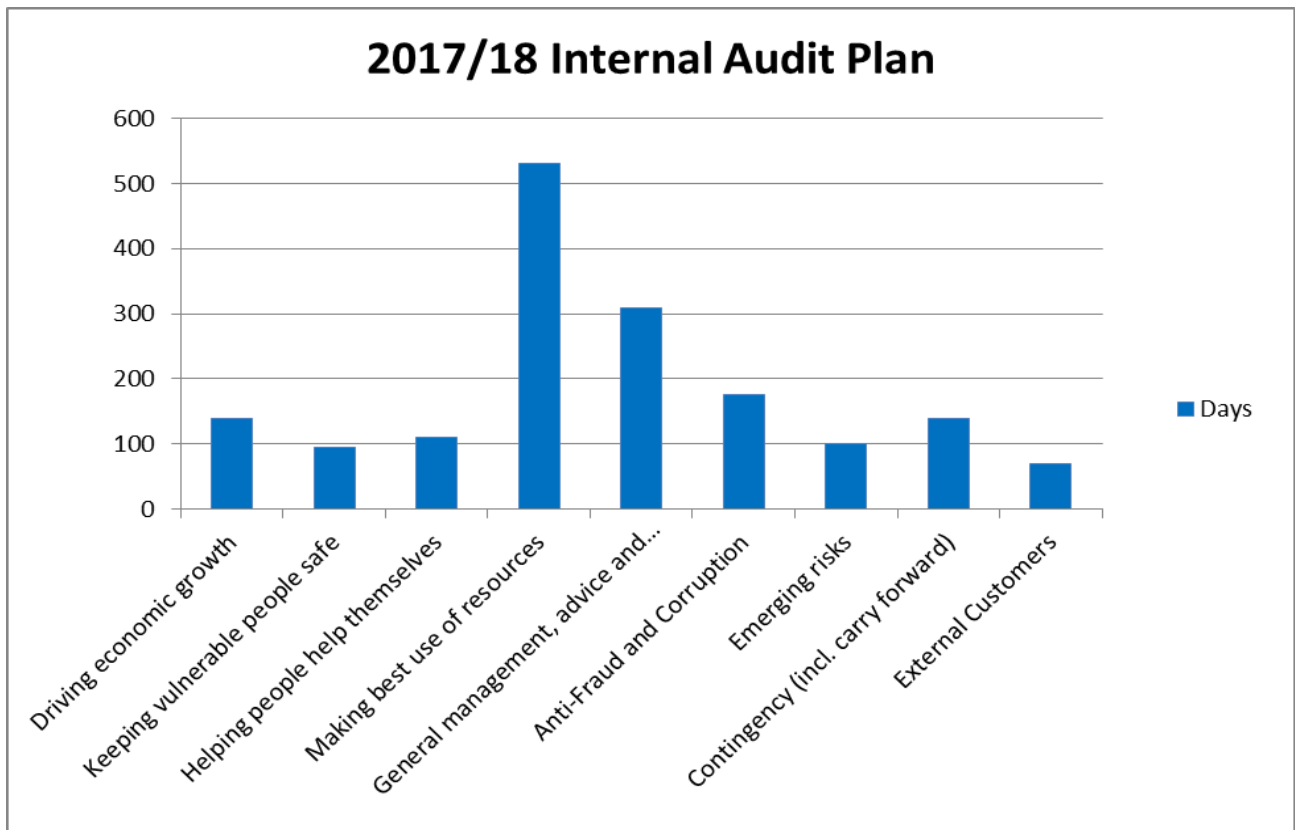
5.1 The approach of Internal Audit is to use risk based reviews, supplemented in some areas by the use of compliance audits and themed reviews. All audits have regard to management's arrangements for:

- Achievement of the organisation's objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

5.2 In addition to these audits, and the advice on controls given on specific development areas which are separately identified within the plan, there are a number of generic areas where demands upon Internal Audit cannot be planned in advance. For this reason, time is built into the plan to cover the following:

- Contingency – an allowance of days to provide capacity for unplanned work, including special audits and management investigations. This contingency also allows for the completion of work in progress from the 2016/17 plan;
- Advice, Management, Liaison and Planning - an allowance to cover provision of ad hoc advice on risk, audit and control issues, audit planning and annual reporting, ongoing liaison with service management and Members, and audit management time in support of the delivery of all audit work, planned and unplanned.

5.3 A summary of the allocation of audit resources (days) across the 2017/18 audit plan is set out in the following graph:



5.4 In delivering this Strategy, the Head of Assurance has liaised with the Council’s external auditors, KPMG, to ensure that the use of audit resources is maximised, duplication of work is avoided, and statutory requirements are met.

6. Training and Development

6.1 The effectiveness of the Internal Audit Service depends significantly on the quality, training and experience of its staff. Training needs of individual staff members are identified through the Council’s appraisal process and are delivered and monitored through on-going management supervision. Use is also made of CIPFA’s skills and competencies matrix for internal auditors as part of this process.

6.2 The team is also committed to coaching and mentoring its staff, and to providing opportunities for appropriate professional development. This is reflected in the high proportion of staff holding a professional internal audit or accountancy qualification.

7. Quality and Performance

7.1 With effect from 1 April 2013, all of the relevant internal audit standard setting bodies, including CIPFA, adopted a common set of Public Sector Internal Audit Standards (PSIAS). These are based on the Institute of Internal Auditors International Professional Practices Framework and replace the previous Code of Practice for Internal Audit in Local Government.

7.2 Included within the new Standards is the requirement for the organisation to define the terms ‘Board’ and ‘senior management’ in the context of audit activity. This has been set out within the Internal Audit Charter, which confirms the ABVCSSC’s role as the Board.

7.3 The PSIAS require each internal audit service to maintain an ongoing quality assurance and improvement programme based on an annual self-assessment against the Standards, supplemented at least every five years by a full independent external assessment. The outcomes from these assessments, including any improvement actions arising, will be reported to CMT and the ABVCSSC each year, usually as part of the annual internal audit report. For clarity, the Standards specify that the following core principles underpin an effective internal audit service:

- Demonstrates integrity;
- Demonstrates competence and due professional care;
- Is objective and free from undue influence (independent);
- Aligns with the strategies, objectives, and risks of the organisation;
- Is appropriately positioned and adequately resourced;
- Demonstrates quality and continuous improvement;
- Communicates effectively;
- Provides risk-based assurance;
- Is insightful, proactive, and future-focused;
- Promotes organisational improvement.

7.4 In addition, the performance of Internal Audit continues to be measured against key service targets focussing on the following three areas, all of which are underpinned by appropriate performance measures:

- Quality/Customer Satisfaction;
- Cost/Coverage;
- Compliance with Professional Standards (as per 7.3 above).

7.5 At a detailed level each audit assignment is monitored and customer feedback sought. There is also ongoing performance appraisals and supervision for all Internal Audit staff during the year to support them in achieving their personal targets.

7.6 In addition to the individual reports to management for each audit assignment, reports on key audit findings and the delivery of the audit plan are made to both CMT and the ABVCSSC on a quarterly basis. An Annual Internal Audit Opinion is also produced each year.

7.7 Whilst Internal Audit liaises closely with other internal audit services through the Sussex Audit Group, the Home Counties Chief Internal Auditors' Group and the County Chief Auditors' Network, we are continuing to develop joint working arrangements with other local authority audit teams (including as part of Orbis) to help improve resilience and make better use of our collective resources. During 2016, the Head of Assurance has taken up the position of Chair of the County Chief Auditor's Network, the membership of which includes all county council and unitary council heads of internal audit across England.

7.8 Finally, in order to ensure compliance with professional standards, alternative management arrangements will be put in place to ensure there is appropriate independence where Internal Audit undertakes audit activity in areas where the Head of Assurance (as the Head of Internal Audit for the County Council) also has operational responsibility. This relates primarily to any audit work on risk management or insurance arrangements.

Kevin Foster, Chief Operating Officer

Contact Officers:

Russell Banks – Head of Assurance

Tel No: 01273 481447

DRAFT INTERNAL AUDIT PLAN 2017-18



| | |
|--------------------------|--------------------------------|
| Council Priority: | Driving Economic Growth |
|--------------------------|--------------------------------|

| Review Name | Type | Outline Objective |
|-------------------------------------|----------------|--|
| Schools | Audit & Advice | We will continue our audit coverage in schools, which will involve a range of assurance work, including key controls testing in individual schools, follow-ups of previous audit work and themed reviews. In addition, we will continue to work with Children's Services colleagues to help improve the level of scrutiny and challenge provided by school governors, including the provision of more robust and focussed training. We will also work with our Orbis partners to provide bulletins and guidance for schools. |
| Academy Transition Arrangements | Audit | This review will consider the arrangements in place for managing the transition for schools becoming academies, having regard to the risks for both the schools themselves and the County Council. |
| Education Improvement Partnerships | Audit | Education Improvement Partnerships (EIPs) are groups of schools working together across an area to improve outcomes for all pupils. EIPs receive funding from the local authority and include primary and secondary schools, and, in some areas, post-16 colleges and early year providers. This audit will examine EIP governance arrangements, with a view to ensuring there is appropriate consultation on EIP objectives, effective financial planning for EIP funds, clear stakeholder reporting and robust controls over the authorisation of expenditure. |
| Community Infrastructure Levy | Audit | A review to ensure that the Community Infrastructure Levy application and bidding process is operating effectively to maximise the Council's ability to secure funding, including assurance that funds received are used appropriately. |
| Sustainable Drainage Systems (SuDS) | Audit | A review to assess compliance with the Council's statutory obligations (as Lead Local Flood Authority - LLFA) in relation to SuDS, where recent changes have made SuDS a material consideration when determining planning applications for major developments. Non-compliance exposes the Council to financial and reputational risks. |

DRAFT INTERNAL AUDIT PLAN 2017-18



| | |
|--------------------------|---------------------------------------|
| Council Priority: | Keeping Vulnerable People Safe |
|--------------------------|---------------------------------------|

| Review Name | Type | Outline Objective |
|---|-------------|---|
| School Registration Arrangements (to include Academies) | Audit | <p>The Education (Pupil Registration) (England) (Amendment) Regulations 2016 seek to provide a framework for schools to manage child protection risks, particularly in relation to the whereabouts and safety of children. The regulations also provide a framework to ensure schools and academies don't remove pupils from the roll as a means of manipulating their performance.</p> <p>This audit will look to provide assurance that schools and academies are complying with the Government's requirements in relation to pupil registration and are following these when removing pupils from the school roll.</p> |
| Unaccompanied Asylum Seeking Children | Audit | <p>An audit of the Council's arrangements for dealing with unaccompanied children seeking asylum, where we are responsible for all associated costs until the age of 25 (failed asylum seekers may also be supported if they have children or social care needs). This includes schooling, foster care or children's homes, through to university fees and housing costs. The review will look to ensure that the Council is complying with its responsibilities, is maximising grant contributions and that all expenditure is appropriate, valid and accurate.</p> |
| Troubled Families | Audit | <p>As a continuation of our work in this area, we will verify a proportion of result claims before they are made, including confirming families' eligibility for inclusion in the expanded programme and whether progress measures set out in the Troubled Families outcome plans have been achieved and evidenced.</p> |
| Care Leaver Payments & Grants | Audit | <p>The audit will review the process for administering grants and other payments to those leaving care.</p> |
| Home To School Transport | Audit | <p>A review of the Council's arrangements for providing home to school transport for pupils. It will cover eligibility, safeguarding, procurement, contract and budget management arrangements (including billing and payments).</p> |

DRAFT INTERNAL AUDIT PLAN 2017-18



| | |
|--------------------------|---------------------------------------|
| Council Priority: | Helping People Help Themselves |
|--------------------------|---------------------------------------|

| Review Name | Type | Outline Objective |
|--|----------------|---|
| East Sussex Better Together / Accountable Care Model | Advice & Audit | Continued audit advice, support and assurance in relation to ESBT (and Connecting 4 You) and the move towards an Accountable Care Model (and the pooling and alignment of a single budget and systems established to manage this). We will work with ASC and Finance colleagues to identify key areas of support to help provide assurance that a sufficiently robust framework of control exists in this complex area. |
| Social Care Non-Attendance and Deaths | Audit | A review of systems and controls in place to ensure payments are only made for valid social care clients who are actually receiving care. |
| Sexual Health Open Access | Audit | A review of controls in relation to open access, whereby ESCC residents seek and obtain sexual health treatment in other local authorities, and this is charged to ESCC. Whilst it is not possible to control how and when people access out-of-area services, it is important that the Council obtains appropriate assurance that services have actually been provided before any payments are made. |
| Ordinary Residence | Audit | A review of processes in place to manage the risks associated with other local authorities placing clients in receipt of social care services in East Sussex, and transferring to ESCC the commissioning, care management and funding responsibility for the individual as a result of a successful Ordinary Residence claim. |
| Financial Assessments | Audit | A review to understand and appraise the financial assessment process in relation to adults both entering and already in, ESCC care. This will include revisiting internal audit work previously undertaken in this area. |

DRAFT INTERNAL AUDIT PLAN 2017-18



| | |
|--------------------------|-------------------------------------|
| Council Priority: | Making Best Use of Resources |
|--------------------------|-------------------------------------|

| Review Name | Type | Outline Objective |
|---|-------------|--|
| Adult Social Care Liquidlogic (LAS) & Controcc | Audit | A review to assess the adequacy of controls within the LAS (client information and management system for Adults) and Controcc (the social care payments and billing system). |
| Children's Social Care LiquidLogic (LCS) & Controcc | Audit | A review to assess the adequacy of controls within the LCS (client information and case management system for Children) and Controcc (the social care payments and billing system). |
| ICT – General Data Protection Regulations (GDPR) | Audit | A review to ascertain preparedness for the new General Data Protection Regulations, where there is a risk of non-conformance and ensuing financial penalties under the new regime. A gap analysis will be undertaken to assess how measures implemented by the Council align to the proposed GDPR. |
| ICT – Third Party Services | Audit | The Council is exposed to clear risks associated with parts of the organisation trading with third party IT providers without our own IT and Digital Department being aware, and therefore unable to implement adequate information governance and security controls. This review will therefore assess the adequacy of, and compliance with, Council policy in this area and, where non-compliance is identified, whether the associated risks have been properly considered and managed. |
| ICT – Prioritisation of Disaster Recovery / Service Restoration | Audit | A review of the arrangements in place over the prioritisation of disaster recovery / service restoration, to ensure that these are robust and there is appropriate alignment between the recovery expectations of service departments and ICT restoration / recovery capability. |
| SAP Application Controls | Audit | An audit to evaluate the adequacy and effectiveness of the key configuration settings and access restriction mechanisms to a variety of sensitive transactions in SAP. |
| Accounts Payable | Audit | A full key financial system audit. To review processes relating to the procure-to-pay process. |

DRAFT INTERNAL AUDIT PLAN 2017-18



| Review Name | Type | Outline Objective |
|---|-------------|--|
| Procurement Cards | Audit | This audit will look to provide assurance that P-cards are only issued to appropriately authorised and trained staff and are being used only to purchase goods and services that are wholly, exclusively and necessary for the use of the Council, and for the best value attainable. |
| Payroll - Key Controls | Audit | This audit will review the key controls operating within the Payroll system, including those relating to starters, leavers, temporary and permanent payments and contractual changes. |
| Accounts Receivable – Key Controls | Audit | This audit will provide assurance over the key controls operating within the Accounts Receivable system, including those in place for ensuring the accuracy of customer details, accuracy of invoicing, recording and matching payments to invoices, and recovery. |
| Debt Management | Audit | This audit will involve a thorough review of the controls operating within Adult Social Care and Business Operations to manage debt within the Accounts Receivable system. Particular emphasis will be placed on the arrangements for the monitoring and recovery of deferred debt arising from social care service users. |
| Bankline (Banking Application) | Audit | A review of the controls operating over the Council's electronic banking application 'Bankline'. The system is used for making Chaps payments (same day automated payment system in the UK – primarily used for high value payments, including Treasury Management payments) and faster payments, as well as the day to day management of Council bank accounts. |
| Pensions Governance, Investments and External Control Assurance | Audit | A review to assess the adequacy of East Sussex Pension Fund management and governance arrangements. Also, to examine arrangements for obtaining assurance over the adequacy of the control environment of pension fund investment managers and the custodian. |
| Pension Fund Processes and Systems | Audit | To review the key controls over the calculation and payment of pensions, transfers to and from the pension fund and the collection and recording of pension contributions (incl. contributions from other admitted bodies). |

DRAFT INTERNAL AUDIT PLAN 2017-18



| Review Name | Type | Outline Objective |
|---|-------------|--|
| Pension Fund Pooling – Governance Arrangements | Advice | To provide advice and guidance on the governance framework associated with the ‘ACCESS Pool’, in preparation for the pooling of ESCC pension fund assets from April 2018. |
| Budget Management | Audit | A review of the Council’s budget management arrangements, to include both central controls and examination of a sample of individual service budgets. |
| Recruitment and Induction | Audit | This audit will review the arrangements for recruiting new staff, to include approval to recruit, advertising arrangements, shortlisting, pre-employment checks, training and induction. |
| Apprenticeship Levy | Audit | <p>The Apprenticeship Levy, introduced in April 2017, changes the way the government funds apprenticeships in England. As a result, the way the Council accesses funding and training for apprenticeships will also change.</p> <p>This audit will seek to provide assurance over the arrangements for calculating and accounting for the Apprenticeship Levy, the arrangements for ensuring the funds for apprenticeship training are spent in a timely manner and in accordance with the Department for Education’s Apprenticeship Funding Policy.</p> |
| Personal Service Companies and Use of Consultants | Audit | <p>A review to provide assurance that the Council has controls in place to manage the key risks associated with the appointment of personal service companies and use of consultants, including non-compliance with the Code of Conduct, inadequate performance monitoring, the reputational risk associated with not following an appropriate appointment process and failing to protect intellectual property rights.</p> <p>We will also provide assurance that the Council has adequate controls in place to ensure compliance with the new IR35 legislation relating to ‘self-employment’ status.</p> |

DRAFT INTERNAL AUDIT PLAN 2017-18



| Review Name | Type | Outline Objective |
|--|------------------|---|
| ORBIS - General | Advice and Audit | To work with management to support the development of new systems, processes and working practices within the partnership to help ensure that a sufficiently robust framework of control remains in place. This will include following-up previous audit reports to ensure agreed actions have been implemented. |
| ORBIS - Business Operations Roadmap | Advice | We will provide advice, support and challenge on risk and internal control matters associated with changes made within Business Operations, as identified within their 'Roadmap' document. The work will support the merging of processes within transactional teams (such as Payroll, Accounts Payable, Accounts Receivable and Pensions). |
| ORBIS - SAP Developments | Advice | To provide advice, support and challenge in relation to SAP development and improvement work. |
| ORBIS - Property Transformation | Advice | To provide advice, support and challenge on risk, governance and internal control matters in relation to property transformation and improvement initiatives. |
| ORBIS - Procurement Transformation | Advice | To provide advice and support into the procurement transformation programme, including the design of sourcing, purchasing and contract management systems. |
| Procurement and Contract Management (incl Financial Assessments) | Audit | As a continuation of previous audit work in this area, we will undertake a review of a sample of high risk and, where appropriate, joint contracts with Surrey County Council. The audit will also review the process for undertaking due diligence of contractors, including financial assessments, both pre and post contract award. |
| Lease Management – Property | Audit | A review to assess the adequacy of the control framework in place for the management of property leases (where the Council is either the landlord or the tenant) to ensure that the Council achieves maximum value from its property assets. |
| Highways Contract Management | Advice and Audit | Following the letting of the highways contract to Costain, we will undertake a contract management audit which will include a review of governance arrangements, performance management and payment mechanisms. |

DRAFT INTERNAL AUDIT PLAN 2017-18



| Review Name | Type | Outline Objective |
|---------------------------|-------------|--|
| Waste Contract | Audit | Audit work in relation to the Waste PFI Contract following the recent external review by Defra. Potentially to include a review of the implementation of actions arising from this external review, contract compliance, governance and payment arrangements, and the measurement / accounting of waste volumes. |
| Staff Travel and Expenses | Audit | This audit will review the controls associated with all methods of staff travel and expenses, including (but not limited to) mileage claims, travel warrants, season tickets, workplace travel allowances, purchasing cards and petty cash. |
| Capital | Advice | To provide audit advice and support in relation to the review of current capital systems and processes, following the analysis work undertaken by AECOM. Note – Capital will be subject to a full internal audit review in 18/19. |
| Energy Management | Audit | A review of the Council's energy management arrangements and associated processes, including the payment of invoices and the management of income received in respect of green energy generation. |

Report to: **Audit, Best Value and Community Services Scrutiny Committee**

Date: **14 March 2017**

By: **Chief Operating Officer**

Title of report: **Internal Audit Progress Report – Quarter 3 (01/10/16 – 31/12/16)**

Purpose of report: **To provide Members with a summary of the key audit findings, progress on delivery of the audit plan and the performance of the internal audit service during Quarter 3.**

RECOMMENDATIONS

- 1. Members are recommended to consider and agree any action that should be taken in response to the issues raised in any of the audits carried out during Quarter 3;**
 - 2. Identify any new or emerging risks for consideration for inclusion in the internal audit plan.**
-

1. Background

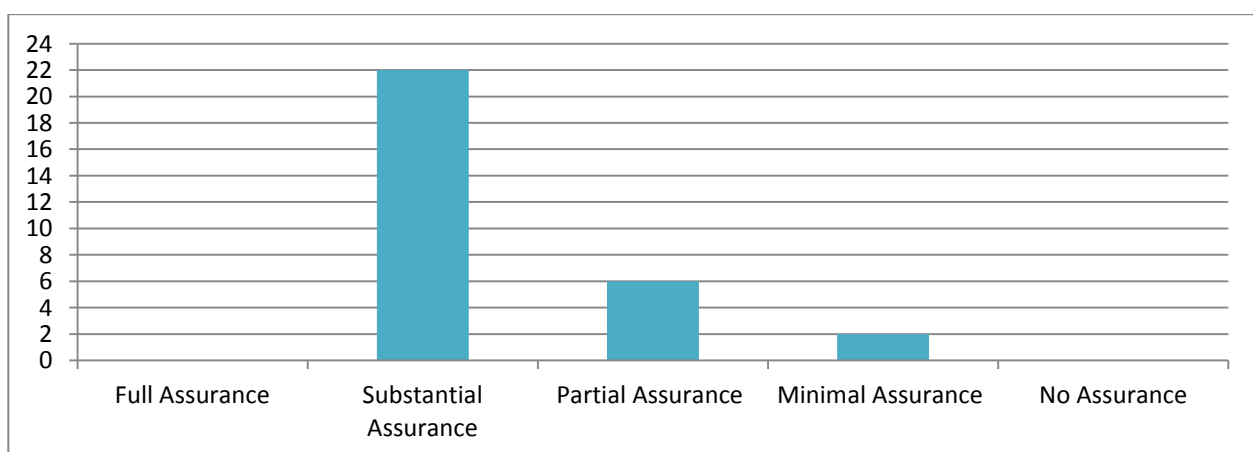
1.1 This progress report covers work completed between 1 October 2016 and 31 December 2016.

2. Supporting Information

2.1 The current annual plan for internal audit is contained within the Internal Audit Strategy and Annual Plan 2016-17. This was prepared after consulting Chief Officers and senior managers and was endorsed by Audit, Best Value and Community Services Scrutiny Committee on 15 July 2016.

3. Conclusion and Reasons for Recommendation

3.1 Key audit findings from final reports issued during Quarter 3 are summarised in Appendix 1.



3.2 Overall, of the 30 formal audits completed, 22 received 'substantial assurance' opinions (16 of which were schools), 6 received 'partial assurance' (5 of which were schools), and 2 received 'minimal assurance' (both of which were schools). This includes those school audits completed by Mazars (see 3.5 below). For the two schools that received an opinion of minimal assurance, we have obtained a commitment from management to address the required actions

as a priority and will be undertaking further follow-ups in due course to ensure that this takes place. There were no opinions of 'no assurance'.

3.3 Although the same range of internal audit opinions are issued for all audit assignments, it is necessary to also consider the level of risk associated with each area under review when drawing an opinion on the Council's overall control environment. **Taking into account these considerations, the Head of Assurance continues to be able to provide reasonable assurance that the Council has in place an effective framework of governance, risk management and internal control.**

3.4 The overall conclusion has been drawn based on all audit work completed in the year to date and takes into account the management response to recommendations raised and the level of progress in subsequent implementation. This is something which will continue to be monitored and reported on by Internal Audit throughout the year.

3.5 As explained in previous progress reports, work has been taking place to strengthen financial governance in schools, particularly through a new training programme for governors, headteachers and school business managers and the delivery of a wider programme of school audits. This additional audit work, delivered in conjunction with Mazars Public Sector Internal Audit Limited, is intended to assess financial governance in a much larger sample of schools, not just those deemed to be higher risk, as well as gauging the effectiveness of the new training programme. Details of the schools audits completed so far have been summarised within Appendix 1.

3.6 Formal follow up reviews continue to be carried out for all audits where either 'minimal' or 'no' assurance opinions have been given and for all higher risk areas receiving 'partial' assurance. A schedule of all audits where future follow up reviews are planned is provided at the end of Appendix 1, which will continue to be updated on an ongoing basis. In addition, arrangements are in place to monitor implementation of all individual high risk recommendations. At the time of writing this report, all high-risk recommendations due had been implemented (Appendix 2).

3.7 Members will recall that flexibility was built into the audit plan to allow resources to be directed to any new and emerging risks. We continue to liaise with departments to identify these but would also welcome input from the Committee. Details of those reviews added and removed from the plan so far this year are set out at the end of Appendix 1.

3.8 Progress against agreed performance targets (focussing on quality / customer satisfaction, compliance with professional standards, and cost / coverage) can be found in Appendix 3. All targets, with the exception of two amber scores relating to the percentage of the audit plan completed and client manager customer satisfaction, have been assessed as on target (green).

KEVIN FOSTER,
Chief Operating Officer

Contact Officers: Russell Banks, Head of Assurance Tel No. 01273 481447

BACKGROUND DOCUMENTS: Internal Audit Strategy and Annual Plan 2016-17

Summary of Key Audit Findings

Accounts Receivable 2016/17

The Accounts Receivable system is administered through SAP and is one of the Council's key financial systems. The control objectives of this audit were to ensure that:

- All income generating activities are identified and accurately invoiced to customers;
- All invoices are paid and the income is correctly identified and accounted for and reflected in the accounts;
- There are robust controls in place to minimise the extent of debt and provide for the prompt follow-up of overdue accounts;
- Write-offs, credit notes and refunds are valid and are properly authorised;
- There is adequate segregation of duties in the invoicing and receipting function;
- All payments received by credit card are managed in compliance with the Payment Card Industry (PCI) data security standards.

As a result of our work, we were able to provide an opinion of **substantial assurance** over the key controls in place. Whilst this was the case, our testing did identify some areas for improvement, including the need to strengthen control over SAP user access permissions and improving the monitoring of debt for commercial customers.

All recommendations arising from our review, none of which are of a high risk nature, have been agreed with management and will be followed up as part of future audits.

Review of ESCC Annual Governance Framework

This review sought to assess ESCC's current governance arrangements, in particular those set out within our Local Code of Corporate Governance, against the recently updated guidance from CIPFA on 'delivering good governance' in Local Government.

In summary, our review found a high level of consistency between the Council's existing arrangements and those recommended in the updated guidance. Some further additions to the core principles within our Local Code of Corporate Governance were recommended as part of the review and these have been agreed with management, who have drafted an updated Code due to be approved during the early part of 2017.

ICT Asset Management Follow-Up

In 2014/15, an audit of ICT asset management was carried out by specialist IT auditors from Mazars. The review sought to provide assurance over the following areas:

- IT asset management policy and strategy;
- Maintenance of IT asset registers;
- Security of hardware;
- Asset loss management procedures, and;
- Disposal procedures.

Whilst arrangements for security and disposal of hardware were found to be effective, improvements were required in a number of areas, resulting in an audit opinion of partial assurance.

A follow-up review has therefore been undertaken to assess the extent to which the previously agreed recommendations have been implemented. In completing this work, it was found that most actions had either been fully or partially implemented, resulting in an updated opinion of **substantial assurance**. A small number of lower risk issues remained and actions to address these were discussed and agreed with management.

CSD Personal Budgets

By March 2018, support for children and young people with Special Educational Needs (SEN) or disabilities will be replaced by Education, Health and Care (EHC) Plans and families will be offered personal budgets to fulfil these plans.

Personal budgets enable the council to share decisions about support with children and their families, with the belief that if people have more control of the resources available to them, they will find solutions and the support that best works for them. The main aim is on outcomes for young people and their budgets can therefore be spent on any service that achieves the outcomes specified in their support plans.

At the time of completing this audit, there were approximately 186 children in receipt of direct payments of which approximately 70 were on personal budgets. The remaining 116 are on the old style 'support packages', which must be converted into personal budgets by March 2018.

Our review focussed on the following control objectives:

- There are effective processes in place to ensure that personal budget applications, approvals, procurement of goods/services and ongoing monitoring are appropriate;
- Monies provided under the personal budget are being used for their intended purpose;
- Adequate controls exist, including ongoing monitoring, to ensure that clients in receipt of personal budgets are paid the correct amounts;
- Roles, responsibilities and accountabilities are clear within the direct payment process and that these processes are efficient.

Given the specialist skills and knowledge required by social workers and practitioners in this area, our audit work did not include a review of the eligibility criteria surrounding the need for support; instead we reviewed systems and controls in place from the assessment stage onwards.

Overall, based on the audit work carried out as part of this review, we were able to provide **substantial assurance** over the controls in place. In particular, we found that:

- For new cases, family assessments are completed at the initial referral stage;
- The level of social care funding available to a child is calculated in line with approved methodology;
- All proposed personal budgets are submitted to the Resource Review Panel for approval;
- On a monthly basis, Children's Services reconcile the actual level of payments made (per child) against the budgeted direct payment for each child.

Some opportunities to further improve controls were also agreed with management as part of a formal action plan, principally relating to monitoring potentially excessive account balances and ensuring all personal budget costs are identified accurately.

Looked After Children (LAC) Community Family Work Service – Cultural Compliance Review

As part of our programme of 'cultural compliance' audits within different teams across the Council, we reviewed the LAC Community Family Work Service during the last quarter, focussing on the following areas:

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

The LAC Community Family Work Service provides supervised contact for looked-after children and their families, non-LAC contact for children subject to safeguarding plans, Life Story Book work and reunification Family Support. The service sits under the wider Looked After Children's service that includes other services such as LAC Social Work Teams, Fostering, Adoption and Residential special placement etc. The service operates from three locations across the County at the Meeching Centre in Newhaven, Hailsham Resource Centre in Dunbar Drive and The Ridgeway in Hastings.

At the time of our audit, the service was working with a total of 191 families and 363 children. The service has 43 (34.89 FTE) staff and a further 13 'claims only' staff. It has an annual budget allocation of £1,056,300 for the financial year 2016/17, of which approximately 90% (£954k) relates to staffing costs.

As a result of our work, we were able to give an opinion of **substantial assurance** over the controls in place within the above team, with the service being found to be operating in compliance with the majority of Council policies that we covered during the audit.

Some opportunities for further improvement were, however, identified, primarily in relation to strengthening business risk management and ensuring that mandatory e-learning training is undertaken by all staff.

All recommendations arising from the review, none of which were high risk, have been agreed in full with management.

Troubled Families Programme

The Troubled Families (TF2) programme has been running in East Sussex since January 2015 and is an extension of the original TF1 scheme that commenced in 2012/13. The programme is intended to support families who experience problems in certain areas, with funding for the local authority received from the Department for Communities and Local Government (DCLG), based on the level of engagement and evidence of appropriate progress and improvement.

The DCLG require Internal Audit to review a proportion of claims being made as part of the TF2 programme. A representative sample of at least 10% of each claim is required to be reviewed and, therefore, audit testing of a sample of 18 families has been undertaken from the recent claim for 171 families. The control objectives of our review were as follows:

- Robust procedures are in place for the completion and approval of Troubled Families Claims;
- Robust procedures are in place for the creation and maintenance of evidence in support of troubled families claims;

- Appropriate roles and responsibilities for all parties involved are in place;
- Robust procedures are in place to facilitate the communication between the relevant departments/agencies involved.

Since our last audit review of the Troubled Families programme, improvements have been made in a number of areas where weaknesses had previously been found. As a result, we have now been able to provide an opinion of **substantial assurance**.

Of the sample of cases we reviewed, we found appropriate evidence that each of the families were eligible for the Troubled Families programme and that valid claims had been made. A small number of recommendations for further improvement were also identified and agreed with management, none of which were high risk.

Schools Themed Review of Federations and Partnerships

The main purpose of this audit was to review the governance arrangements associated with school partnerships and federations, collaborative agreements and inter-school traded services.

The following partnerships/ federations were visited as part of this review:

- The Woodlands Federation – Punnett's Town Community, Broad Oak Community and Dallington C.E. Primary Schools;
- The Pioneer Federation – East Hoathley C.E. and Chiddingly Primary Schools;
- St Thomas Becket C.E. Federation – Blackboys C.E. and Framfield C.E. Primary Schools;
- The Riverside Federation - Etchingam C.E. and Bodiam C.E. Primary Schools; and
- Plumpton, Hamsey Community and Barcombe C.E Primary School Partnership & Federation.

Our audit identified a number of areas of good practice, with governors and staff positively embracing working in partnership. Existing and newly recruited staff were attracted by the increased opportunity for career progression and benefitted from additional training and networking that could be provided in a cost effective way. Executive Headteachers, senior leaders and governors felt that this had improved the quality of governance and teaching in their schools. None the less, there were a number of aspects of the arrangements that we felt would benefit from more robust strategic leadership and planning and these weaknesses put some of the service objectives at risk. This resulted in an audit opinion of **partial assurance**.

The main area for improvement related to ensuring that a shared strategic vision for each partnership is developed and that these are supported by robust business plans to help ensure the benefits to all parties are realised. Opportunities for improved and better co-ordinated support to partnerships and federations from council departments were also identified.

All recommendations arising from the review were agreed with management from both the Standards and Learning Effectiveness Services and Finance and these will be subject to formal follow up by Internal Audit as part of our 2017/18 audit plan.

Trading Standards South East Ltd (TSSE)

Trading Standards South East Ltd (TSSE) is a partnership of 19 local authority Trading Standards services in the south east of England who work together in the pursuance of initiatives designed to protect consumers and safeguard businesses.

TSSE receive, administer and are accountable for grant funding in relation to a number of consumer related projects, including the National Scams Team (NST) which is hosted by East

Sussex Trading Standards Service. The NST was set up in 2012 to identify and support potential victims of mass marketing scams.

A grant award of £500k has recently been made by the Department for Culture, Media and Sport (DCMS) to the NST over a 2 year period to manage telephone scams through the National Call Blocking Project. Although grants to the NST have traditionally been paid direct to TSSE by the grant awarding body, the new £500k grant has been paid direct to ESCC which means that ESCC is ultimately accountable for how the money is spent.

This review has sought to provide assurance on the overall effectiveness of controls to properly account for grant funding awarded to ESCC. It identifies areas of concern or weakness where improvements can be made to ensure that grant funds are properly managed in order to reduce associated financial and reputational risks.

Based on the work carried out, we have been able to provide **substantial assurance** over the controls in place. A formal legal agreement is in place between ESCC and TSSE and this includes appropriate terms and conditions relating to use of the grant, accounting, monitoring and reporting.

As part of the review, we took the opportunity to examine payment controls within TSSE and found some opportunities for these to be strengthened. We also identified one issue relating to the accounting for income between TSSE and ESCC and have agreed an appropriate action with management to resolve this. None of these issues are considered to be of a high risk nature.

DfT Incentive Fund Self-Assessment

In December 2014, the Department for Transport (DfT) announced that £6 billion would be made available between 2014/15 and 2020/21 for local highways maintenance capital funding. Of this, £578 million has been set aside for an incentive fund scheme. This will be used to reward councils who, through evidence, can demonstrate that they are working towards best practice transport asset management and delivering works programmes that deliver value for money.

During 2016/17, only authorities in Bands 2 and 3 received their full share, whilst authorities in Band 1 received 90% of their share. The percentages for Bands 1 and 2 decrease in each subsequent year, with only authorities in Band 3 being awarded their full share of the funding up to 2020/21.

In order for a Band score to be ascertained, each authority needs to complete a self-assessment consisting of 22 questions. These are divided into the following sections:

- Asset Management;
- Resilience;
- Customer;
- Benchmarking and Efficiency;
- Operational Delivery.

For 2017/18, ESCC intend to achieve Band 3 status and therefore seek to receive 100% of their Band 3 incentive fund allocation (£885k). However, the DfT plans to undertake some audits/spot checks to verify that authorities are able to substantiate their answers within the above self-assessment. Should the DfT not be satisfied that the evidence provided meets the requirements for a particular level, further evidence may be requested and the authority's score could be revised.

We were asked by the Highways Team to provide an independent view as to the adequacy and completeness of evidence collated to achieve Band 3 status. Whilst we were not able to comment on any technical aspects of the DfT questions or associated ESCC responses, due to

the technical knowledge required, we agreed to undertake a sample-based review of 5 of the 22 questions, focussing on those questions considered to be of major importance.

Our work incorporated raising a number of queries during the review and liaison with relevant staff, during which we identified some areas where responses or supporting evidence could be further strengthened to help avoid any subsequent challenge from the DfT. These have been communicated to the Highways Team in the form of a report for consideration and action where appropriate.

Chailey School – Internal Control Report

Following completion of an investigation relating to the loss of income from Chailey School during the summer (see details below under 'Investigations'), we issued an internal control report during quarter 3 highlighting a number of control weaknesses which together, may have contributed to the subsequent loss of income.

These related primarily to strengthening segregation of duties over income, introducing reconciliation controls and improving general security over cash. All recommendations made in our report have been implemented by the school with immediate effect.

Individual School Audits

We are continuing our school work in two main areas:

- Audits in a sample of higher risks schools and follow-ups where poorer audit opinions have been given. The risk nature of these audits is assessed from a number of factors including the time since the last audit. This work is delivered by our own internal audit team, and;
- A wider programme of audits of randomly selected schools, delivered through Mazars Public Sector Internal Audit.

As reported previously, the purpose of this wider sample of schools is to assess financial governance in more schools, not just those deemed to be higher risk, and to gauge the effectiveness of a new training programme which continues to be delivered to governors, headteachers and school business managers.

In quarter 3, 4 school audits were completed in-house, as follows:

| Higher Risk and Follow Up Audits (Delivered in House) | Location | Type | 2016/17 Budget £'000 | Opinion |
|--|-----------------|----------------------|-----------------------------|-----------------------|
| Castledown Primary School and Nursery (Follow-Up) | Hastings | Community School | 1,658 | Substantial Assurance |
| Western Road Community Primary School (Follow-Up) | Lewes | Voluntary Controlled | 759 | Partial Assurance |
| St Thomas a Beckett Junior School (Follow-Up) | Eastbourne | Voluntary Aided | 927 | Partial Assurance |
| Peacehaven Community School | Peacehaven | Foundation School | 5,678 | Minimal Assurance |

The following 19 school audits have been completed by Mazars:

| Randomly selected Primary Schools | Location | Type | 2016/17 Budget £'000 (excl over/under spend) | Opinion |
|---|-----------------|-----------------------------|---|-----------------------|
| St Pancras Catholic Primary School | Lewes | Voluntary Aided School | 503 | Substantial Assurance |
| East Hoathly CofE Primary School | East Hoathly | Voluntary Controlled School | 451 | Substantial Assurance |
| Pashley Down Infant School | Eastbourne | Community School | 984 | Substantial Assurance |
| Sandown Primary School | Hastings | Community School | 1,695 | Substantial Assurance |
| The Haven Voluntary Aided CofE/Methodist Primary School | Eastbourne | Voluntary Aided School | 1,426 | Substantial Assurance |
| Rotherfield Primary School | Rotherfield | Community School | 649 | Substantial Assurance |
| Punnetts Town Community Primary School | Eastbourne | Community School | 446 | Substantial Assurance |
| St John's Meads Church of England Primary School | Eastbourne | Voluntary Aided School | 771 | Substantial Assurance |
| Chiddingly Primary School | Chiddingly | Community School | 411 | Substantial Assurance |
| Crowhurst CofE Primary School | Battle | Voluntary Controlled School | 476 | Substantial Assurance |
| Fletching Church of England Primary School | Uckfield | Voluntary Controlled School | 410 | Substantial Assurance |
| Ninfield Church of England Primary School | Ninfield | Voluntary Controlled School | 625 | Substantial Assurance |
| Stone Cross School | Pevensey | Community School | 1,415 | Substantial Assurance |
| Hellingly Community Primary School | Hellingly | Community School | 853 | Substantial Assurance |
| Burwash CofE School | Burwash | Voluntary Controlled School | 648 | Substantial Assurance |
| St Michael's Primary School | Withyham | Community School | 435 | Partial Assurance |
| Ashdown Primary School | Crowborough | Community School | 1,594 | Partial Assurance |
| Anney Catholic Primary School | Seaford | Voluntary Aided School | 765 | Partial Assurance |
| Harbour Primary and | Newhaven | Community | 1,700 | Minimal Assurance |

| Randomly selected Primary Schools | Location | Type | 2016/17 Budget £'000 (excl over/under spend) | Opinion |
|--|-----------------|-------------|---|----------------|
| Nursery School | | School | | |

Actions have been agreed to manage the risks associated with any finding identified at each school and follow up reviews will be carried out at all those with opinions below partial assurance.

Investigations

During the summer of 2016, Internal Audit received a report relating to missing income from one of the County's secondary schools. An extensive investigation was subsequently undertaken which established that a total of £3,633 was unaccounted for, primarily relating to income for school trips and other activities.

Our investigation, involving detailed analysis of school records and interviews with relevant staff, found evidence that the funds had been received by the school, and subsequently lost, over a twelve month period. Whilst it was not possible to prove 'beyond reasonable doubt' who was responsible for taking the funds, it was clear that one member of staff in the school was directly responsible for receiving, accounting for and banking the income over the period concerned. Consequently, disciplinary action has been taken against this individual who has subsequently been dismissed from the school.

Additional Audit Reviews

Through discussions with management, the following reviews have been added to the audit plan during the course of the year on the basis of risk (see 3.7 above):

- Broadband Annual Return to BDUK
- Schools Themed Review – Partnerships and Federations
- National Fraud Initiative Pension Investigations
- Pensions Process Integration and Altair System Merge
- New On-line Staff Claims System
- Property Works – Pre Contract Checking Arrangements
- Accounts Payable Data Analysis
- SAP Development Advice
- ICT Email Fraud Risk
- Homecare Process
- Annual Governance Framework
- ASC Procurement
- Highways Contract – Insurance Lessons Learnt
- Highways DfT Incentive Fund
- Proactive Ant-Fraud Income Assessment

In agreement with management, the following audits have been removed from the 2016/17 audit plan and will be considered for inclusion in the 2017/18 plan as part of the overall risk assessment completed during the annual planning process:

- ICT Project Management
- Legal Case Management System

Audit Areas Scheduled for Future Follow Up

| Audit Area | Original Audit Opinion | Date of Planned Follow Up |
|---|-------------------------------|----------------------------------|
| Compliance with Procurement Standing Orders | Partial Assurance | 2016/17 |
| Contract Management | Partial Assurance | 2016/17 |
| Pension Process and Systems | Partial Assurance | 2016/17 |
| Direct Payments | Partial Assurance | 2016/17 |
| Property Pre-Contract Checks | Partial Assurance | 2016/17 |
| Management of Staff Transfers and Leavers | Partial Assurance | 2016/17 |
| Microsites | Minimal Assurance | 2016/17 |
| Special Educational Needs and Disabilities (SEND) | Partial Assurance | 2016/17 |
| Shinewater Primary School | Minimal Assurance | 2016/17 |
| Ocklynge Junior School | Minimal Assurance | 2016/17 |
| Langney Primary School | Minimal Assurance | 2017/18 |
| Peacehaven Community School | Minimal Assurance | 2017/18 |
| Harbour Primary and Nursery School | Minimal Assurance | 2017/18 |
| Schools Federations and Partnerships | Partial Assurance | 2017/18 |
| Information and ICT E-Safety Controls in Schools | Partial Assurance | 2017/18 |

Appendix 2

High Risk Recommendations Overdue

Action has been taken against all of the high risk recommendations due to be implemented.

Internal Audit Performance Indicators

| Measure | Source of Information | Frequency | Specific Measure / Indicator | RAG Score | Actual Performance |
|---|--|--------------------|---|-----------|--|
| Client Satisfaction | | | | | |
| Chief Officer/DMT | Consultation / Survey | Annual | Confirmation of satisfaction with service quality and coverage and feedback on areas of improvement. | G | Confirmed through Chief Officer consultations in February / March 2015, where high levels of satisfaction confirmed. |
| Client Managers | Satisfaction Questionnaires | Each Audit | >89% | A | 88.2% |
| Section 151 Officer | Liaison Meetings | Quarterly | Satisfied with service quality, adequacy of audit resources and audit coverage. | G | Confirmed through ongoing liaison throughout the year and via approval of audit strategy and plan. |
| ABV&CSSC | Chairs Briefing and Formal Meetings | Quarterly / Annual | Confirmation of satisfaction with service quality and coverage and feedback on areas of improvement. | G | Confirmed through annual review of effectiveness and feedback from committee as part of quarterly reporting. |
| Cost/Coverage | | | | | |
| CIPFA Benchmarking | Benchmarking Report and Supporting Analysis Tools (to be reviewed for 2015/16) | Annual | 1. Cost per Audit Day; 2. Cost per £m Turnover; equal to or below all authority benchmark average | G | Opportunities to improve benchmarking being explored. Last results available are for 2012, these show: 1. £316 against average of £325 2. £559 against average of £1,004 |
| Local and National Audit Liaison Groups | Feedback and Points of Practice | Quarterly | Identification and application of best practice. | G | On-going via attendance at County Chief Auditors Network, Home Counties Audit Group and Sussex Audit Group. |
| Delivery of the Annual Audit Plan | Audits Completed | Quarterly | 90% of audit plan completed. | A | 62.5% against a quarter 3 target of 67.5% |

| Measure | Source of Information | Frequency | Specific Measure / Indicator | RAG Score | Actual Performance |
|--|--|-----------|--|-----------|--|
| Professional Standards | | | | | |
| Compliance with professional standards | Self-Assessment against new Public Sector Internal Audit Standards | Annual | Completed and implementation of any actions arising. | G | Self-assessment completed, improvement plan in place and being actioned. |
| External Audit Reliance | Fundamental Accounting Systems Internal Audit Activity | Annual | Reliance confirmed | G | No matters were raised following the last review of internal audit function by KPMG. |

Report to: **Audit, Best Value and Community Services Scrutiny Committee**

Date: **14 March 2017**

By: **Chief Operating Officer**

Title of report: **Strategic Risk Monitoring – Quarter 3 2016/17**

Purpose of report: **To update the Committee on current strategic risks faced by the Council, their status and risk controls / responses.**

RECOMMENDATION: The Committee is recommended to note the current strategic risks and the risk controls / responses being proposed and implemented by Chief Officers.

1. Background

1.1 Sound risk management policy and practice should be firmly embedded within the culture of the council, providing a proportionate and effective mechanism for the identification, assessment and, where appropriate, management of risk. This is especially important in the current climate where there remains considerable uncertainty about the future.

1.2 Robust risk management helps to improve internal control and support better decision-making, through a good understanding of individual risks and an overall risk profile that exists at a particular time. To be truly effective, risk management arrangements should be simple and should complement, rather than duplicate, other management activities.

2. Supporting Information

2.1 The Council's Strategic Risk Register, which is attached as Appendix 1, is formally reviewed by DMT's and CMT on a quarterly basis. Members should note that this version of the Strategic Risk Register was reviewed by CMT on 8 February 2017 and was presented to Cabinet on 7 March 2017. The following paragraphs summarise the changes made since the risk register was last presented to Audit, Best Value and Community Services Scrutiny Committee.

2.2 Risk 7 (Schools) has been amended and also has updated risk control responses. Risk 1 (Roads), Risk 5 (Reconciling Policy, Performance & Resource), Risk 6 (Local Economic Growth), Risk 8 (Capital Programme) and Risk 9 (Workforce) all have updated risk control responses.

2.3 Risk 8 (Capital Programme) has a reduced risk score, having moved from Red to Amber. There is also a new strategic risk added for this review (Apprenticeship Levy), where appropriate risk control responses are currently being identified.

2.4 We will continue to explore opportunities to further strengthen the council's risk management arrangements and for mitigating our key strategic risks. It is however, important to recognise that in some cases there is an inherent risk exposure over which the Council has only limited opportunity to mitigate or control.

3. Risk Improvement Activity

3.1 Regular reviews of risk registers continue to be carried out in conjunction with departmental risk coordinators and risk owning managers to ensure that relevant risks are identified and risk controls / responses are effective. As part of this, a series of 'one to one' meetings has recently been completed where additional advice, guidance and challenge was provided to departmental risk co-ordinators in order to further develop and strengthen the management of risk.

3.2 As part of our plans to help embed risk management, some schools risk survey training has recently been provided for officers who regularly visit schools in order to assist officers to help identify risks across a full range of areas, including building risks, fire and security, visitor access, potential liability risks and health and safety related risks.

3.3 Risk register reviews have also been undertaken to support internal audit reviews, including a review of the 'East Sussex Better Together' programme risk register. A review of the Highways contract risk register will also be undertaken in due course.

KEVIN FOSTER
Chief Operating Officer

Contact Officers: Russell Banks, Head of Assurance, Tel: 01273 481447
Rawdon Philips, Risk & Insurance Manager, Tel: 01273 481593

Local Member: All

Background documents :
None

Strategic Risk Register - Q3 2016/17

| Ref | Ref | Strategic Risks | Risk Control / Response | RA G |
|----------|-----|--|--|---------|
| Strat-04 | 4 | <p>HEALTH Failure to secure maximum value from partnership working with the NHS. If not achieved, there will be impact on social care, public health and health outcomes and increased social care cost pressures. This would add pressures on the Council's budget and/or risks to other Council objectives.</p> | <p>Implementation of East Sussex Better Together Programme by ESCC and Hastings and Rother CCG and Eastbourne, Hailsham and Seaford CCGs to transform health and social care in the county and deliver the Better Care Fund plan to improve outcomes for East Sussex residents, with robust governance arrangements reporting to County Council and Health and Wellbeing Board. Programme will develop the plan for a clinically and financially sustainable health and social care system in East Sussex. There will also be targeted use of the Better Care Fund to better integrate health and social care and contribute to whole system transformation.</p> <p>In High Weald Lewes Havens the Connecting 4 You Programme has now been established to improve health and social care outcomes for residents. The Programme will have implications for management capacity and for the Medium Term Financial Plan. The RPPR process will be used to manage this risk and associated implications.</p> <p>The Sustainability and Transformation Plan for Sussex and East Surrey (STP) was submitted in June. Work to develop and deliver the plan is ongoing. Nine working groups have been formed covering: Acute provision (including mental health); workforce; primary and community care provision; digital improvement, estates; provider productivity improvement, communication and engagement and governance. The next submission is due mid-September.</p> | R |
| Strat-7 | 7 | <p>SCHOOLS Failure to manage the expected significant reduction in resources for school improvement from 2017/18 and the potential impacts of changing government policy on education, leading to reduced outcomes for children, poor Ofsted reports and reputational damage.</p> | <ul style="list-style-type: none"> •Develop and implement a transition plan so the Standards and Learning Effectiveness Service and schools are prepared for the changes to funding and education policy. This includes: -Implementing a service restructure to remove direct delivery of school improvement and further develop commissioning model of school improvement -Continue to build relationships with academies and sponsors, including the Diocese of Chichester, ensure a dialogue about school performance, including data sharing. •Continue to work with academies and maintained schools through the Education Improvement Partnerships to develop system leadership, school to school support and to broker partnerships. • Continue to broker support to academies to address any performance concerns and investigate the feasibility of trading some LA school improvement services with all schools on a full cost recovery basis. •Where academies do not appear to be accessing appropriate support, bring this to the attention of the DfE, who may exercise their intervention powers. •Continue to build a relationship with the Regional Schools Commissioner to ensure the work of the RSC and the LA do not duplicate and that schools have the support they need. | R |

| Ref | Ref | Strategic Risks | Risk Control / Response | RA G |
|----------|-----|---|--|---------|
| Strat-1 | 1 | <p>ROADS Wet winter weather, over recent years has caused significant damage to many of the county's roads, adding to the backlog of maintenance in the County Council's Asset Plan, and increasing the risk to the Council's ability to stem the rate of deterioration and maintain road condition.</p> | <p>The additional capital maintenance funding approved by Cabinet in 2013 has enabled us to stabilise the deterioration in the carriageway network and improve the condition of our principle road network.</p> <p>The County Council's asset management approach to highway maintenance is maintaining the overall condition of roads, despite recent winter weather. The preventative approach to the maintenance of the County's highway network is being further rolled out across all highway asset types, including highway drainage.</p> <p>The new highways contract, which commenced on the 1st May, introduced a more preventative approach to highway drainage with the introduction of routine drainage ditch and grip* maintenance. We are also continuing with our targeted approach to gully cleansing, and developing a drainage strategy targeting flooding hotspots.</p> <p><i>*A highway grip is a shallow ditch connecting the road edge to the roadside ditch. Its purpose is to drain rain water from the highway into the roadside ditch.</i></p> | A |
| Strat-05 | 5 | <p>RECONCILING POLICY, PERFORMANCE & RESOURCE Failure to plan and implement a strategic corporate response to resource reductions, demographic change, and regional economic challenges in order to ensure continued delivery of services to the local community.</p> | <p>We employ a robust Reconciling Policy, Performance and Resources (RPPR) process for business planning. We have adopted a commissioning approach which means evaluating need and considering all methods of service delivery, which includes working with partner organisations to deliver services. The Council Plan sets out targets for a 'One Council' approach to deliver our priorities and is monitored quarterly. The plans take account of known risks and pressures, including demographic changes, to design mechanisms to deliver the Council's priorities. The Autumn Statement confirmed the Government's departmental spending plans and uncertainty about future growth in the national economy. There have been no announcements which change our plans but the RPPR process will be used to monitor the situation and keep members informed of any changes in order that mitigating action can be taken.</p> | A |
| Strat-08 | 8 | <p>CAPITAL PROGRAMME Failure to deliver capital programme outcomes on-time and on-budget, impacting on the Council's ability to support local economic growth.</p> | <p>In April 2015, a high level Capital Programme Management Review was commissioned with a recognition that we need to not only set firm targets for the next year of the programme, but set indicative targets for the following years and start to focus on shaping the 2018-2023 capital programme. The brief set out that there needs to be shift of focus from capital programme 'monitoring' to capital programme 'management' in order to improve forecasting and scheme scheduling and planning. Work regarding this is ongoing and has focussed on driving down costs and maximising resources thereby improving its affordability. A proposed programme covering 2016-23 will be presented to Full Council in February 2017.</p> | A |

| Ref | Ref | Strategic Risks | Risk Control / Response | RA G |
|----------|-----|--|--|---------|
| Strat-09 | 9 | <p>WORKFORCE Stress and mental health are currently the top two reasons for sickness absence across the Council, potentially leading to reduced staff wellbeing, reduced service resilience, inability to deliver efficient service and / or reputational issues.</p> | <p>A range of initiatives and interventions to support managers and staff in this area are being taken forward. In particular, we have confirmed our commitment to the mental health 'Time for Change' pledge with a number of dedicated activities and have successfully been awarded funding from two sources in order to assist with our 16/17 and 17/18 wellbeing strategy.</p> <p>We have been awarded a grant of £10k from the LGA to develop an online mindfulness programme to support staff to be resilient at work. The programme will commence in January 2017 and the evaluation process will include data and recommendations for the future direction of support for employees who are absent with stress-related illness and improving wellbeing at work. More generally, a joint venture with Public Health offering ESCC staff work based health checks is due to launch in Spring 2017. The aim is to improve the health and wellbeing of adults aged 40-74 years through the promotion of earlier awareness, assessment, and management. It is anticipated that these checks will help to prevent the onset of cardiovascular disease.</p> <p>In considering stress absences, a new 'wellness tool' has been introduced designed to enable employees and managers to discuss any wellbeing concerns at the earliest possible stage. In addition, an automated process is now in place to ensure that all managers with employees absent due to mental health or stress are contacted by the first and tenth day of absence. The email is sent direct from Firstcare and provides guidance for managers on the resources available to support staff.</p> | A |
| Strat-10 | 10 | <p>RECRUITMENT Inability to attract high calibre candidates, leading to limited recruitment choices and therefore lack of the expertise, capacity, leadership and/or innovation required to deliver services and service transformation.</p> | <p>Work with departments is underway to understand key areas of recruitment difficulty. Strategies to address this will include refreshing and publicising more clearly the benefits of working in the public sector and ESCC in particular, as well as understanding the different markets we are competing in. To support this, different talent attraction approaches will be developed ranging from apprentices and interns through to highly experienced individuals.</p> | A |

| Ref | Ref | Strategic Risks | Risk Control / Response | RAG |
|----------|-----|---|---|-----|
| Strat-06 | 6 | <p>LOCAL ECONOMIC GROWTH Failure to deliver local economic growth, and failure to maximise opportunities afforded by Government proposal to allocate Local Growth Funding to South East Local Enterprise Partnership, creating adverse reputational and financial impacts.</p> | <p>All projects that have secured capital funding from the South East England Local Enterprise Partnership (SELEP) have either now been completed, or construction is underway. Following the March 2016 call from Government for LEPs to prepare a 3rd round of Local Growth Funding, SELEP submitted its formal submission to Government at the end of July 2016. All of the projects that Team East Sussex considered were included, with a cumulative value of around £30m to deliver a range of infrastructure projects including a conferencing facility at Devonshire Park, Eastbourne and a number of strategic infrastructure investments creating the opening for new business parks across the county. Following the Chancellor's Autumn Statement at the end of November 2016, we are awaiting official confirmation of the outcome of the bid.</p> <p>Coast 2 Capital LEP have recently issued a call for projects (using underspend) that can start spending in Qtr 4 2016/17. We will be bidding for Newhaven Eastside South and Charleston Centenary project. We will know the outcome of these bids by February.</p> <p>In spite of the continued uncertainty around availability of EU funding in the current programme period, work has continued on developing partner bids across the SELEP. Bids to augment the Business East Sussex service have now been secured in September for the project termed South East Business Boost until June 2019 providing further enhanced business support services to support the growth of local companies (pre start-ups through to established). In addition, to enhance and increase our delivery of inward investment services, a further bid termed South East Invest has been submitted and we now await a decision on the bid.</p> <p>Whilst continuing to develop pipeline projects for subsequent rounds of Local Growth Funding via SELEP, in the longer term European funding will not be available, so we are increasingly looking towards the potential offered through the devolution of skills and infrastructure funding to the 3 Southern Counties and the emerging Sub-National Transport Board, the latter of which will enable the direct engagement with Highways England and Network Rail to influence their investment programmes.</p> | A |

| Ref | Ref | Strategic Risks | Risk Control / Response | RA G |
|----------|-----|--|---|---------|
| Strat-02 | 2 | <p>ORDINARY RESIDENCE Risk from other areas placing clients in receipt of social care services in East Sussex, and transferring to ESCC the commissioning, care management and funding responsibility for the individual as a result of a successful Ordinary Residence claim.</p> | <p>Dedicated Ordinary Residence Panel set up. The Panel discusses and agrees strategic and legal responses to Ordinary Residence claims from and to other Local Authorities, and directs reporting content. Panel members contact other Local Authorities directly where appropriate, and instruct Legal Services representation (including Counsel, and applications for Secretary of State determination) on behalf of ESCC.</p> <p>Continued awareness raising for ASC operational staff (and particularly Social Care Direct) in line with published guidance on Ordinary Residence, resulting in earlier case referrals to Ordinary Residence team. Guidance for frontline staff was written and issued followed by panel members visiting all ASC Operational teams to deliver presentation and Q&A. OR Inbox established to provide advice to staff and monitor all known incoming/outgoing OR queries and claims.</p> <p>Regular information gathering and reporting to DMT on all Ordinary Residence case referrals and financial projections.</p> | A |
| New | New | <p>APPRENTICESHIP LEVY The Government will introduce the Apprenticeship Levy on 6 April 2017. The levy requires all employers operating in the UK, with a pay bill over £3 million each year, to invest in apprenticeships.</p> <p>This creates a potential financial risk for the Council. A Levy contribution of £550,000 will be deducted from the General Fund staffing budget; and £690,000 will be deducted from the (maintained) Schools delegated staffing budgets; but there is no certainty about how much of this will be returned to the budget in 2017-18 in the form of apprenticeship training vouchers.</p> | <p>We will develop a strategy and action plan covering Departments and Schools to maximise the numbers of new and existing staff receiving qualifying apprenticeship training.</p> | G |

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|-------------------------|--|
| Report to: | Audit, Best Value and Community Services (ABVCS) Scrutiny Committee |
| Date of meeting: | 14 March 2017 |
| By: | Chief Executive |
| Title: | Reconciling Policy, Performance and Resources |
| Purpose: | To review scrutiny's input into the Reconciling Policy, Performance and Resources process during 2016/17. |

RECOMMENDATIONS

The Committee is recommended to:

- 1) Review its input into the Reconciling Policy, Performance and Resources process;**
 - 2) Identify any lessons for improvement of the process in future; and**
 - 3) Note the response to the RPPR Board's comments on the budget.**
-

1 Background

1.1 Reconciling Policy, Performance and Resources (RPPR - i.e. aligning the Council's budget setting process with service delivery plans) has established an effective and transparent business planning process.

1.2 Scrutiny committees actively engage in the process, firstly to allow them to bring the experience they have gained through their work to bear and, secondly, to help inform their future work programmes.

2 Reconciling Policy, Performance and Resources and scrutiny in East Sussex

2.1 In September 2016 each scrutiny committee considered extracts from the *State of the County* report and the existing departmental savings and Portfolio Plans. Requests for further information or reports were made to help the scrutiny committee gain a full understanding of the context for budget and service planning.

2.2 The scrutiny committees established scrutiny Boards to provide a more detailed input into the RPPR process. These met in December 2016 to consider the draft 2017/18 Portfolio Plans and the impact of proposed savings. The Boards:

- considered any amendments to the Portfolio Plans and how priorities were reflected against the proposed key areas of budget spend for the coming year;
- assessed the potential impact of proposed savings on services provided to East Sussex County Council customers.
- Made comments and recommendations to Cabinet on the budget proposals for 2017/18.

2.3 Appendix 1 summarises the comments and recommendations made by the Audit, Best Value and Community Services Scrutiny Committee RPPR Board to Cabinet, together with the response where appropriate.

3. Conclusion and reasons for recommendations

3.1 The committee is recommended to review its input into the RPPR process, establish whether there are lessons for improvement for the future and to note the response to comments made by the RPPR Board.

BECKY SHAW
Chief Executive

Contact Officer: Martin Jenks

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Email: martin.jenks@eastsussex.gov.uk

LOCAL MEMBERS

All.

BACKGROUND DOCUMENTS

None.

Audit, Best Value and Community Services

| Service savings proposal | Scrutiny comment / suggestion / recommendation at Dec 2016 RPPR Board | Response |
|-----------------------------|--|--|
| Capital Programme 2018-2023 | <ul style="list-style-type: none"> • The Board noted the lack of clarity with the arrangements for negotiating future Community Infrastructure Levy (CIL) funding for key infrastructure projects such as roads or school places. • The Board wished to see progress towards the planned use of capital for income generation (see Property Investment Strategy below). • The Board noted the use of direct revenue contributions (£6 million) to fund short term assets particularly ICT (£15 million over 5 years) and also as a contribution to £51 million of externally unfunded highways capital works. | <ul style="list-style-type: none"> • Work is ongoing to establish what funding is expected from CIL contributions and the process that the Council will need to undertake to obtain CIL contributions. The County Council will need to work closely with the Borough and District Councils to ensure basic needs are prioritised effectively and ensure CIL funding is secured where appropriate (Appendix 8 Capital Programme, of the RPPR Cabinet report). • The capital budget agreed does not include a capital allocation for income generation. However, the Committee have previously been informed that a business case will be submitted for any capital needed for the Property Investment Strategy. • The direct revenue contribution was reduced from £6m to £4m pa but the policy that contribution should at minimum provide funding for short term assets remains unchanged. |
| Treasury Management | The Board welcomed the proposed recalibration of the Minimum Revenue Provision (MRP) for capital repayments. This would reduce revenue payments annually by between £3.5m (straight line method) and £5.2m (annuity method). The Board noted however that annual payments would increase after 20 years and that the consent of the external auditor KPMG would need to be sought. | <ul style="list-style-type: none"> • The recalibration of the Minimum Revenue Provision (MRP) for capital repayments was agreed and the revenue savings used within the revenue Medium Term Financial Plan (MTFP). |

| Service savings proposal | Scrutiny comment / suggestion / recommendation at Dec 2016 RPPR Board | Response |
|--------------------------|--|--|
| | <ul style="list-style-type: none"> The Board recommended Cabinet to support the proposed recalibration of the Minimum Revenue Provision (MRP) for capital repayments, and that the revenue saving be used within the revenue Medium Term Financial Plan (MTFP) rather than to repay debt. | <ul style="list-style-type: none"> In total there was a £7.0m reduction in the amount charged to revenue as a result of changes made to the calculation of the MRP and a wider review of the Council's treasury management budgets. This reduction offset other pressures within the budget process and helped to reduce the overall level of required savings. |
| Income Generation | <p>The Board noted the work of the member and officer consultative group on initiatives for increased income from across the Council of £6.76 million.</p> <ul style="list-style-type: none"> The Board asked that, in setting discretionary pricing for services, attention be given to establishing price / demand elasticity and this should be included in future officer training. | <ul style="list-style-type: none"> The officer Income Generation Group has been made aware of this proposal and will take it into account in its development of a commercial skills training package for officers. |
| Apprenticeship Levy | <p>The strategic issues that the Board wished to draw to the Cabinet's attention are:</p> <ul style="list-style-type: none"> £550,000 is to be deducted from the General Fund staffing budget (as the Levy contribution) with no certainty about how much of this will be returned to the budget in 2017-18 in the form of apprenticeship training vouchers; Similarly, £690,000 is to be deducted from (maintained) schools delegated staffing budgets again with no certainty about how much of this will be claimed back to pay for apprenticeship training of, for example, classroom assistants. (For smaller schools in particular this might lead to serious financial pressures); As a matter of urgency, greater effort should be made to: a) allocate additional resources for project leadership; b) establish and set achievable targets for departments and schools to use when implementing the programme; and This project should be included on the Strategic Risk Register. | <ul style="list-style-type: none"> The ABVCS Scrutiny Committee will receive an update report at its meeting on 14 March 2017, item 12. The Apprenticeship Levy impacts have been added to the Strategic Risk Register (see item 10, appendix 1 on the ABVCS agenda for 14 March 2017). |

| Service savings proposal | Scrutiny comment / suggestion / recommendation at Dec 2016 RPPR Board | Response |
|---|---|--|
| Property Investment Strategy | <p>The Board was split on the principle of the Council investing in open market commercial investment projects. However, the Board would wholly support investment in public capital projects that are both financially beneficial and in the public interest; for example, primary care centres and sheltered accommodation.</p> | <ul style="list-style-type: none"> • A progress report on the Property Investment Strategy is planned for the ABVCS Scrutiny Committee meeting on 14 July 2017. |
| Orbis Public Law | <p>The Board welcomed progress of this project and the projected £1m savings from Orbis Public Law.</p> <ul style="list-style-type: none"> • The Board noted that the tighter regulation of Deprivation of Liberty Safeguards (DoLS), and the pressures from increasing court costs from adult and children's care, may offset some or all of the projected savings. | <ul style="list-style-type: none"> • Budget Monitoring reports will be presented at the Orbis Public Law Joint Committee meetings. • An update report on the progress of Orbis Public Law will be brought to the ABVCS Scrutiny Committee in due course (date to be agreed). |
| Senior Management and Organisational Development (SMOD) | <p>Coroners Service:</p> <ul style="list-style-type: none"> • The Board expressed concern that the Medical Examiner service will, from 2018, be required to investigate all deaths not reported to the Coroner without full cost recovery. • Board welcomed the work being undertaken to establish a shared Coroner service with West Sussex County Council and it recommended that this be pursued. • | |

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Report to: **Audit, Best Value and Community Services Scrutiny Committee**
Date: **14 March 2017**
By: **Chief Operating Officer**
Title of report: **Apprenticeship Levy**
Purpose of report: **To provide the Committee with an update on the implementation of the Apprenticeship Levy within the Council**

RECOMMENDATION: The Committee is recommended to note the significant progress made in putting in place the necessary infrastructure and arrangements to support the Council in maximising its return on the Apprenticeship Levy.

1. Background

1.1 At RPPR Review Board meeting on 5 December 2016, the Committee received a report setting out the Apprenticeship reforms and the Council's proposed response, as an employer, to these.

1.2 By way of a high level reminder, from April 2017, the County Council will be required to pay an Apprenticeship Levy calculated at 0.5% of the paybill. This equates to a core business levy of approximately £554k per annum and a Schools levy of approximately £688k per annum. The Schools Levy will be passed on to Schools in accordance with recent Department for Education (DfE) guidance.

1.3 In addition, the Government has set a statutory target for the public sector of 2.3% of the workforce being Apprentices. Based on current headcount, this equates to 239 in total i.e. 102 in the core business and 137 in Schools.

2 Supporting Information

2.1 Since the previous report, a significant amount of work has taken place. In particular, we have:

- established a Council wide Steering Group comprising representatives from all departments;
- put in place appropriate governance arrangements so that our work in response to the Levy is connected to other strategic workforce agendas across the organisation;
- established and successfully appointed to a new post of Strategy Manager, Apprentices;
- successfully registered our existing approved training centre (the East Sussex Qualification and Assessment Centre 'ESQAC') on the Register of Approved Training Providers (RoATP);
- developed a clear Procurement Strategy;
- developed a communication and engagement strategy;
- begun mapping of the current workforce (approximately 2,000 jobs) to identify current training needs that can in future be delivered via an apprenticeship;
- undertaken a high level analysis of turnover and wastage rates in order to understand where the greatest opportunities for apprenticeship training exist; and
- established a specific Schools Focus Working Group (as a sub-group of the Steering Group) to specifically work with Schools.

These are considered in more detail below.

Steering Group and Strategy Manager, Apprenticeships

2.2 The Steering Group has now met on two occasions. The purpose of the Steering Group is to provide strategic direction and oversight of the Council's approach. The work programme will be overseen by this group, ensuring robust accountability for the achievement of the agreed activities.

2.3 To drive the work programme forward, a Strategy Manager, Apprentices post has been established and appointed to. The successful post holder has significant knowledge and expertise in this area and is scheduled to commence in post on 20 March 2017. This role will clearly provide further capacity to the work programme.

Registration of ESQAC

2.4 As noted in the previous report, the County Council is in a unique position in that we have an existing approved provider in the form of ESQAC. The Centre has now successfully registered on the Register of Approved Training Providers and is going through the re-approval process. Having an approved training centre provides us with a real opportunity to build an offer that includes delivering apprenticeship training to our public sector partners.

Procurement Strategy

2.5 A clear procurement strategy will be a key element of our approach. Any training requirement with a value of more than £15k must go through an appropriate procurement route. Through the Orbis partnership, we have worked collaboratively with our neighbouring Councils and agreed to use the 'Dynamic Purchasing System' (DPS) which is currently being tendered by West Sussex County Council.

2.6 The DPS is a more flexible procurement route than a standard framework contract and will allow our local providers to tender for the work, thereby supporting one of our key priority outcomes around driving economic growth in the County.

Communication and Engagement

2.7 Managers will have a critical role to play in the delivery of apprenticeships across the Council; the new standards require a much greater level of employer involvement than the current frameworks. As such, it is essential that our managers understand the Apprenticeship reforms and the potential benefits they can offer such as access to training that was previously unaffordable, support for the development of career pathways thereby enhancing our employment offer etc.

2.8 A communication and engagement plan has therefore been developed and will include a range of methods, from the provision of information on the Intranet, through to drop-in sessions for managers and staff.

Mapping and Workforce Planning

2.9 Significant progress has been made on the workforce analysis to enable us to identify both current qualification training which in future can be delivered via an apprenticeship, as well as the job roles which again, in future, could be recruited to on the basis of an apprenticeship.

2.10 A key consideration of our approach is that it should be complimentary to the existing workforce development and training plans that are already in place in departments. Given the greater demands that the new standards will place on managers, from a service delivery perspective a balance needs to be struck between seeking to achieve the 2.3% target against distorting the composition of the workforce. Whilst it is right that the Apprenticeship Levy is used to support the Council's recruitment and retention aims, especially with 'hard to recruit to' roles, this cannot be at the expense of the need to have in place experienced and highly trained staff.

2.11 Once the mapping work has been completed the next step will be to convert this into clear plans with operational managers around either, conversion of current training into apprenticeships, or the identification of posts that can be recruited to on the basis of an apprenticeship.

2.12 At this stage therefore, it is too early to be able to confidently predict how much of our 'Levy pot' we will be able to spend in 2017/18. A number of the higher level apprenticeships are still in development and will not be in place until September 2018 at the earliest. As these are the more expensive apprenticeships, this will clearly have an impact on our ability to recoup the Levy payments.

2.13 In addition, the composition of our workforce is approximately 62% part time, 38% full time. This will make the achievement of the 2.3% target more challenging, a point which was made by a number of organisations, including the LGA, in response to the Government consultation. Whilst the Government has acknowledged this, they have nonetheless retained the target as 2.3% of headcount. They have, however, introduced the concept of 'have regard' whereby as part of the annual information return, organisations will have the opportunity to explain any factors that have hindered the achievement of the target, including having a large number of part time staff.

Schools

2.14 At its previous meeting the Committee noted its concerns in relation to the impact of the Levy on Schools, especially for smaller Schools. In order to support Schools with the implementation of the Levy, a specific task group has been established. The group is currently progressing three key areas:

- Communication – a report setting out the key issues and opportunities of the Levy has been presented to the Bursars forum and Primary Schools Headteachers meeting, In addition, information has been provided to all Schools via the Virtual School Bag system;
- Financial modelling has been completed to identify the cost of the Levy for each School. A system for collecting this has been devised whereby it will be deducted from Payroll, thereby avoiding the need for Schools to be involved in a bureaucratic invoicing arrangement. Costs have also been modelled on the basis of the 'Education Improvement Areas' (i.e. the geographical clusters of Schools) as it is likely that Schools will get the most benefit from the Levy by working together collaboratively; and
- Workforce mapping – this has been done on a central basis, avoiding the need for each School having to undertake this separately.

2.15 In terms of next steps, a paper is currently being written that will set out for Schools the potential opportunities and benefits of the Levy with proposals around the way in which Schools can take advantage of these. In addition, a series of 'breakfast meetings' for all Headteachers will be set up. As well as providing clear advice and information to Headteachers, these meetings will also provide a networking opportunity for Headteachers to come together to discuss the issues and possible solutions.

3. Conclusion and Reason for Recommendations

3.1 Since the previous report, a considerable amount of work has been undertaken and good progress made in getting ourselves positioned to respond to the Levy in a way that is relevant and adds value to the delivery of the Council's services. From discussions with our neighbouring Councils, it is clear that all are at a similar stage in the development of plans and approaches.

3.2 The Committee is therefore recommended to note the significant progress made in putting in place the necessary infrastructure and arrangements to support the Council in maximising its return on the Apprenticeship Levy.

KEVIN FOSTER
Chief Operating Officer

Contact Officer: Sarah Mainwaring, Head of HR/OD
Telephone No: 01273 482060
Email: sarah.mainwaring@eastsussex.gov.uk

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Audit, Best Value and Community Services (ABVCS) Scrutiny Committee



Future work at a glance

Updated: March 2017

This list is updated after each meeting of the scrutiny committee
 Follow us on Twitter for updates: @ESCCScrutiny

| Items that appear regularly at committee | |
|---|--|
| Internal Audit Progress Reports | Summary of quarterly key audit findings, highlighting significant control issues and reporting on delivery of the audit plan and internal audit services' performance against performance indicators. |
| Strategic risk monitoring log | The latest version of the County Council's strategic risk register. |
| The Council's Forward Plan | <p>The latest version of the Council's Forward Plan is included on each scrutiny committee agenda. The Forward Plan lists all the key County Council decisions that are to be taken within the next few months together with contact information to find out more. It is updated monthly.</p> <p>The purpose of doing this is to help committee Members identify important issues for more detailed scrutiny <i>before</i> key decisions are taken. This has proved to be significantly more effective than challenging a decision once it has been taken. As a last resort, the call-in procedure is available if scrutiny Members think a Cabinet or Lead Member decision has been taken incorrectly.</p> <p>Requests for further information about individual items on the Forward Plan should be addressed to the listed contact. Possible scrutiny issues should be raised with the scrutiny team or committee Chairman, ideally before a scrutiny committee meeting.</p> |
| Committee work programme | This provides an opportunity for the committee to review the scrutiny work programme for future meetings and to highlight any additional issues they wish to add to the programme. |

| Future committee agenda items | | Presenting officer |
|---|---|--|
| 14 July 2017 | | |
| Internal Audit Services Annual Report and Opinion 2016/17 | An overall opinion on the Council's framework of internal control, summarises the main audit findings and performance against key indicators (includes Internal Audit Progress report – Quarter 4, 2016/17 (01/01/17 – 31/03/17). | Russell Banks, Head of Assurance |
| Strategic Risk Monitoring | Strategic risk monitoring report – Quarter 4, 2016/17 (01/01/17 – 31/03/17). | Russell Banks, Head of Assurance |
| Review of Annual Governance Report & 2016/17 Statement of Accounts | Report of the external auditors following their audit of the Council's statutory accounts. It allows the committee to review the issues raised and assess the management response. | Chief Finance Officer, and external auditors |
| Review of Pension Fund Annual Governance Report and 2016/17 Statement of Accounts | Report of the external auditors following their audit of the Pension Fund. It allows the committee to review the issues raised and assess the management response. | Chief Finance Officer, and external auditors |
| Monitoring Officer's Annual Review of the Corporate Governance Framework | Sets out an assessment of the effectiveness of the Council's governance arrangements and includes an improvement plan for the coming year, and the corporate assurance statement which will form part of the statement of accounts. | Philip Baker, Assistant Chief Executive |
| 27 September 2017 | | |
| Internal Audit Progress Report | Internal Audit Progress report – Quarter 1, 2017/18 (01/04/17 – 30/06/17) | Russell Banks, Head of Assurance |
| Strategic Risk Monitoring | Strategic risk monitoring report – Quarter 1, 2017/18 (01/04/17 – 30/06/17) | Russell Banks, Head of Assurance |
| Reconciling Policy, Performance and Resources (RPPR) | RPPR 2018/19. The Committee will start the process of examining the savings plans and Portfolio Plans for those services within the remit of the Committee. | Scrutiny / Chief Executive |

| Future committee agenda items | | Presenting officer |
|--|--|--|
| 29 November 2017 | | |
| Internal Audit Progress Report | Internal Audit Progress report – Quarter 2, 2017/18 (01/07/17 – 30/09/17) | Russell Banks, Head of Assurance |
| Strategic Risk Monitoring | Strategic risk monitoring report – Quarter 2, 2017/18 (01/07/17 – 30/09/17) | Russell Banks, Head of Assurance |
| Annual Audit Letter | To consider the Annual Audit letter and fee update from the External Auditor | Russell Banks, Head of Assurance |
| Treasury Management | To consider a report on the review of Treasury Management performance for 2016/17 and for outturn for the first six months of 2017/18, including the economic factors affecting performance, the Prudential Indicators and compliance with the limits set within the Treasury Management Strategy. | Chief Finance Officer / Ola Owolabi, Head of Accounts and Pensions |
| Annual update on usage of Agency Staff | Annual update on the usage of agency staff at East Sussex County Council and progress on establishing the bank of casual staff. | Sarah Mainwaring, Head of HR and Org Development |
| Reconciling Policy, Performance and Resources (RPPR) | Reconciling Policy, Performance and Resources 2018/19. The Committee will consider additional information requested at September meeting. | Scrutiny / Chief Executive |

| Current scrutiny reviews and other work underway | Date available |
|--|------------------------|
| <p>Libraries' Transformation Programme. The Scrutiny Committee has formed a Review Board and will participate in the work to develop the Libraries' strategic commissioning strategy, which looks at the future provision of library services in East Sussex.</p> | September 2017. |

Potential future scrutiny work
(Proposals and ideas for future scrutiny topics appear here)

Property Investment Strategy.

A report on the detailed proposals for the Property Investment Strategy. Report date to be agreed.

Background / information reports circulated to the Committee
(Items in this list are circulated to Members by email and appear on committee agendas only when proposed for scrutiny by committee members)

Date to be circulated

Enquiries: Democratic Services
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Version number: v.47

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EAST SUSSEX COUNTY COUNCIL'S FORWARD PLAN

The Leader of the County Council is required to publish a forward plan setting out matters which the Leader believes will be the subject of a key decision by the Cabinet or individual Cabinet member in the period covered by the Plan (the subsequent four months). The Council's Constitution states that a key decision is one that involves

- (a) expenditure which is, or the making of savings which are, significant having regard to the expenditure of the County Council's budget, namely above £500,000 per annum; or
- (b) is significant in terms of its effects on communities living or working in an area comprising two or more electoral divisions.

As a matter of good practice, the Council's Forward Plan includes other items in addition to key decisions that are to be considered by the Cabinet/individual members. This additional information is provided to inform local residents of all matters to be considered, with the exception of issues which are dealt with under the urgency provisions.

For each decision included on the Plan the following information is provided:

- Page 103 -
- the name of the individual or body that is to make the decision and the date of the meeting
 - the title of the report and decision to be considered
 - groups that will be consulted prior to the decision being taken
 - a list of other appropriate documents
 - the name and telephone number of the contact officer for each item.

The Plan is updated and published every month on the Council's web-site two weeks before the start of the period to be covered.

Meetings of the Cabinet/individual members are open to the public (with the exception of discussion regarding reports which contain exempt/confidential information). Copies of agenda and reports for meetings are available on the web site in advance of meetings. For further details on the time of meetings and general information about the Plan please contact Andy Cottell at County Hall, St Anne's Crescent, Lewes, BN7 1SW, or telephone 01273 481955 or send an e-mail to andy.cottell@eastsussex.gov.uk.

For further detailed information regarding specific issues to be considered by the Cabinet/individual member please contact the named contact officer for the item concerned.

EAST SUSSEX COUNTY COUNCIL

County Hall, St Anne's Crescent, Lewes, BN7 1UE

For copies of reports or other documents please contact the officer listed on the Plan or phone 01273 335138

FORWARD PLAN – EXECUTIVE DECISIONS (including Key Decisions) –1 March 2017 TO 30 June 2017

Additional notices in relation to Key Decisions and/or private decisions are available on the Council's website via the following link:

<http://www.eastsussex.gov.uk/yourcouncil/about/committees/download.htm>

Cabinet membership:

Councillor Keith Glazier - Lead Member for Strategic Management and Economic Development

Councillor David Elkin – Lead Member for Resources

Councillor Chris Dowling – Lead Member for Community Services

Councillor Rupert Simmons – Lead Member for Economy

Councillor Carl Maynard – Lead Member for Transport and Environment

Councillor Bill Bentley – Lead Member for Adult Social Care

Councillor Sylvia Tidy – Lead Member for Children and Families

Councillor Nick Bennett – Lead Member for Education and Inclusion, Special Educational Needs and Disability

| Date for Decision | Decision Taker | Decision/Key Issue | Decision to be taken wholly or partly in private (P) or Key Decision (KD) | Consultation | List of Documents to be submitted to decision maker | Contact Officer |
|-------------------|----------------|---|---|--------------|---|------------------------------|
| 7 Mar 2017 | Cabinet | Council Monitoring: Quarter 3 2016/17 To consider the Council Monitoring report for Quarter 3, 2016-17. | KD | | Report, other documents may also be submitted | Jane Mackney 01273 482146 |
| 7 Mar 2017 | Cabinet | Industrial Strategy Green Paper To consider the Council's response to the Industrial Strategy Green Paper Consultation | | | Report, other documents may also be submitted | James Harris 01273 482158 |
| 7 Mar 2017 | Cabinet | National Funding Formula for Schools To consider a response to the National | | | Report, other documents may also be submitted | Mark Whiffin 01273 337114 |

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|-------------|---|--|-----------|---|---|----------------------------------|
| | | Funding for Schools Consultation Phase 2 | | | | |
| 7 Mar 2017 | Cabinet | School Improvement Inspection report of Special Educational Needs and Disability services To consider the inspection report in relation to SEND services | | | Report, other documents may also be submitted | Amanda Watson 01273 481339 |
| 7 Mar 2017 | Cabinet | East Sussex Better Together – Strategic Commissioning Board To seek agreement to the establishment of a Strategic Commissioning Board jointly with Clinical Commissioning Groups as part of the transitional agreements for the East Sussex Better Together Accountable Care Model. | | Local Members | Report, other documents may be submitted | Vicky Smith 01273 482036 |
| 20 Mar 2017 | Lead Member for Transport and Environment | Alexandra Park, Hastings - proposed designated shared pedestrian and cycle route - consultation results Outline of the results of the consultation led by Hastings Borough Council and funded by East Sussex County Council for providing a cycling route through Alexandra Park, and agree with the recommendations made to Hastings Borough Council Cabinet on 4 January 2017 | KD | Hastings Borough Council Local Members | Report, other documents may also be submitted | Tracey Vaks 01273 482123 |
| 20 Mar 2017 | Lead Member for Transport and Environment | Allocation of the 2017/18 Community Match Funding to a number of community led local transport schemes | KD | Local Members | Report, other documents may also be submitted | Jonathan Wheeler 01273 482212 |

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| 20 Mar 2017 | Lead Member for Transport and Environment | Capital Programme for Local Transport Improvements 2017/18 To approve the list of schemes and associated expenditure to be included in the programme | KD | Local Members | Report, other documents may also be submitted | Jonathan Wheeler 01273 482212 |
| 20 Mar 2017 | Lead Member for Transport and Environment | Issuing of postal Penalty Charge Notices (Regulation 10 PCNs) for vehicle drive away To consider the option of issuing postal or Regulation 10 PCNs for instant offences recorded by approved hand held devices | | | Report, other documents may also be submitted | Jonathan Wheeler 01273 482212 |
| 20 Mar 2017 | Lead Member for Education and Inclusion, Special Educational Needs and Disability | To consider approval to publish notices in relation to a proposal to lower the age range at Sandown Primary School To seek approval to publish notices in relation to a proposal to lower the age range at Sandown Primary School | | Staff Parents Key Stakeholders The Local Community Local Members | Report, other documents may also be submitted | Jane Spice 01323 747425 |
| 21 Mar 2017 | Lead Member for Education and Inclusion, Special Educational Needs and Disability | To consider a final decision on a proposal to lower the age range at Shinewater Primary School To consider a final decision on the proposal to lower the age range at Shinewater | | Staff at Shinewater Primary School Parents of children at | Report, other documents may also be submitted | Jane Spice 01323 747425 |

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|-------------|---|--|--|---|---|-------------------------------|
| | | Primary School | | Shinewater Primary School Key Stakeholders The Local Community Local Members | | |
| 21 Mar 2017 | Lead Member for Education and Inclusion, Special Educational Needs and Disability | St Thomas a Becket Catholic Infant and Junior schools (proposed amalgamation) To consider a final decision on a proposal to amalgamate St Thomas a Becket Catholic Infant School with St Thomas a Becket Catholic Junior School | | | Report, other documents may also be submitted | Gary Langford 01273 481758 |
| 18 Apr 2017 | Cabinet | Internal Audit Strategy and Annual Plan 2017/18 To consider the Internal Audit strategy and plan for 2017/18. | | | Report, other documents may also be submitted | Russell Banks 01273 481447 |
| 18 Apr 2017 | Cabinet | External Audit Plan 2016/17 To consider the External Audit Plan 2016/17 | | | Report, other documents may also be submitted | Ola Owolabi 01273 482017 |
| 18 Apr 2017 | Cabinet | Scrutiny Review of Superfast Broadband To consider a report from the Economy, Transport and Environment (ETE) Scrutiny Committee on the Scrutiny Review of Superfast Broadband in East Sussex, and | | | Report, other documents may also be submitted | Martin Jenks 01273 481327 |

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|-------------------------|---|--|-----------|---|---|-----------------------------------|
| | | the response to the report from the Chief Officer. | | | | |
| 18 Apr 2017 | Cabinet | Scrutiny Review of Early Years Attainment at Key Stage 4 To consider the report of the Children's Services Scrutiny Committee on the Scrutiny Review of Educational Attainment at Key Stage 4, together with the observations of the Chief Officer on the Scrutiny Review | | | Report, other documents may also be submitted | Stuart McKeown 01273 481583 |
| 24 Apr 2017 Page 108 | Lead Member for Transport and Environment | Review of the East Sussex Local Flood Risk Management Strategy's delivery plan 2017/18 To agree the delivery plan as the framework for the Local Flood Risk Management activities in East Sussex for 2017/18 | KD | Local Members | Report, other documents may also be submitted | Marie Nickalls 01273 482146 |
| 25 Apr 2017 | Lead Member for Resources | Annual debt write off report 2016/17 To consider the Annual Debt write off report for 2016/17 | KD | | Report, other documents may also be submitted | Janyce Danielczyk 01273 481893 |
| 19 Jun 2017 | Lead Member for Education and Inclusion, Special Educational Needs and Disability | Final decision on a proposal to lower the age range at Sandown Primary School To consider the final decision on a proposal to lower the age range at Sandown Primary School | | Staff Parents Key stakeholders The Local | Report, other documents may also be submitted | Jane Spice 01323 747425 |

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|-------------|---|---|-----------|---------------|---|--------------------------------|
| | | | | Community | | |
| 19 Jun 2017 | Lead Member for Education and Inclusion, Special Educational Needs and Disability | School Transport – Review of walking routes to school including Public Rights of Way To consider a report regarding the School Transport Review of walking routes to school including Public Rights of Way | KD | | Report, other documents may also be submitted | Jo Miles 01273 481911 |
| 27 Jun 2017 | Cabinet | Council Monitoring: Quarter 4 2016/17 end of year report. To consider the end of year Council Monitoring report for 2016/17. | | | Report, other documents may also be submitted | Jane Mackney 01273 482146 |
| 27 Jun 2017 | Cabinet | Employability and Skills Strategy 2016 - 18 To consider an update on progress regarding the Employability and Skills Strategy 2016 - 2018 | | | Report, other documents may also be submitted | Holly Aquilina 01323 463538 |
| 27 Jun 2017 | Cabinet | To consider proposals regarding the publication of statutory notices in relation to the proposed closure of Rodmell CE Primary School | KD | | Report, other documents may also be submitted | Gary Langford 01273 481758 |
| 28 Jun 2017 | Lead Member for Community Services | Petition to support traffic calming measures in Etchingam To consider whether traffic calming measures in Etchingam would be a priority for the County Council | | Local Members | Report, other documents may also be submitted | Brian Banks 01424 724558 |

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|-------------|---------------------------------------|--|--|---------------|---|-----------------------------|
| 28 Jun 2017 | Lead Member for Community Services | Traffic calming measures around Bourne School To consider a petition requesting traffic calming measures including additional parking restrictions and safer crossing points | | Local Members | Report, other documents may also be submitted | Brian Banks 01424 724558 |
|-------------|---------------------------------------|--|--|---------------|---|-----------------------------|