



AUDIT COMMITTEE

FRIDAY, 18 SEPTEMBER 2020

10.00 am CC1, COUNTY HALL, LEWES

++Please note that this meeting is taking place remotely++

MEMBERSHIP - Councillor Colin Swansborough (Chair)
Councillors Gerard Fox (Vice Chair), Matthew Beaver, Martin Clarke,
Philip Daniel, Michael Ensor and Daniel Shing

A G E N D A

- 1 Minutes of the previous meeting held on 10 July 2020 (*Pages 3 - 10*)
- 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.
- 5 Assessment of the Corporate Governance Framework and Annual Governance Statement for 2019/20 (*Pages 11 - 30*)
Report by the Assistant Chief Executive
- 6 Internal Audit Progress Report - Quarter 1 2020/21 (*Pages 31 - 50*)
Report by the Chief Internal Auditor
- 7 Internal Audit staffing and resources (*Pages 51 - 54*)
Report by the Chief Internal Auditor
- 8 Strategic Risk Monitoring 2020/21 - Q1 (01.04.20 - 30.06.20) (*Pages 55 - 66*)
Report by the Chief Operating Officer
- 9 Work programme (*Pages 67 - 70*)
- 10 Any other items previously notified under agenda item 4

PHILIP BAKER
Assistant Chief Executive
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10 September 2020

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NOTE: *As part of the County Council's drive to increase accessibility to its public meetings, this meeting will be broadcast live on its website and is accessible at:*
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Agenda Item 1

AUDIT COMMITTEE

MINUTES of a meeting of the Audit Committee held at County Hall, Lewes on 10 July 2020.

++ The meeting was held remotely ++

PRESENT

Councillors Colin Swansborough (Chair) Councillors
Gerard Fox (Vice Chair), Matthew Beaver, Martin Clarke,
Philip Daniel, Michael Ensor and Daniel Shing

ALSO PRESENT

Russell Banks, Chief Internal Auditor
Nigel Chilcott, Audit Manager
Kevin Foster, Chief Operating Officer
Ian Gutsell, Chief Finance Officer
Simon White, Anti Fraud Manager

1 MINUTES OF THE PREVIOUS MEETING HELD ON 22 NOVEMBER 2019

1.1 RESOLVED to agree the minutes as a correct record.

2 APOLOGIES FOR ABSENCE

2.1 Apologies for absence were received from the Lead Member for Resources Councillor Nick Bennett.

3 DISCLOSURES OF INTERESTS

3.1 There were none.

4 URGENT ITEMS

4.1 There were none.

5 REPORTS

5.1 Reports referred to in the minutes below are contained in the minute book.

6 INTERNAL AUDIT ANNUAL REPORT AND OPINION 2019/20 (INCLUDING QUARTER 3 AND 4 PROGRESS REPORT)

6.1 The Committee considered a report by the Chief Internal Auditor, which presented the overall annual opinion of reasonable assurance, and set out a summary of the Internal Audit Team's work during Quarters 3 and 4 of 2019/20. The Audit Manager set out the work undertaken with management in respect of the two pension-related audits, and the reporting done to the Pension Board and Pension Committee. Follow up reviews will also be undertaken. The Audit Manager outlined that 90% of the Audit Plan was completed on schedule and the remainder will be worked through during quarter 1 of 2020/21.

6.2 The Committee asked questions about:

- The Pension Administration audit and the techniques used to produce the assessment, and the risks of over- or under-payment of Fund members
- The reporting of the Pension audits to the Pension Board and Pension Committee
- Atrium, and whether it includes the County's highways
- Social Value in procurement and its promotion to officers
- Managing Back Office Systems and SAP replacement, and whether it is done in partnership within Orbis
- Business Continuity, and whether it had coped with the pandemic
- Deferred items from 2019/20
- Adult Social Care commissioning and where the Council stands in comparison with other authorities.

6.3 Officers and Members responded:

- The Audit Team historically used an approach approved by the Pensions Regulator, but became aware of additional risks. A new Internal Audit Strategy for the Pension Fund was agreed last year to reflect the new risks. The Team also had access to the Pensions administration system which allowed greater interrogation of data. Greater time was spent on the Pension Fund audit work than in previous years, and will continue with an increased number of audit days allocated to the work. A follow up audit will be conducted and reported to the Audit Committee. The Chief Internal Auditor confirmed that the Team's work was focussed on the systems and processes in place, rather than identifying individual cases of over- or under-payment, but there was no indication that members of the Pension Fund did not get the payments they were entitled to.
- Councillor Fox, as Chair of the Pension Committee, confirmed that the principal issues of concern were to do with the governance and use of data within the Pensions Administration team. Some concerns can be addressed with additional software. Officers will strengthen the controls, with substantial work being done by the Chief Operating Officer and Chief Finance Officer to increase resources for the pension administration function of the Fund.. Councillor Fox also highlighted the work of Data Improvement Project that had been launched, prior to the audits commencing, which addresses some of these issues.

- Atrium is the Council's property asset management system, and does not include the highways assets. However, the Highways Contract re-procurement project is included in the 2020/21 Audit Plan.
- The Council won a national award for its approach to social value in procurement, and is a strong performer in the sector. A key issue is following up with providers that they have achieved the targets set out in the contract. A social value platform has been developed, as has greater integration with the voluntary and community sector.
- The key determinant of success for the Modernising Back Office Systems (MBOS) project will be that the requirements of East Sussex County Council (ESCC) are met. There needs to be a strong engagement process in how to set the system up to meet ESCC's needs. This is not supportive of multiple organisations moving at different paces, although there may be opportunities for integration in the future. The procurement will be a sovereign led issue, to meet the needs and strategic priorities of each authority. Within Orbis consistencies and efficiencies are identified as part of the operating model in areas such as Accounts Payable and Receivable and Recruitment, but these areas are not the driver for having an Orbis-wide system. The same Procurement and IT teams are supporting both ESCC and Surrey County Council (SCC), so there is a commonality of approach to the procurement. The key issue is that the system supports the Council's main service delivery needs and their subsidiary systems. Should each authority choose to procure the same system then opportunities to streamline the administration will be examined, although efficiencies may be limited given the "software as a service" nature of the procurement. The same Audit teams are supporting the projects in Surrey and East Sussex, to maximise the opportunities to share expertise and common issues identified.
- Business Services has held weekly Business Continuity Group meetings, supporting the transformation to remote working, with the infrastructure in place throughout. Performance has improved in areas, with automation of some processes, such Accounts Payable processing 95% of payments within 30 days, and an average payment period of 17 days.
- In Quarter 1 2020/21 the suspended audits were started, so the remainder of the work will be completed shortly.
- The relative performance figures on Adult Social Care (ASC) commissioning will be provided to the Committee.

6.4 The Committee RESOLVED to (1) thank the Internal Audit Team for their work during the pandemic;

(2) note the Internal Audit Service's opinion on the Council's control environment;

(3) confirm that there are no significant control issues that should be included in the Council's annual governance statement for 2019/20; and

(4) confirm that the Council's system for internal audit has proved effective during 2019/20.

7 ESCC ANTI-FRAUD AND CORRUPTION STRATEGY AND FRAMEWORK

7.1 The Committee considered a report by the Chief Internal Auditor, which presented the refreshed Anti-Fraud and Corruption Strategy and Framework, in line with best practice. The Internal Audit Manager, Counter Fraud introduced the report which sets out the approach to counter fraud work. The report refreshes the Strategy to take into account changes in regulations, anti-fraud and money laundering activity, and an emphasis on changes in organisational culture.

7.2 The Committee discussed:

- The role of Culture and how it affects the organisation
- Staff leavers and overpayments
- Whistleblowing Policy and raising issues with outside bodies
- Internal powers of investigation, links to the Police and monitoring of social media in support of investigations
- Effect of increased homeworking as a result of the Covid-19 pandemic and impacts of fraud
- E-learning and how to follow up to ensure the lessons are implemented

7.3 Officers responded:

- Efforts to establish zero tolerance to fraud, having robust policies and making sure individuals are aware of the policies and their responsibility to report instances of fraud.
- Payroll is a key part of the annual audit, looking at the controls which should pick up the issues of leavers. The Council also participates in the biannual national fraud initiative which involves payroll matching with other authorities, which allows the authority to pursue overpayments.
- Outside bodies with which a concern could be raised include the External Auditors and Protect (formerly Public Concern at Work). Other sector specific bodies include Ofsted, the Care Quality Commission and the Health & Safety Executive.
- A benefit of the Orbis partnership is a team of investigators who work to PACE (Police and Criminal Evidence Act) standards. Investigations have been shared with the Police for criminal prosecution if it is considered appropriate. Monitoring of social media is done with appropriate RIPA (Regulation of Investigatory Powers Act) sign off, but is not commonly used as there are other sources of evidence. To reduce the risk of staff being groomed to participate in a fraud

there is considerable fraud awareness and e-learning made available, together with participation in fraud awareness week in November each year. Greater integration with banks in assisting staff to avoid fraud in their personal lives was suggested.

- A Fraud risk assessment was used to log changes in operational procedures resulting from the pandemic on the risk register, and risks were shared with the Finance team. The log also records changes to business controls as a result of increased homeworking. The Service works on changes to processes and workarounds by way of advice and challenge to Teams, which have been logged to assist with a return to 'Business As Usual' working. Such changes may provide more efficient solutions, but should be reviewed to ensure they are capable of being sustained as a lasting solution. Any changes will undergo a process of assurance. The Audit Plan for 2020/21 is being reviewed to ensure it covers the changes to working practices and the potential increased risk of fraud as a result of the pandemic.
- E-learning and maturity of the organisation in terms of fraud awareness is measured by use of periodic online fraud surveys. The Orbis structure allows comparisons and benchmarking with other organisations to be done. Fraud risk workshops are held with specific teams, to support the e-learning. Councillors can find details of the anti-fraud resources available on the Council's intranet pages.

7.4 The Committee RESOLVED to endorse the updated Anti-Fraud and Corruption Strategy and Framework.

8 STRATEGIC RISK MONITORING - QUARTERS 3 AND 4, 2019/20

8.1 The Committee considered a report by the Chief Operating Officer, which presented an update on the current strategic risks faced by the Council and the controls and responses.

8.2 The Committee discussed:

- Cyberattack remains a risk with increased homeworking with staff using their own equipment and systems, and issues of data protection
- Brexit and the implementation of the Political Declaration: should the risk be rewritten and be included, given the risks associated with ports and ferry traffic, the potential disruption to supply chains that may affect Council services
- Covid-19 and the potential for a second wave and response by a local lockdown plans and what that would involve

8.3 Officers responded:

- Data breaches are dealt with by the Data Protection Officer, who reports to the Chief Operating Officer, who coordinates any necessary reporting to the Information Commissioner's Office. There has been no increase in reporting during the pandemic. In terms of staff using their own equipment, access to the Council's systems is controlled by the security associated with the Council's Citrix environment. There are two cybersecurity accredited members of staff (out of circa 1000 people nationally so accredited) who maintain contact with national guidance. There has been a review of information from the civil service as to the key issues to bear in mind.
- Brexit is being kept under review and will be incorporated once there is sufficient information for the risk and mitigations to be quantified.
- Public Health have been working on local lockdown plans based on latest government guidance, and information will be provided to Members. Details of the of the Coronavirus Local Outbreak Plan can be found on the Council's website:
[\(https://www.eastsussex.gov.uk/community/emergencyplanningandcommunitysafety/coronavirus/outbreak-control-plan/\)](https://www.eastsussex.gov.uk/community/emergencyplanningandcommunitysafety/coronavirus/outbreak-control-plan/).

8.4 The Committee RESOLVED to note the current strategic risks and the risk controls/responses being proposed and implemented by Chief Officers, including the inclusion of a new Covid-19 risk. The Committee requested consideration be given to reinstating a redefined Brexit risk on the future relationship with the European Union as there has been no agreement on the implementation of the withdrawal agreement.

9 WORK PROGRAMME

9.1 The Committee considered the Work Programme.

9.2 The Chief Finance Officer reported that the External Auditors were unable to meet the Council's initial deadline for considering the 2019/20 accounts. He requested that the November meeting be moved to accommodate a revised schedule of meetings.

9.3 Councillor Philip Daniel requested an update on Orbis, in the light of Surrey County Council's announcements on becoming a unitary authority, and the Internal Audit of pension administration. The Chief Operating Officer confirmed that the Orbis Leadership Team would be examining the issues and opportunities that such a change in Surrey would promote, and provide a report to a future meeting together with a restatement of the services and benefits provided by the Orbis Partnership. The Committee asked if it would be possible to have a report on Orbis at the November Audit Committee meeting.

9.4 The Chief Operating Officer outlined the need to add a report to the Committee's work programme on the Modernising Back Office Systems programme and in particular regarding the assurance needed on matters such as the production of the statutory accounts. The Chief Operating Officer will liaise with the Democratic Services team on the timescale for this report.

9.5 The Committee RESOLVED to move the November meeting to Friday 6 November 2020, and note the Work Programme together with the amendments made to it in paragraphs 9.3 and 9.4 above.

The meeting ended at 11.18 am.

Councillor Colin Swansborough (Chair)

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Report to: **Audit Committee**

Date: **18 September 2020**

By: **Assistant Chief Executive**

Title of report: **Assessment of the Corporate Governance Framework and Annual Governance Statement for 2019/20**

Purpose of report: **To consider the draft report to the Governance Committee on the Annual Assessment of the Corporate Governance Framework and Annual Governance Statement.**

RECOMMENDATION:

The Committee is recommended to:

- 1. consider the draft report to the Governance Committee and its appendices; and**
 - 2. confirm whether there are any changes to the Annual Governance Statement that the Committee wishes to recommend to the Governance Committee.**
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1. Supporting Information

1.1 Under its terms of reference, it is the role of this Committee: "To review the Council's assurance statements, including the Annual Governance Statement, ensuring that they properly reflect the risk environment, and any actions required to improve it."

1.2 The Council publishes its Annual Governance Statement (AGS) in compliance with the requirements of the Accounts and Audit Regulations 2015. It is also reported separately to the Governance Committee as part of the Annual Assessment of the Corporate Governance Framework.

1.3 The draft Governance Committee report is attached as appendix A and any comments the Committee wishes to make will be reported to the Governance Committee at its meeting on 2 October 2020. In reviewing the AGS report, Members should consider whether it properly reflect the Council's risk and internal control environment.

PHILIP BAKER

Assistant Chief Executive

Contact officers:

Russell Banks, Orbis Chief Internal Auditor, 07842 362739

Andy Cottell, Democratic Services Manager 01273 481955

Local Member: All

BACKGROUND DOCUMENTS

None

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Committee:	Governance Committee	APPENDIX A
Date:	2 October 2020	
Title of report:	Assessment of the Corporate Governance Framework for 2019-20	
By:	Assistant Chief Executive	
Purpose of report:	To (i) provide information on compliance with the Council's code of corporate governance and any changes to it that may be necessary to maintain it and ensure its effectiveness in practice; and (ii) gain approval of the Council's Annual Governance Statement in compliance with the requirements of the Accounts and Audit Regulations 2015.	

RECOMMENDATIONS: The Governance Committee is recommended to:

- 1. approve the action plan for 2020/21;**
 - 2. note that actions identified to enhance governance arrangements are reflected in Business Plans and that implementation will be monitored throughout the year;**
 - 3. confirm that Members are satisfied with the level of assurance provided to them through this report and the Council's governance framework and processes;**
 - 4. consider any comments from the Audit Committee;**
 - 5. identify any significant governance issues that should be included in the Council's Annual Governance Statement; and**
 - 6. approve the Annual Governance Statement for signature by the Leader and the Chief Executive and publication within the Statement of Accounts**
-

1. Supporting Information

1.1 The corporate governance framework reflects both legislative and regulatory change and is based on revised guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Chief Executives and Senior Managers (SOLACE).

1.2 The Accounts and Audit Regulations 2015 require the Council to ensure that it has in place a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for risk management. The Council is required to conduct an annual review of the effectiveness of its system of internal control and to prepare an Annual Governance Statement (AGS) in accordance with proper practices in relation to internal control to accompany its Statement of Accounts.

1.3 The production of an AGS is the final stage of an ongoing process of review of our governance arrangements including risk management and internal control. In summary the process must involve an organisation reviewing the adequacy of its governance arrangements, developing an action plan for improving those arrangements and communicating the framework to users and stakeholders.

1.4 The draft AGS report was originally due to be submitted to SOG and CMT in June and the Audit and Governance Committees in July. In light of the coronavirus pandemic, and resulting pressures on local government, CIPFA has produced a briefing regarding the timing of the publication of the final Statement of Accounts and AGS. The revised deadline for publication of both is now 30 November 2020.

1.5 In June 2020 SOG agreed to delay consideration of the report as it is important that the AGS reflects the impact of coronavirus on the Council's governance. The impact of coronavirus has, and will, be felt by the Council and may require changes to the organisation's priorities and programmes. Consideration will also need to be given to the longer term disruption and consequences arising from the pandemic.

1.6 The report was considered by the Audit Committee on 18 September prior to the Governance Committee on 2 October. Any comments arising from the Audit Committee will be reported to the Governance Committee at its meeting.

2. Assessment of the Corporate Governance Framework for 2019-20

2.1 The main policies and strategies that make up the Council's corporate governance framework are set out in the Local Code of Corporate Governance. The Local Code of Corporate Governance was updated to reflect the revised CIPFA/SOLACE Framework that was published during 2016 and was agreed by the Governance Committee in March 2017. The County Council's Local Code of Corporate Governance sets out the main principles of good governance for the Council. The Code is based on existing good practice and the core principles of the CIPFA/SOLACE framework.

2.2 The CIPFA/SOLACE framework defines the principles that should underpin the governance of local councils. To achieve good governance the Council should be able to demonstrate that its governance structures comply with the core principles contained in the framework. It has therefore developed and maintained a Local Code of Governance including the core principles set out in the framework.

2.3 The seven principles included in the framework are:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

2.4 The Council's corporate governance framework is underpinned by a number of key documents and processes and the Local Code of Corporate Governance reflects the CIPFA/SOLACE Framework with the 7 core principles of the Framework being included as the County Council's principles of good governance. The main policies and processes that underpin the County Council's corporate governance framework have been reviewed against the seven core principles as set out in Appendix 1 with a view to seeing which principles they best relate to, and making sure that they do assist the Council in complying with the principles .

2.5 Evidence shows that the Council continues to have in place good arrangements for corporate governance and that they are working effectively. A review of the AGS was undertaken by Internal Audit during 2019/20 and a provisional Substantial Assurance rating was given. This opinion means that controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives. The recommendations arising from the review have been implemented or are in the process of being implemented.

2.6 A review of the Council's governance arrangements for 2019/20 has been undertaken. This review process is summarised in Appendix 2. Each document or process in the framework has been assessed and named officers have been required to provide an assurance as to whether the document is being complied with, the level of awareness of the document amongst staff and stakeholders, whether it reflects Council policy and best practice, and arrangements for reviewing it. Where further improvements are identified these are set out within the AGS and form part of departmental business plans for the year ahead.

2.7 In addition, all Chief Officers have signed their own Directorate Assurance Statement confirming that proper governance arrangements, effective risk management and a sound system of internal control are in place within their department. They are also asked to identify any exceptions and any actions being taken to address them. These actions will also be monitored through the

relevant business plans. The Chief Finance Officer has signed an Assurance Statement regarding the Council's governance arrangements.

2.8 The overall corporate governance assessment and review of effectiveness has also been informed by the sources of assurance set out in section 3 of the AGS (Appendix 3). As part of the assurance gathering process, the CIPFA/SOLACE guidance on corporate governance was taken into account and is reflected in the Local Code.

2.9 A report from the Committee on Standards in Public Life included the following best practice recommendation: *Councils should report on separate bodies they have set up or which they own as part of their Annual Governance Statement, and give a full picture of their relationship with those bodies.*

2.10 At its meeting in March 2020, the Governance Committee considered a report on the requirement to report within the AGS on 'separate bodies' that the Council owns or has set up. The Committee agreed for the purposes of the AGS the Council interprets this as those bodies which are a separate legal entity (e.g. a company) and of which the Council is a member or has appointed a Member or officer as a Director.

2.11 To ensure that all relevant separate bodies are included the Governance Committee agreed that a review be undertaken to identify these bodies and establish:

- What the relationship is between the body and the local authority;
- The structure and form of the body (e.g. private limited company)
- Council's percentage share in the body
- What role the statutory officers will have in overseeing its activities and providing assurance on its governance, including financial governance;
- How and when the body will report to the council;
- What the relationship will be between the body and individual councillors and whether councillors' involvement is likely to constitute a conflict of interest;
- How the activities of the body will be scrutinised

2.12 Although the Governance Committee agreed that the review would not need to be completed until the 2020/21 AGS, we have brought this forward for this year. The review has been completed and information regarding relevant bodies has been included at Annex B of the AGS.

3. Annual Governance Statement

3.1 An AGS from the Leader of the Council and the Chief Executive is attached at Appendix 3. It includes the mandatory disclosure of any significant governance issues identified through the Council's governance and internal control arrangements.

3.2 Sound corporate governance is crucial if the Council is to continue to provide leadership, direction and control. It is important that Members are aware of the documents and activities that work together to provide assurances about the Council's governance measures in place. The AGS provides an opportunity for the Council to assess and report transparently to the public how it ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

3.3 Our external auditors review the AGS and in their most recent Annual Audit Letter concluded that it was consistent with their understanding and did not identify any issues.

PHILIP BAKER
Assistant Chief Executive

Contact officers:
Russell Banks, Orbis Chief Internal Auditor, 07842 362739
Andy Cottell, Democratic Services Manager 01273 481955
Local Member: All

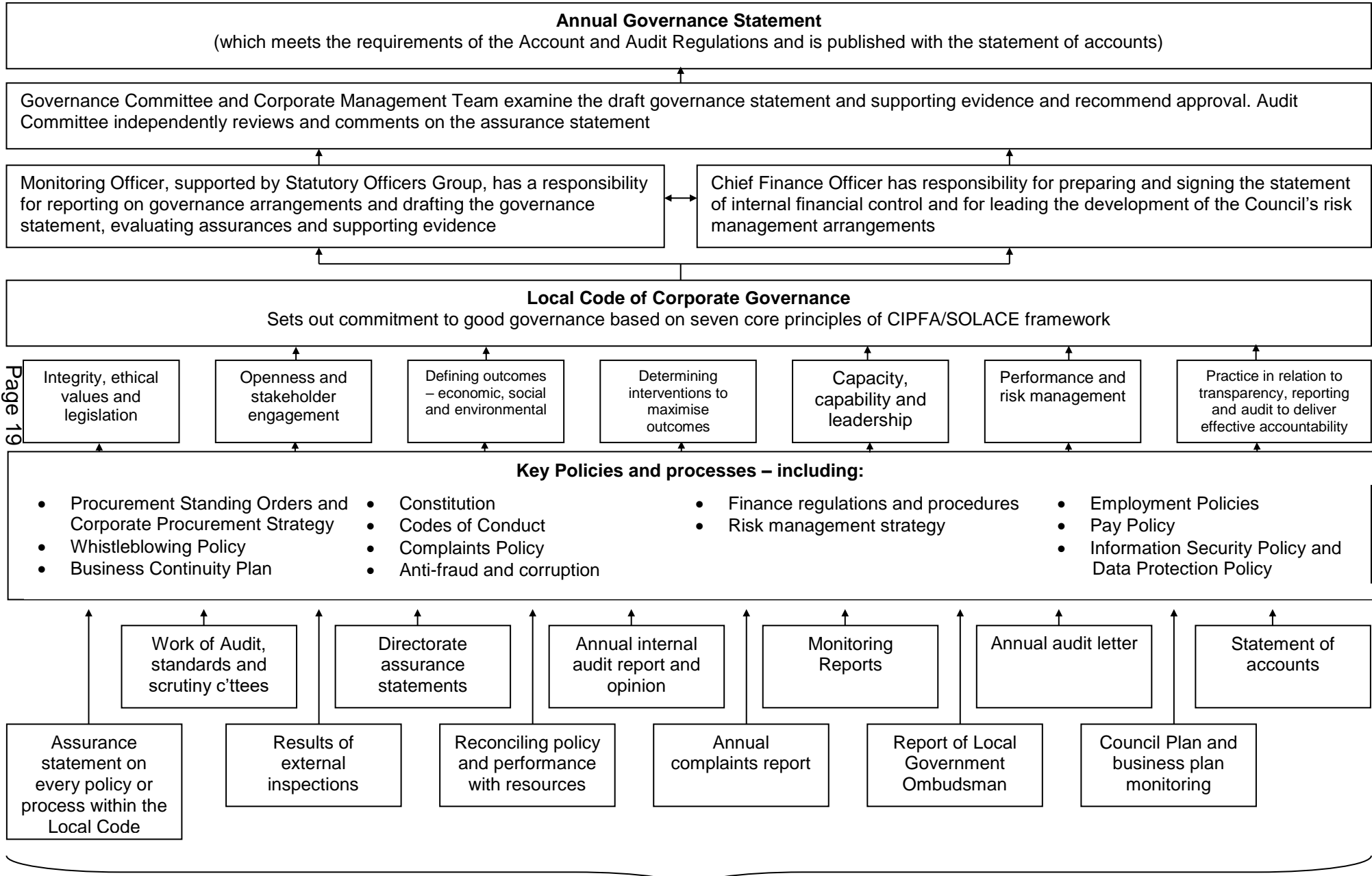
BACKGROUND DOCUMENTS: Pro formas returned by document “owners” setting out whether the various codes, policies and strategies are being complied with.

Local Code of Corporate Governance – key policies and processes

Policy or process	Integrity, ethical values and legislation	Openness and stakeholder engagement	Defining outcomes – economic, social and environmental benefits	Determining interventions to maximise outcomes	Capacity, capability and leadership	Performance and risk management	Practice in relation to transparency, reporting and audit to deliver effective accountability
Reconciling Policy, Performance and Resources	✓	✓	✓	✓		✓	✓
Council Plan	✓		✓			✓	✓
Council Monitoring		✓		✓	✓	✓	✓
Procurement Standing Orders and Corporate Procurement Strategy	✓		✓	✓		✓	✓
Risk Management Strategy			✓	✓		✓	
Corporate Complaints Policy	✓	✓				✓	✓
Constitution	✓	✓		✓		✓	✓
Business Continuity Plan						✓	
Employment Policies	✓				✓		
Pay Policy	✓	✓			✓		✓
Scheme of Delegation	✓				✓		✓
Code on Officer / Member relations	✓			✓			
Member Training and Development					✓		✓
Guidance to members on outside organisations	✓		✓				
Code of Conduct for Employees	✓						✓
Code of Conduct for Members	✓						✓
Anti Fraud & Corruption Strategy	✓						✓

Policy or process	Integrity, ethical values and legislation	Openness and stakeholder engagement	Defining outcomes – economic, social and environmental benefits	Determining interventions to maximise outcomes	Capacity, capability and leadership	Performance and risk management	Practice in relation to transparency, reporting and audit to deliver effective accountability
Confidential Reporting (Whistle-blowing) Policy	✓	✓				✓	✓
Anti Money Laundering Policy	✓						✓
Financial Regulations & Standard Financial Procedures	✓		✓	✓		✓	✓
Medium Term Financial Plan	✓		✓	✓			
Communication/ engagement with residents and partners		✓					✓
Health and Safety Policies & Procedures	✓						
Information Security Policy (including Data in Transit) and Data Protection Policy	✓						
Freedom of Information Policy		✓				✓	✓

ESCC Framework for the Annual Governance Statement



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All of these sources and others provide assurance on the adequacy and effectiveness of our controls over key risks

East Sussex County Council

Annual Governance Statement for the year ended 31 March 2020

1. Scope of responsibility

East Sussex County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The County Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised. In discharging this overall responsibility, Members and senior officers are responsible for putting in place proper arrangements for the governance of the County Council's affairs, the effective exercise of its functions, the management of risk and the stewardship of the resources at its disposal. To this end, East Sussex County Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Local Code is on our website at www.eastsussex.gov.uk or can be obtained from the Council's Monitoring Officer. This statement also sets out how the County Council has complied with its Local Code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

2. Purpose of the governance framework

Good governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Our governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled. Through effective governance the Council is accountable to, engages with and, where appropriate, leads the community.

The code of corporate governance can provide only reasonable and not absolute assurance that the Council achieves its aim of good governance. Equally the County Council's system of internal control is designed to identify and prioritise the risks to the achievement our policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and to manage those risks efficiently, effectively and economically. It cannot eliminate all risk of failure; it can therefore only provide reasonable and not absolute assurance that our policies, aims and objectives are achieved.

The Local Code of Corporate Governance and the system of internal control have been in place at East Sussex County Council for the year ended 31 March 2020 and up to the date of the approval of the statement of accounts.

3. Review of effectiveness

East Sussex County Council reviews the effectiveness of its governance arrangements, including its system of internal control, on an ongoing basis. This review of effectiveness is informed by:

- the work of Members through the Cabinet, Committees including Governance Committee, Standards Committee, Audit Committee, Scrutiny Committees generally and the full Council;
- the work of Chief Officers and managers within the Council, who have primary responsibility for the development and maintenance of the internal control environment;
- the work of the Chief Operating Officer and the Chief Finance Officer;
- the work of the Monitoring Officer and the Statutory Officers' Group;
- the risk management arrangements, including the maintenance and regular review of strategic risks by Chief Officers and departmental risks by management teams;
- the work of the internal audit service including their quarterly progress reports, on-going action tracking arrangements and overall annual report and opinion;
- the external auditors in their audit annual letter and annual governance report;
- the judgements of a range of external inspection and other statutory bodies including the Local Government Ombudsman, the Care Quality Commission and the Office for Standards in Education

4. Key elements of the governance and internal control environments

The key elements that comprise the Council's governance arrangements are set out in the Local Code and they include:

- a Council Plan that sets out our vision for the community and the outcomes we intend to achieve;
- an established medium term planning process including the process for reconciling policy priorities with financial resources, which takes account of performance and the need to improve both customer focus and efficiency;
- a business planning and performance management framework which includes setting clear objectives and targets, both financial and otherwise;
- regular reporting of performance against the Council's key objectives, as set out in the Council Plan, to officers and Members;
- established budgeting systems, clear budget management guidance and regular reporting of financial performance against budget forecasts to officers and Members;
- financial management structures which promote ownership of financial issues within service departments;
- compliance with the Chartered Institute of Public Finance and Accountancy's Statement on the Role of the Chief Finance Officer;
- the Council's constitution which sets out clear arrangements for decision making, scrutiny, communication and the delegation of powers to officers and Members;
- codes of conduct for Members and employees which set out clear expectations for standards of behaviour;
- a clear framework for financial governance based on Procurement Standing Orders, Financial Regulations and Standard Financial Procedures;
- a risk management framework, which takes account of both strategic and operational risks and ensures that they are appropriately managed and controlled;
- Member committees with clear responsibilities for governance, audit and standards;
- established arrangements for dealing with complaints and whistle-blowing, and combating fraud and corruption;
- schemes for identifying the development needs of Members and officers, supported by appropriate training;
- strategies for communication and consultation with the people of East Sussex and our key stakeholders;
- clear guidance that promotes good governance in our partnership working;
- a range of policies and processes designed to ensure best practice and legal compliance for personnel matters, ICT security, access to information, data protection and project management.

5. Assurance and Significant Governance Issues

No assurance can ever be absolute; however this statement seeks to provide a reasonable assurance that there are no significant weaknesses in the County Council's governance arrangements. On the basis of the review of the sources of assurance set out in this statement, we are satisfied that the County Council has in place satisfactory governance arrangements, including a satisfactory system of internal control, both of which are operating effectively.

As part of our review, we have not identified any gaps in assurance over key risks or significant governance issues.

The Council will continue to regularly monitor issues that may seriously prejudice or prevent achievement of its key objectives through its strategic risk review process

Both governance and internal control arrangements must be kept under review to ensure that they continue to operate effectively and meet changing legislative needs, reflect best practice and our intention to achieve excellence in all our activities. The Council, through the Directorate Assurance Statements and the Chief Finance Officer's Assurance Statement, has identified a number of areas where it wishes to enhance its governance arrangements. These are set out on the attached Annex A together with the department responsible for them. Each Director has included in their Directorate Assurance Statement confirmation that the actions identified for 2019/20 have been completed or provided an update and explanation regarding progress.

A review of the Annual Governance Statement was undertaken by Internal Audit during 2019/20 and a provisional Substantial Assurance rating was given. This opinion means that controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives. The recommendations arising from the review have been implemented

The Council Plan identifies a number of areas that have governance implications and these will be monitored through the Council Plan monitoring process. The areas outlined in the attached Annex A will be monitored through departmental business plans.

The Council has also identified a need to develop its approach to transparency and to respond to the Government's open data agenda which will be monitored and managed.

Actions plans are in place to address these issues, and their implementation will be monitored and reviewed during the year.

A report from the Committee on Standards in Public Life included the following best practice recommendation: *Councils should report on separate bodies they have set up or which they own as part of their annual governance statement, and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness, and publish their board agendas and minutes and annual reports in an accessible place.* Further detail regarding relevant bodies is set out in Annex B.

Councillor Keith Glazier, Leader
Becky Shaw, Chief Executive
2 October 2020

The following actions will be taken to strengthen governance, risk management and internal control environment during the current year. The actions are shown for each department and will be monitored through departmental business plans. Alongside these all departments will contribute to the council's Covid 19 response and recovery plan and consider what actions are required to return to business as usual and the identification of any learning (Ongoing)

Business Services (BSD)

- Implement Pension Fund's Good Governance Review (September 2020 and ongoing)
- Deliver priorities in the Orbis Business Plan (including savings) and managed progress through the relevant governance process (March 2021)
- Implement a new Property Asset Management System (January 2021) and asset maintenance contracts to ensure increased visibility of asset condition
- Implement a new target operating model for the property service (September 2020)
- Implement data improvement programme for Pensions administration (September 2020)
- Implement a project and portfolio management tool to ensure adequate control and governance over our change initiatives, ensuring they remain aligned with priorities and are adequately resourced and monitored post 'go live' to maximise benefits realisation (December 2020)
- Rollout the Contract Management Framework and training across the Council. The Framework will continue to evolve, with the addition of guidance around de-commissioning services and exit management (December 2020)

Children's Services

- Develop and monitor the multi-agency action plan to address the areas for development identified in the Joint Targeted Area Inspection of the multi-agency responses to children's mental health in East Sussex. Plan agreed July 2020
- Develop, monitor and report on the children and young people's priorities for the East Sussex Health and Care Plan and embed the new Children and Young People's Oversight Board (March 2021)
- Establish robust arrangements as the host authority and work with partner local authorities (West Sussex County Council, Surrey County Council and Brighton and Hove City Council) to establish Adoption South East as the Regional Adoption agency in line with government expectations and guidance (March 2021)

Communities, Economy and Transport

- Implementation of powers of entry actions identified by Internal Audit (August 2020)
- Review of progress and governance of the highways re-procurement project (Ongoing until contract award)
- Development of corporate strategy for the digital preservation of modern records and archive material (March 2021)
- Audit of grants and loans governance and process (March 2021)
- Review of our effectiveness as a statutory consultee on planning applications (March 2021)
- Review of highways cultural compliance actions identified by Internal Audit (March 2021)

Adult Social Care and Health

- Delivery of the Adult Social Care and Health Covid-19 Recovery Plan by August 2021

- Developing by December 2020 our East Sussex Integrated Care Partnership model to align with the priorities for the health and social care plan and delivering our objectives in 2020/21
- Establishing by December 2020 a shared understanding of our system financial model covering a 3 – 5 year period, including setting out the required shifts in investment to primary care and community services that will support the plan. More detail will be developed for 2020/21 and this will align with organisational budget-setting processes for future years, as well as any risk share arrangements that may be developed.
- Complete the review of Public Health and by March 2021 establish a delivery plan and governance arrangements to ensure all agreed proposals are delivered
- Complete an Adult Social Care Winter Plan that meets all requirements ESCC and DHSC requirements by October 2020
- Continue to review every three months the Local Outbreak Plan to ensure it reflects latest guidance, learning from outbreaks elsewhere best practice (ongoing)

Governance Services

- Implement and maintain revised decision-making arrangements as provided for in the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority Police and Crime Panel Meetings) (England and Wales) Regulations 2020 to ensure that effective and lawful decisions can continue to be made during the Coronavirus pandemic. This will include providing appropriate training for councillors in relation to remote meetings and agreeing procedures for remote meetings. (Ongoing 2020)
- Implement revised arrangements for school admission appeals to be heard during 2020/21 in line with the The School Admissions (England) (Coronavirus) (Appeals Arrangements) (Amendment) Regulations 2020. (June 2020)
- Ensure decision-making arrangements and school admission appeal arrangements are revised to reflect any further Regulations published during the year as a result of Coronavirus. (ongoing throughout 2020/21)
- Undertake planning and preparation for the 2021 County Council elections and Member induction, including maintaining a risk log. (work will continue throughout 2020/21)
- Support implementation of the recommendations arising from the Internal Audit review of the of the online declaration of interest and gifts/hospitality system. (October 2020)
- Ensure updated legal advice provided as required in relation to changes to coronavirus legislation, including secondary legislation and newly issued guidance.
- Undertake work with the Judiciary to implement solutions to enable the progression of court proceedings in light of Covid 19 in order to avoid delays in relation to decisions being made for children and vulnerable adults.

Separate bodies owned or set up by the County Council

A report from the Committee on Standards in Public Life included the following best practice recommendation: *Councils should report on separate bodies they have set up or which they own as part of their annual governance statement, and give a full picture of their relationship with those bodies.* Details regarding relevant bodies are set out below

TRICS Consortium Ltd – TRICS is an international system of trip generation analysis that is used in the transport planning industry. TRICS collect data relating to trip rates of different land uses, with members paying to access the database to use the data for a variety of uses.

What the relationship is between the body and the local authority	ESCC is a shareholder in TRICS Consortium Ltd. The Council has a 16.7% share - equal share with the five other county council shareholders
What is the structure and form of the body (eg private limited company etc)	TRICS is a local authority trading company. It has a board of directors (one from each of six counties that are shareholders plus a managing director). It is a private company limited by shares.
How the Council oversee its activities and provided assurance on its governance including financial governance	The ESCC nominated company director attends monthly board meetings to oversee the business of the company to ensure it is run to maximise the business for the benefit of ESCC. The ESCC Director shares the annual report with the relevant Head of Service.
What the relationship is between the body and individual councillors and whether councillor's' involvement is likely to constitute a conflict of interest	There is no relationship, aside from the Lead Member for Transport & Environment is updated on the work of TRICS through briefing meetings.
How can councillors scrutinise the activities of the body, in particular if it will fall within the remit of the audit or scrutiny committee, and if not, how else scrutiny will happen	The scrutiny of the work undertaken by the Body is through the planning process. The Council's role within the TRICS consortium falls within the remit of the Places Scrutiny Committee.
Designated Officer contact	Alex Jack, Communities, Economy and Transport

Woodland Enterprise Ltd. - The principal activity of the company is creating prosperity in woodland and wood using industries through sustainable development. The business works with woodcutters and other local businesses to promote sustainable use of wood.

What the relationship is between the body and the local authority	ESCC is a Member of this company. This is a company without shares but in terms of "influence" ESCC has one seventh (14.3%).
What is the structure and form of the body (eg private limited company etc)	The Company is limited by guarantee.
How the Council oversee its activities and provided assurance on its governance including financial governance	ESCC receives copies of Woodland Enterprise Limited's annual accounts. ESCC is required to disclose its interest in Woodland Enterprises in its own statements of accounts. A copy of the Woodland Enterprise Ltd annual accounts are requested each year and are included in the ESCC Statement of Accounts.
What the relationship is between the body and individual councillors and whether councillor's' involvement is likely to constitute a conflict of interest	The Council has appointed Councillor John Barnes to serve as a Director on the Board of Woodland Enterprise Limited. There might be possible conflicts of interest (eg. grant funding from ESCC etc).
How can councillors scrutinise the activities of the body, in particular if it will fall within the remit of the audit or scrutiny committee, and if not, how else scrutiny will happen	The Council's role within the Woodland Enterprise Limited consortium falls within the remit of the Place Scrutiny Committee
Designated Officer contact	Andy Fowler, Business Services

Sea Change Sussex is a trading name of East Sussex Energy Infrastructure & Development Ltd (ESEID Ltd) – This is a not for profit economic development company delivering capital infrastructure schemes in the County

What the relationship is between the body and the local authority	East Sussex is a member of Sea Change Sussex, with Councillor Rupert Simmons sitting on the Board of Directors. The company members do not hold shares, but have a percentage voting right in the company. The County Council alongside Rother District Council and Hastings Borough Council a 19.9% voting right in ESEID Limited company. The University of Brighton have a 30.1% voting right and local businesses the remaining 50%.
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	<p>Sea Change Sussex is a delivery partner developing and managing key economic development and infrastructure schemes in East Sussex. The partner delivers capital infrastructure schemes which unlock housing and employment sites in the county – this includes new site infrastructure (access roads) as well as employment space.</p> <p>These schemes are largely funded by external funding from either the South East Local Enterprise Partnership (SELEP) - Local Growth Fund capital grant programme or the SELEP - Growing Places Fund (GPF) loan programme or the Getting Building Fund (GBF) capital grant programme that Sea Change Sussex has secured, alongside some of their own capital receipts from the sale of commercial properties/land in their portfolio. East Sussex County Council acts as the Local Accountable Body for overseeing the devolution of funds from the SELEP to external partners such as Sea Change Sussex and has contract agreements in place for each scheme awarded.</p>
What is the structure and form of the body (eg private limited company etc)	Not-for-profit economic development company limited by guarantee
How the Council oversee its activities and provided assurance on its governance including financial governance	<p>The Lead Member for Economy (Cllr Simmons) is the Council appointed Director of the Sea Change Sussex Board and, supported by senior officers, attends the quarterly Board meetings. These meetings provide quarterly reporting on legal commitments, operations and finance statement and updates on all individual projects.</p> <p>As a scheme promoter of LGF, GBF and GPF funded projects, Sea Change Sussex enters into legal agreements for the County Council to monitor the delivery of this public funding and report back to SELEP. The authority to enter into these agreements is sought from the Lead Member for Strategic Management and Economic Development. Sea Change Sussex are bound by the terms of individual Grant and Loan agreements stipulating the guidelines for which Sea Change must adhere to.</p> <p>East Sussex officers regularly meet with Sea Change Sussex representatives and attend project progress meetings for individual schemes, along with attendance and participation at the SELEP Programme progress meetings.</p> <p>The Section 151 Officer carries out the stewardship role in terms of monitoring and accounting in respect of the financial case within the overall business case and agreeing to the receipt of the funding.</p> <p>Capital Programme management of projects includes financial management of the public funds, monthly invoicing and spend review with the delivery partner. This information is used to inform quarterly reports</p>

	<p>to Team East Sussex (TES), and SELEP and within the County Council, quarterly reporting to the Departmental (CET) Capital Board and Corporate Strategic Asset Board.</p> <p>A report is considered by the Lead Member for Strategic Management and Economic Development annually on the year-end financial statement of public funding (e.g SELEP Funding managed by ESCC (Local Growth Fund grants, Growing Places Fund loans, and more recently Getting Building Fund grant) invested in the delivery of the capital infrastructure delivered by Sea Change Sussex) and the forecast spend for the coming financial year, all of which are compiled with finance colleagues and signed off by S151 officer.</p> <p>Schemes can be subject to review by Internal Audit.</p>
What the relationship is between the body and individual councillors and whether councillor's' involvement is likely to constitute a conflict of interest	<p>Councillor Rupert Simmons, as the Lead Member for Economy, is a member on the Sea Change Sussex Board of directors and attends the quarterly Board meetings.</p> <p>Councillor Simmons regularly attends TES and occasionally attends SELEP Board and SELEP Accountability Board meetings as a substitute for Councillor Keith Glazer. If an agenda item relating to projects delivered by Sea Change Sussex is on the agenda, a declaration of interest is declared and recorded in the minutes.</p>
How can councillors scrutinise the activities of the body, in particular if it will fall within the remit of the audit or scrutiny committee, and if not, how else scrutiny will happen	<p>Councillor Keith Glazier sits on both the SELEP Board and SELEP Accountability Board and regularly attends meetings. In his absence, a member of the Cabinet attends meetings.</p> <p>There are scrutiny arrangements in place for all funding decisions taken by the Accountability Board. Under the SELEP Assurance framework, the Places Scrutiny Committee has the power to call in and scrutinise the decisions before they are implemented. Under the SELEP Accountability Board Joint Committee Agreement, each of the six Partner Authorities has the ability to challenge a decision made by the SELEP Accountability Board.</p> <p>Accountability Board decisions may be called-in by members of any Partner Authority in the same way they call-in decisions of their own executive arrangements, call-in may only be made if the decision affects that partner area. The 6 upper tier Authority Areas that form the SELEP are East Sussex, Essex, Kent, Medway, Southend and Thurrock.</p> <p>Furthermore, to facilitate Local Authority scrutiny of SELEP work and decisions, requests to attend Local Authority partner scrutiny committees are welcomed, and attendance prioritised.</p>
Designated Officer contact	Richard Dawson, Communities, Economy and Transport

South East Local Enterprise Partnership Ltd (SELEP Ltd) - Local Enterprise Partnerships (LEPs) were set up by Government in 2011 to identify and support local strategic growth priorities, encourage business investment and promote economic development. As one of 38 LEPs across England, the South East LEP is a business-led partnership between business, government, education and the third sector, plus other groups, covering the local authority areas of East Sussex, Essex, Kent, Medway, Southend and Thurrock.

What the relationship is between the body and the local authority	The County Council is a partner authority of SELEP Ltd – one of six county/unitary authorities, as listed above. The Leader of the County Council is a Company Director of SELEP Ltd. There are no shares/shareholders in the company. The County Council has one seat on the Board of Directors of SELEP Ltd, occupied by the Leader of the County Council.
What is the structure and form of the body (e.g. private limited company etc)	SELEP Ltd became a 'company limited by guarantee' in Feb 2020. SELEP Ltd has a Board of 20 Directors (plus an additional 5 co-opted Directors). East Sussex, Essex, Kent, Medway, Southend and Thurrock are members of the company. SELEP Ltd operates a federated model of governance, with four 'federated boards' covering its geography, allowing for decision-making and project prioritisation at a local level. The federated board for East Sussex is 'Team East Sussex' (TES).
How the Council oversee its activities and provided assurance on its governance including financial governance	<p>The SELEP Strategic Board (Board of Directors) meets at least quarterly, so the Leader of the County Council can directly oversee the activities of SELEP Ltd.</p> <p>SELEP Ltd has also established the following groups:</p> <ul style="list-style-type: none"> • Accountability Board – a 'joint committee' made up of SELEP's six county/unitary authority members, to oversee the financial governance of SELEP Ltd, responsible for the sign-off of all funding decisions. The Leader of the County Council is our representative on the SELEP Accountability Board. • Investment Panel – a sub-committee of the Strategic Board to act as an advisory committee on matters pertaining to project prioritisation, recommendations on provisional funding allocations and future priorities. The Leader of the County Council is our representative on the SELEP Investment Panel. • Senior Officer Group – an advisory group made up of a senior officer from each of SELEP's six county/unitary authorities. ESCC's Head of Economic Development, Skills, Culture and Infrastructure is our representative on the SELEP Senior Officer Group. <p>For projects within our local federated area, the County Council acts as the local accountable body for the defraying of funds (such as the Government's Growing Places Fund, Local Growth Fund or Getting Building Fund) from SELEP Ltd to external partners. A Service Level Agreement (SLA) is in place</p>

	<p>between the County Council and Essex CC as the accountable body to SELEP Ltd, and the County Council's S151 Officer is required to sign-off on all contract agreements between the County Council and project promoters.</p> <p>All of the governance arrangements for SELEP Ltd are set out in the SELEP Articles of Association, SELEP Framework Agreement and SELEP Local Assurance Framework. ESCC senior officers, including the Chief Finance Officer, collaborated on the development of all of these documents, and they have been approved through our own internal governance procedures (Lead Member SMED and Governance Committee).</p>
What the relationship is between the body and individual councillors and whether councillor's' involvement is likely to constitute a conflict of interest	The Leader of the County Council is a Company Director of SELEP Ltd, and has filed an appropriate declaration with SELEP Ltd in accordance with the SELEP Register of Interests policy. Where the Leader cannot attend a SELEP meeting, a substitute Cabinet Member may attend in their place, subject to full compliance with the same Register of Interests policy (the Lead Member for Economy has also filed an appropriate declaration with SELEP Ltd for such an eventuality). The declaration of a disclosable pecuniary interest does not apply where the interest concerned relates primarily to the general interest of any public sector member in her/his area of geographical responsibility; therefore the involvement of the ESCC Leader on SELEP Ltd is <u>not</u> likely to constitute a conflict of interest.
How can councillors scrutinise the activities of the body, in particular if it will fall within the remit of the audit or scrutiny committee, and if not, how else scrutiny will happen	The activities of SELEP Ltd do not fall within the remit of the County Council's audit or scrutiny committee, but SELEP Ltd does have its own scrutiny arrangements for all funding decisions taken by the SELEP Accountability Board, whereby each of the six county/unitary authority members of SELEP Ltd has the ability to challenge a decision made by the Accountability Board, and the scrutiny committees of the six county/unitary authorities have the power to call-in the funding decisions before they are implemented.
Designated Officer contact	Richard Dawson, Communities, Economy and Transport.

Report to: **Audit Committee**
Date: **18 September 2020**
By: **Orbis Chief Internal Auditor, Business Services Department**

Title of report: **Internal Audit Progress Report – Quarter 1 (01/04/20 – 30/06/20)**

Purpose of report: **To provide Members with an update on all internal audit and counter fraud activity completed during the quarter, including a summary of all key findings. To also provide an update on the performance of the internal audit service during the period.**

RECOMMENDATIONS

Members are asked to:

- 1. Note the report and consider any further action required in response to the issues raised;**
 - 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 April 2020 and 30 June 2020.

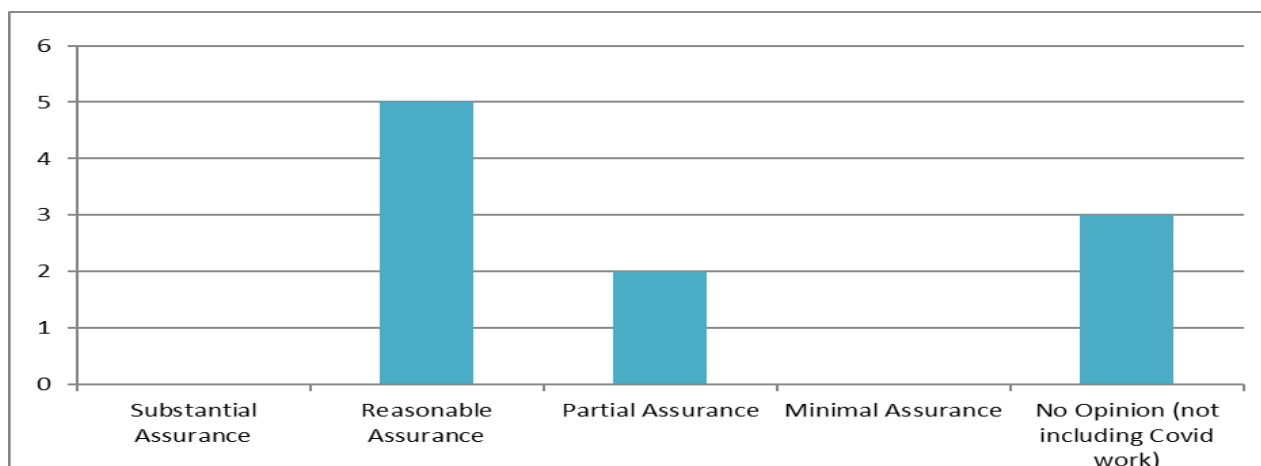
2. Supporting Information

2.1 The current annual plan for internal audit is contained within the Internal Audit Strategy and Annual Plan 2020-21 which was approved by Audit Committee on 13 May 2020.

3. Conclusion and Reasons for Recommendation

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

3.2 Overall, of the seven formal audits finalised during the quarter in which an opinion was given, five received 'reasonable assurance' audit opinions and two received opinions of 'partial assurance'.



3.3 Although the same range of internal audit opinions are issued for all audit assignments (where an opinion is relevant), 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 Chief Internal Auditor continues to be able to provide assurance that the Council has in place an effective framework of governance, risk management and internal control.**

3.4 During the quarter, and as a result of the Covid-19 pandemic, a significant proportion of our planned work was paused so that we would not impede service response to the emergency and, wherever possible, enable us to provide specific support to this response. In addition, some of our team were redeployed to support other services across the Council, most of which related to the sourcing and distribution of personal protective equipment (PPE). For those staff remaining, in addition to continuing with and completing ongoing audits where this was possible, we refocussed our work on providing advice and support across the Council on risk and control issues, especially where services looked to modify their ways of working as a result of the pandemic.

3.5 The overall conclusion above has, therefore, been drawn based on all audit work completed in the year to date and considers the management response to audit findings and the level of progress in subsequent implementation. This is something which will continue to be monitored and reported on throughout the year.

3.6 Formal follow up reviews continue to be carried out for all audits where 'minimal assurance' opinions have been given and for higher risk areas receiving 'partial assurance'.

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 and would also welcome input from this Committee.

3.8 Progress against our performance targets (focussing on a range of areas relating to our service) can be found in Appendix A. All targets have been assessed as on target (green).

RUSSELL BANKS, ORBIS CHIEF INTERNAL AUDITOR, BUSINESS SERVICES DEPARTMENT

Contact Officers: Nigel Chilcott, Audit Manager Tel No. 01273 481992

BACKGROUND DOCUMENTS: Internal Audit Strategy and Annual Plan 2020-21

1. Audits Completed in Q1 (April to June 2020)

Purchase to Pay (Key Financial System)

1.1 Purchase to pay is the end to end process from procurement of services to the payment of the suppliers. The central Accounts Payable team is responsible for the processing of payments to suppliers using SAP, the Council's main financial system.

1.2 The objective of the audit was to provide assurance that:

- Orders are raised for goods, work and services required by the Council, in accordance with Financial Regulations;
- Payments are only made for goods, works or services that have been received;
- Payment runs are subject to appropriate review and authorisation;
- Only creditors that meet the needs of the Council are that do not already exist in SAP are set-up and their details maintained correctly; and
- Transactions in the creditors system are completely and accurately transferred to, and are reflected in, the general ledger.

1.3 As a result of our work, we were able to provide **reasonable assurance** over the controls in place. We found that most controls were operating as expected and we did not identify any high-risk issues. However, our testing did highlight that there were opportunities to strengthen the process further, where:

- Additional checks will be carried out when setting up BACS payments to reduce the risk of error;
- Substitutes, set up in SAP to approve transactions in budget holders' absence, will be removed more promptly to improve oversight of expenditure by budget-holders;
- Departments will forward invoices to the payments team and 'goods receipt' deliveries more promptly, to ensure that payments are made to suppliers on time; and
- The raising of multiple orders, by the same team, on the same day, to the same vendor, which can reduce the overall purchase value to below the level at which approval is needed, will be reviewed as this can weaken management oversight of budgets and reduce efficiency.

1.4 An action plan was agreed with management to address our findings and make the necessary improvements.

Declarations of Interests, Gifts, Hospitality and Secondary Employment

1.5 Where conflicts of interest exist, there is a risk that an individual's ability to act impartially is impaired or influenced. The Council requires all staff to disclose any potential conflict of interest on an annual basis, or when circumstances change. Declared conflicts must be approved by the employee's line manager and assistant director, who will determine the risk associated with the declaration and the extent of any conditions required to mitigate the conflict.

1.6 This audit assessed the adequacy of arrangements in place within the Council to manage staff declarations, including of secondary employment, and the declaration and acceptance of gifts and hospitality. It included an assessment of compliance with corporate policy and sought to confirm that declarations made were appropriately managed. The objectives of the audit were to provide assurance that:

- There are clear policies in place to ensure that employees are aware of their responsibility to declare a conflict of interest and offers of gifts and hospitality, and awareness of these is reinforced by management;
- Adequate controls exist to ensure that all employees complete a declaration of interest on an annual basis, irrespective of whether the declaration is a positive or 'nil' return;
- Adequate controls are in place to ensure all employees are aware of their responsibility to complete a declaration of interest where there is a change in their circumstances;
- Controls exist to ensure that positive declarations are appropriately acted upon. Where required, measures are put in place to mitigate the effect of the conflict; and
- Robust monitoring processes are in place to ensure that both online and offline declarations are managed and reviewed by management in a timely manner.

1.7 In providing an opinion of **reasonable assurance**, we found that arrangements were generally in place within the Council to manage staff declarations. The Council has a robust policy framework which sets clear standards and the responsibilities of staff in relation to conflicts of interest and the acceptance of gifts and hospitality. Controls exist to help ensure that declarations are completed annually or earlier if there is a change in circumstance, including through an online, automated system whereby employees are systematically prompted to complete an annual return.

1.8 Opportunities for improvement were, however, identified. Some of these were due to a lack of understanding of the resources and monitoring activities required to manage the online system when it was first introduced. We found that that system contained a high number of positive declarations that were awaiting review, approval or agreement by either management or staff, some of which were over a year old. It has therefore been agreed that appropriate roles and responsibilities for managing and monitoring the system will be established to ensure that the system's objectives are achieved and compliance with the declaration process maximised. In addition, a cleansing exercise to remove all staff that have left their employment with the Council is taking place, along with action to address the remaining 'live' declarations.

1.9 Further evaluation is required to determine the extent that the volumes of declarations awaiting review was down to administration or system configuration. This will be incorporated into the monitoring arrangements that are overseeing the agreed management actions.

1.10 Other areas for improvement included:

- Ensuring regular reports are generated from the system for monitoring purposes and so that prompt action can be taken where non-compliance with the process is identified;
- Providing further clarity over the process to be followed where staff do not have access to the online system and offline paper declarations are required; and
- Investigating whether on-system reminders for line managers and assistant directors can be introduced where offers and/ or acceptance of gifts/hospitality have been declared and are awaiting action.

1.11 A robust action plan has been agreed with management to address the findings of this review and the agreed actions for improvement are in progress.

Library Asset Management

1.12 The Library and Information Service (LIS) has 17 libraries and a central warehouse at Ropemaker Park, holding stock of approximately 500,000 books (including reserve stock and specialist collections). In recent years, budget cuts have resulted in the closure of several libraries and the Schools' Library and Museum Service (SLAMS), with the service disposing of around 50,000 books a year. The SLAMS stock is also awaiting disposal.

1.13 The purpose of the audit was to provide assurance that controls are in place over Library assets, particularly in relation to (but not solely limited to) high value assets, to meet the following objectives:

- Clear governance arrangements provide adequate oversight of assets;
- Ownership of assets is clear and understood;
- Effective stock control facilitates the efficient use of assets and ensures the early identification of their loss;
- Security arrangements are effective in protecting the Council's assets;
- The service only disposes of, or sells, assets that are no longer of use to the Council;
- Disposal of assets complies with Financial Regulations, is transparent and secures value for money; and
- Income from disposals is received promptly, intact and is accounted for correctly in the general ledger.

1.14 Our work identified several areas where improvement was required and, as a result, we were only able to provide an opinion of **partial assurance**. In giving our opinion, we acknowledged that the Library Service is a small area of the Council and that high value/antiquarian assets form a very small proportion of the Communities, Economy and Transport Directorate's total assets. It also should be noted that some

control weaknesses identified within this audit (e.g. in relation to the Corporate Disposals Policy) were not within the direct control of the Library Service. A management action plan was, therefore, agreed with the Service and, where appropriate, with Finance. The action plan included measures to:

- ensure that policies covering the disposal of assets are brought up to date;
- reinforce segregation of duties in the disposal process to evidence that at least two people are involved;
- strengthen inventory controls to ensure that an appropriate record of assets is maintained;
- improve processes for the valuation and sales of assets to ensure that income from the disposal of the Service's assets is maximised;
- bring declarations in the register of interests up to date to demonstrate greater transparency in the sale process; and
- improve physical security at the storage facility at Ropemaker Park.

1.15 As we have given an opinion of partial assurance, we will carry-out a follow up review to ascertain progress made in implementing the agreed actions.

Cultural Compliance – Contracts Management Group

1.16 The Contract Management Group (CMG) within Communities, Economy and Transport is responsible for overseeing the Council's Highways and Infrastructure Contract. The Group monitors the performance of the service provider and ensures they are fulfilling the contract and tender obligations. The Group also manages the development of an asset management approach to looking after our highways and infrastructure, development of the service and all contract finance and budgets.

1.17 The objectives of this audit were to ensure that:

- CMG as a service is delivered effectively and in compliance with all appropriate Council policies and procedures and basic internal controls; and
- robust management arrangements are in place and all members of staff are subject to appropriate management and supervision.

1.18 Whilst controls in a number of areas were found to be operating in accordance with the Council's policies and procedures, our work also identified a number of areas of non-compliance and, as a result, we were only able to give an audit opinion of **partial assurance**. Management recognised the need to improve controls in a number of areas, including:

- retaining evidence to demonstrate that consultants were engaged in accordance with procurement requirements and of The Public Contracts Regulations 2015; and a copy of the contract, to help ensure that consultants' performance can be managed effectively;
- ensuring that all staff complete entries in the Council's register of interests to promote transparency and avoid the appearance of bias in decision-making;
- accounting for VAT consistently so that it can be recovered for all relevant transactions;

- documenting staff supervision meetings more fully to ensure that decisions are captured and used up to improve performance; and
- monitoring the use of the purchasing card more effectively to ensure that all expenditure represents appropriate use of public funds.

1.19 A robust action plan to strengthen controls was agreed with management and a follow-up review will be completed to assess the implementation of the agreed actions.

Powers of Entry – Follow-up

1.20 A power of entry is a right for a person to enter land, or other premises, legally to enable investigation of alleged offences and allow for the necessary enforcement of regulations. Often, a power of entry is accompanied by what are known as ‘associated powers’, which set out what an official is allowed to do once they have entered the premises. Currently, there are around 1,200 separate powers of entry under a wide range of regulations (approximately 370 statutes) that are available to state officials.

1.21 A code of practice is in place to govern the exercise of powers of entry and associated powers to which Council officers must have regard when carrying out their duties.

1.22 The previous audit report within this area in April 2018 gave an opinion of partial assurance on the use of powers of entry within Communities, Economy and Transport e.g. Trading Standards. We therefore undertook a follow-up audit to provide assurance on the progress made in implementing the previously agreed actions.

1.23 We found that the majority of actions had been implemented and were therefore able to give a revised opinion of **reasonable assurance**. Only one action, relating to the need for authorised officers to have suitable ID cards that cite the relevant statute that staff can exercise, had not been put in place. Management has agreed a revised timetable for the implementation of this.

Network Security

1.24 Information Technology (IT) systems enable the Council to provide critical services to their customers and are used to collect, process and retain ever increasing amounts of confidential information. The vulnerabilities that exist in these IT systems, as well as the infrastructure that supports them, combined with a perceived lack of awareness regarding security issues, have led to attackers targeting public organisations and may expose them to the risk of a cyber-security attack. Cyber security attacks can be launched from any internet connection and can have a significant financial and reputational impact.

1.25 The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- Policies and procedures are clearly defined, regular effective risk assessments are undertaken, network topology is kept up to date, access to routers is restricted through network protocols or IP addresses, separate virtual local area networks (VLANs) are managed for sensitive information assets, network policies encrypt using Wi-Fi protected access II (WPA2), and authentication controls use registered certificates and session tokens;
- Approved protocols are used for inward and outward traffic, demilitarised zones (DMZs) have appropriate segregation (front and back facing), third-party security contractual clauses are in line with internal policies, firewall and antivirus administration is restricted and adequately controlled, approved router rules are in place (filter traffic to critical hosts, from invalid addresses, and internet control message protocol (ICMP) traffic), network access controls have been enabled and validated for both wired and wireless networks, and network performance is overseen and predictive log reviews are undertaken;
- External penetration tests and internal vulnerability assessments are undertaken with remediation supported by executive management, server operating system (OS) patching is facilitated automatically, active directory domain administrator rights are restricted and password rules set, virtual private network (VPN) access is restricted to trusted clients, and manufacturer default passwords and settings (where applicable) have been changed;
- Both specialist and general staff awareness training is overseen and owned by executive management, and unnecessary server services have been disabled; and
- Recovery action plans are in place for manual operations, understood by key officers, regularly tested and updated.

1.26 We were able to provide an opinion of **reasonable assurance** over the controls operating in this area as we found that high level technical controls are generally in place and operating as expected. However, there are some findings that impact the overall level of control that could make the network vulnerable to attack.

1.27 For reasons of security, we are not able to share the detailed findings within this report, however, actions to manage the risks identified have been agreed with management.

Modernising Back Office Systems (MBOS) - Programme Governance and Risk Management Arrangements

1.28 The Modernising Back Office Systems (MBOS) Programme has been established to enable the Council to go to market for a replacement to its current Enterprise Resource Planning (ERP) tool - SAP. The MBOS programme is seeking to implement a new system, or systems, that better meet the current and future needs of the Council and which provides optimal return on its investment.

1.29 The current SAP ERP system was implemented in 2004 and will no longer be supported beyond 2025. The MBOS programme is expected to run until August 2024 with the new system(s) expected to be implemented in August 2023. The overall cost of the programme is expected to be circa £25m.

1.30 In addition to providing independent support, advice and assurance to the Programme Board and working group meetings on risk, governance and internal control issues, we have identified several key areas on which to focus our work, including:

- Programme governance/risk management;
- Business processes (both on and off system);
- System security;
- User access, authentication and authorisations;
- Testing arrangements;
- Data cleansing and migration;
- Interfaces and reconciliation;
- Disaster recovery and business continuity; and
- Training.

1.31 Our first piece of work has therefore looked at the programme's governance and risk management arrangements, with specific regard to the following control objectives:

- There has been sufficient purpose, planning and preparation to support the programme;
- An appropriate governance structure is in place;
- Effective quality and cost controls exist;
- Risks are appropriately managed and addressed;
- Reporting and communication during the programme is well managed;
- Implementation of the programme is effective;
- The key deliverables of the programme are met;
- The closure of the programme and return to business as usual is well managed.

1.32 Given that the MBOS programme is still at an early stage, we were not able to provide assurance over the controls in place for the closure of the programme. We will give assurance in this area as the programme progresses.

1.33 Based on our testing, we were able to provide **reasonable assurance** over the programme governance and risk management arrangements with the following key findings:

- A robust business case which shows a clear purpose for the overall programme, with emphasis on linking programme objectives to the Council's strategic priorities, has been developed and received approval from the Programme Board. The business case is supported by a Programme Initiation Document;
- The Programme Board was found to be an effective decision-making body. We noted that as the programme and its supporting projects progress, the governance structure and their responsibilities should be reviewed in order to prevent a reliance for all decisions, regardless of their importance, on a select few individuals;

- Detailed costings for various proposals for the programme have been developed, considered by the Programme Board and approved along with the business case. A dedicated Finance Officer has been assigned to provide finance support to the programme and has been providing reports on the overall budget position;
- Subject Matter Experts (SMEs) for each of the business areas that will be impacted by and, therefore need to contribute to the MBOS programme, have also been assigned. The responsibilities for the SMEs are well documented and have been communicated to them;
- As expected, at this early stage, stakeholder engagement and communication strategies have not been formally developed or shared with the Programme Board for approval. Despite this, the initial engagement and communication that has taken place with stakeholders is promising and, with the plan to resource a dedicated communications officer, indicates that these areas are likely to be managed effectively;
- Effective risk management arrangements are in place to ensure that appropriate risks have been identified, with mechanisms in place to ensure they are evaluated and managed. We identified some additional risks in relation to staffing resources to support the programme and projects which should be considered by the Programme Board and added to the risk register if considered appropriate; and
- While still in the early stages of the programme, a robust and detailed plan for its entire lifecycle has been developed. The plan includes start and due dates for items at a micro-level, highlighting which tasks are required for each milestone, as well assigning responsible officers where appropriate and providing a RAG rating on its status.

1.34 A small number of medium and lower priority actions were agreed with the Programme Manager in response to our findings, with the final report presented to the Programme Board.

Modernising Back Office Systems (MBOS) Requirements Catalogue

1.35 As an addition to the above planned programme of work to support the MBOS programme, we agreed with the Programme Board to review the requirements catalogue. The requirements catalogue is a critical document as it forms the basis of the specification for the replacement system against which potential suppliers are compared through the competitive procurement process.

1.36 As agreed with the Programme Board we:

- Reviewed the requirements catalogue to ensure that all the requirements that Internal Audit had identified, outside of the requirements gathering exercise, were included;
- Sense checked the requirements catalogue to ensure that appropriate system requirements have been covered.

1.37 Our review found the content of the 'Phase 2 Requirements' catalogue, which records all system requirements identified by Subject Matter Experts (SME), was robust and covered most areas of system functionality.

1.38 We did, however, identify some areas where requirements appear to have been overlooked or we felt were insufficiently detailed within the catalogue. These included:

- Detailed security requirements;
- The need to record every user who viewed a record, as well as those who made changes;
- System requirements relating to managing and tracking Pension Fund activity;
- Functionality to manage assets and disposals, including non-property assets;
- Functionality to record depreciation by multiple methods;
- Functionality to fully support Treasury Management capability, including a Logotech interface if appropriate; and
- Functionality to support accounting and invoicing for traded services (including schools).

1.39 We passed the details of the requirements that could not be located within the catalogue to the MBOS Project Manager and Business Analyst and worked with the Programme Lead and Subject Matter Experts to ensure that appropriate consideration was given to their inclusion within the 'Phase 2 Requirements' catalogue and subsequently within the Invitation to Tender.

1.40 We have since provided verbal assurance to the Programme Board that the requirements catalogue had been reviewed and action taken as appropriate.

Digital Postal Hub - Control Environment Review

1.41 The Digital Postal Hub (DPH) is a Council service allowing all inbound post to go to one place where it is scanned and directly sent to the addressee via SharePoint. Similarly, outgoing post can be sent through a 'print and post' function, allowing post to be automatically printed, enveloped and franked in the post room and then sent via Royal Mail.

1.42 In April 2020, a data security breach occurred, linked to the operation of the DPH, which was reported to the Information Commissioner's Office by a member of the public.

1.43 The primary objective of this audit was to undertake a control review of the current processes in place for the DPH, both on-line and on the controls in place when the system was off-line. Whilst we looked to identify any potential weaknesses that may have contributed to the data security breach occurring, we did not investigate the breach, nor did we provide an investigation report into the reasons for the breach as this was undertaken as part of the Data Protection Officers role.

1.44 In conclusion, whilst we were unable to provide complete assurance with regards to the operational effectiveness of the DPH, with specific reference to the information governance arrangements, we found the overall control environment to be working effectively.

1.45 The report included an action agreed with management to further improve the control environment.

Troubled Families

1.46 The Troubled Families (TF2) programme has been running in East Sussex since January 2015 and is an extension of the original TF1 scheme that began 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 Ministry of Housing, Communities and Local Government (MHCLG), based on the level of engagement and evidence of appropriate progress and improvement.

1.47 Children's Services submit periodic claims to the MHCLG to claim grant funding under its 'payment by results' scheme. The MHCLG requires Internal Audit to verify 10% of claims prior to the Local Authority's submission of its claim. We therefore reviewed 17 of the 175 families included in the April/June 2020 grant.

1.48 In completing this work, we found that valid 'payment by results' (PBR) claims had been made and outcome plans had been achieved and evidenced. All the families in the sample of claims reviewed had firstly met the criteria to be eligible for the TF2 programme and had either achieved significant and sustained progress and/or had moved from out of work benefits into continuous employment. We therefore concluded that the conditions attached to the TF2 grant determination programme had been complied with.

2. Covid-19 Response Work

2.1 In the case of all of the above activity, our work was based on a review of the control environment before the national response to Covid-19. As such, these findings and the associated assurance do not encompass interim measures implemented by management in response to the pandemic.

2.2 The following paragraphs, however, set out details of the work that we have undertaken in providing advice and support to services in response to Covid-19. During the quarter, and as a result of the pandemic, a significant proportion of our planned audit work was paused so that we would not impede service response to the emergency and wherever possible, enable us to provide specific support to this response. In addition, some of our team were redeployed to support other services across the organisation, most of which related to the sourcing and distribution of personal protective equipment (PPE). For those staff remaining, in addition to continuing with and completing ongoing audits where this was possible, we refocussed our work on providing advice and support across the Council on risk and control issues, especially where services looked to modify their ways of working. Many of these related to back office, administrative functions, with some of these historically having a heavy reliance on paper-based processes. We also reviewed new initiatives, such as the Department for Education (DfE) Laptop Scheme (see below) and were required to certify various additional grants received by the Council in respect of Covid-19. This grant work sought to provide assurance that the grants were used in accordance with the relevant terms and conditions, prior to formal certification by senior management and return to the grant awarding bodies.

2.3 As the organisation continues to adapt its response to the Covid-19 pandemic, we will maintain our advisory and support activity, including revisiting some of the key areas where working practices have evolved to provide assurance that these remain appropriate and fit for purpose.

2.4 The provision of audit guidance, advice and support to date has included:

Department for Education (DfE) Laptop Scheme

2.5 ESCC were given an initial allocation of circa 1,100 devices to allocate to children with social workers and care leavers who did not have access to a device, to enable social workers to keep in contact and to support learning whilst educational institutions were closed due to the pandemic.

2.6 As part of our work, we reviewed controls in relation to the following key areas:

- Ownership;
- Password management;
- Security;
- Internet monitoring;
- Delivery;
- Support;
- Asset management;
- Information governance and technical risk assessments; and
- Asset tracking (and wiping if assets are lost or stolen).

2.7 We found that IT&D had a well-managed project in place to manage the set-up and allocation of devices, working on behalf of, and with, Children's Services. Some minor improvements to controls were agreed with the project team.

Staff Claims for Mileage, Expenses, Additional Hours and Overtime

2.8 Due to the implementation of emergency working arrangements in late March 2020 in response to Covid-19, the introduction of online payroll claim forms was brought forward to allow employees to continue receiving payment for hours worked and reimbursement of travel-related expenses.

2.9 We therefore reviewed the online claims process relating to claims for travel, expenses and additional hours, prior to its implementation. In completing this work, we were able to provide advice on risk and control issues, agreeing several areas for improvement. These were accepted by management who took appropriate action to address them prior to go-live of the system.

2.10 At the time, because the online process wasn't yet live, we were unable to perform any formal testing of individual claims or of the process for uploading claim data into SAP for payment. We subsequently, therefore, completed testing on the system (and associated claims) a month after implementation.

2.11 In completing our testing, we found the online claim system to be operating satisfactorily. Most claims tested were found to have been properly completed and approved, and the values on the claim forms were accurately transferred to SAP. However, we did identify two minor system-related issues and a small number of compliance issues. These were discussed with management and appropriate action was agreed to resolve them.

Support to Key Council Providers

2.12 We have given advice on the Council's provision of support to its key providers, in line with central government guidance. This included the relaxing of payment terms and, in some cases, continuing to make payments even where services had been suspended to protect suppliers' capacity to provide essential services post-lockdown. We reviewed the guidance and processes in place to manage these payments, including in relation to roles and responsibilities, approval and reconciliation.

Issue of Laptops and Other ICT Equipment

2.13 We reviewed the proposed system for delivering ICT equipment to new members of staff, where there is a risk that it is not delivered to the correct person or may be lost and/ or stolen, leading to a data breach and access to council network and servers which could lead to an increased risk of cyber-attack. In reviewing the proposals, we made a small number of recommendations in order to improve controls and these were agreed with management.

2.14 Other areas of specific advice and support from Internal Audit included:

- **Electronic Income Collection** – alternative arrangements for the receipt and processing of cheque payments;
- **Payment of Invoices** – arrangements over the electronic receipt and subsequent processing of invoices from suppliers;
- **Waivers to Procurement and Contract Standing Orders** – consideration of alternative arrangements to help ensure the continued delivery of key services where contracts with providers were due to come to an end during Covid-19;
- **Use of Electronic Signatures** – increased and expanded use of electronic signatures for Council contracts;
- **Treasury Management and Journal Processes** – development of processes to enable the approval of transactions in these areas to be given and recorded electronically;
- **Information Governance** – in light of the increased information governance risks associated with the significant numbers of staff working remotely, we have worked with the Information Governance lead on developing further guidance and advice for staff;

- **Use of WhatsApp** – use of WhatsApp to extend the means by which social workers can maintain contact with vulnerable families during lockdown.

3. Counter Fraud and Investigation Activities

Proactive Counter Fraud Work

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

National Fraud Initiative Exercise

3.2 The results from this exercise were received on 31 January 2019 and continue to be reviewed. This exercise identified total overpayments of £19,434.01. £13,793.28 of these savings were generated from the report that matched pensions to DWP deceased data and £5,640.73 from the report that matched pensions to payroll. The last exercise identified two cases that were recorded as fraud. This included a concessionary travel passes that had been issued to a deceased person and a pension that continued to be paid to a deceased person. We are currently working with the appropriate departments to ensure that the relevant datasets are uploaded for the next exercise. The results from the exercise are due on 31 January 2021.

Counter Fraud Policies

3.3 Each Orbis partner has in place a Counter Fraud Strategy that sets out their commitment to preventing, detecting and deterring fraud. Internal Audit have reviewed the sovereign strategies to align with best practice and to ensure a robust and consistent approach to tackling fraud. These were approved by Audit Committee on 10 July 2020.

Fraud Risk Assessments

3.4 Fraud risk assessments are regularly reviewed to ensure that the current fraud threat for the Council has been considered and appropriate mitigating actions identified. We have updated the risk assessment to include new and emerging threats as a result of the Covid-19 pandemic. This includes potential threats to payroll, staff frauds relating to home working and cyber frauds.

Fraud Response Plans

3.5 The Fraud Response Plans take into consideration the results of the fraud risk assessments and emerging trends across the public sector in order to provide a proactive counter fraud programme. The fraud response plans include an emphasis on data analytics and during quarter 1, we have conducted data analytics exercises on the use of Council procurement cards. We have also developed a data analytics programme for key financial systems and this work will commence in quarter 2.

Fraud Awareness

3.6 The team continue to monitor national intelligence alerts and have produced a Fraud Bulletin identifying potential threats against the Council and its employees. This includes increased risks of bank mandate fraud, cyber threats (including various phishing scams) and online shopping scams. The bulletin is published on the Council's intranet.

Reactive Counter Fraud Work - Summary of Completed Investigations

Salary Overpayment

3.7 Internal Audit provided a team within Adult Social Care with support and advice while they investigated an employee who had been overpaid. The investigation resulted in a warning letter being issued to the employee and the overpayment is in the process of being recovered.

Adult Social Care

3.8 Internal Audit have continued providing advice and support to Adult Social Care on individual cases where concerns have been expressed over the potential deprivation of capital and misuse of personal budgets.

Failure to Deliver a Service during the COVID19 Pandemic

3.9 We have investigated an allegation that a provider of adult social care services continued to receive payment despite not delivering a service during the pandemic. The investigation found that there was no case to answer.

4. Action Tracking

4.1 All high priority actions agreed with management as part of individual audit reviews are subject to action tracking. There were five high-risk actions due to be implemented by management by the end of quarter one. Four of these related to the audit of Pension Fund Administration, People, Processes and Systems (including one reported as being overdue at the end of quarter four) and one was from our audit of Atrium (the Council's property asset management system). Both audits were reported to Audit Committee in July 2020. Whilst none of these actions had been implemented by the end of the quarter, it should be noted that, at the time of writing this report, all of these had been at least partially implemented and work is continuing to ensure full implementation, with revised dates for this agreed with management. Progress over implementation will continue to be monitored and reported on by Internal Audit.

5. Amendments to the Audit Plan

5.1 As referred to in 2.1 above, a significant proportion of our planned work was paused in response to the pandemic. We are currently in the process of revising and updating the audit plan for the remainder of the year and will present this to the next meeting of this Committee.

6. Internal Audit Performance

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee	By end April	G	Plan prepared for April approval, but formal reporting to Committee delayed due to Covid. Agreed by Committee on 13 May 2020.
	Annual Audit Report and Opinion	By end July	G	2019/20 Annual Report and Opinion approved by Audit Committee on 10 July 2020.
	Customer Satisfaction Levels	90% satisfied	N/A	No surveys returned during the quarter.
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	N/A	During the Covid pandemic, the audit plan has been suspended to allow the internal audit service to support the organisation's response.
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	G	<p>January 2018 – External assessment by the South West Audit Partnership gave an opinion of 'Generally Conforms' – the highest of three possible rankings.</p> <p>June 2020 - internal self-assessment completed – no major areas of non-compliance with PSIAS identified. Internal quality review also completed – no major areas of non-compliance with our own processes identified.</p>
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms	G	No evidence of non-compliance identified.

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	95% for high priority agreed actions	R	See Section 4 of this report.
Our staff	Professionally Qualified/Accredited	80%	G	92.9% ¹

¹ Includes part-qualified staff and those undertaking professional training

Audit Opinions and Definitions

Opinion	Definition
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Partial Assurance	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

Report to: **Audit Committee**

Date: **18 September 2020**

By: **Orbis Chief Internal Auditor**

Title of report: **Orbis Internal Audit Staffing and Resources**

Purpose of report: **To provide the committee with an update on the staffing and resources position within Orbis Internal Audit.**

RECOMMENDATIONS

Members are recommended to:

- 1. note the report and in particular the latest position with regard to resourcing the Internal Audit service, including the professional qualifications held by our staff.**
-

1. Background

1.1 The purpose of this report is to update the Audit Committee on the staffing and resources position for the Orbis Internal Audit (Orbis IA) Service, including details of the qualifications held by staff within the service and the training and development arrangements for ensuring we continue to maintain the highest calibre personnel.

2. Supporting Information

2.1 Orbis IA was officially formed on 1 April 2018 out of the existing internal audit teams from East Sussex County Council (ESCC), Surrey County Council (SCC) and Brighton & Hove City Council (BHCC), along with a small number of staff from Horsham District Council (HDC). These HDC staff joined via TUPE transfer following a new agreement for Orbis to provide internal audit services to HDC under an initial 5-year contract. Other existing external income generating clients for Orbis IA include East Sussex Fire Authority, Elmbridge Borough Council and the South Downs National Park Authority.

2.2 At the time of establishing Orbis IA, a new organisational structure was implemented with the intention of continuing to provide high quality, localised services to our partner and client organisations, whilst also developing specialist teams in the areas of ICT Audit and Counter Fraud, who provide these services across all partners and clients. Maintaining such specialisms within smaller individual teams prior to integration had become unsustainable, resulting in the increased costs associated with buying in services from external providers. A copy of the current Orbis IA structure chart is attached to this report as Appendix A, a structure that, at the time it went live, delivered significant financial savings to the Orbis partner authorities.

2.3 Given that ultimately all staff, regardless of where they are positioned within the structure, are willing and able to operate across all partners and clients, we are able to maximise the substantial knowledge, skills and experience available throughout the service for the benefit of all clients. This, along with the creation of specialist teams and the increased resilience offered by a much larger team, represents one of the fundamental benefits of Orbis IA.

2.4 Some ongoing challenges have, however, been faced historically by the service associated with recruiting suitable skilled and experienced staff, especially at the Senior/Principal Auditor levels. For this reason, we have in the past supplemented our own internal resources with external contractors, often resulting in higher costs. In order to help address this issue, we have recently successfully appointed five new staff at entry level, with a focus on training and development to effectively 'grow our own'. Where necessary, this includes support for appropriate professional development, including utilising apprenticeship schemes.

2.5 The table below summarises the professional qualifications currently held by staff across Orbis IA. As can be seen, there is a clear mix of different qualifications enabling our clients the ability to draw upon the wide range of knowledge, skills and experience available.

Qualification	No. of Staff
Chartered Institute of Internal Auditors (CMIIA)	6
Chartered Institute of Public Finance and Accountancy (CIPFA)	5
Chartered Institute of Management Accounts (CIMA)	1
Institute of Internal Auditors – Practitioner/Certified (PIIA/CIA)	3
Association of Accounting Technicians (AAT)	5
Certificate in Internal Audit and Business Risk (IACert)	2
Accredited Counter Fraud Specialist (ACFS)	3
Institute of Revenues, Rating and Valuation (IRRV)	2
Staff in Professional Training	
Institute of Internal Auditors – Practitioner/Certified (PIIA/CIA)	3
Not Yet Qualified or In Training	4
Total	34

NOTE: *In many cases, staff in the team hold more than one qualification or are studying for additional qualifications over and above those currently held.*

2.6 Finally, at the time of drafting this report, a recruitment process for two vacant Principal Auditor posts had just been completed and it is pleasing to report that in both cases, external appointments have been made (subject to references and appropriate pre-employment checks). Once these new staff are in post, we will have no further vacancies with the service, something we have not achieved for some considerable time.

3. Conclusions and Reasons for Recommendation

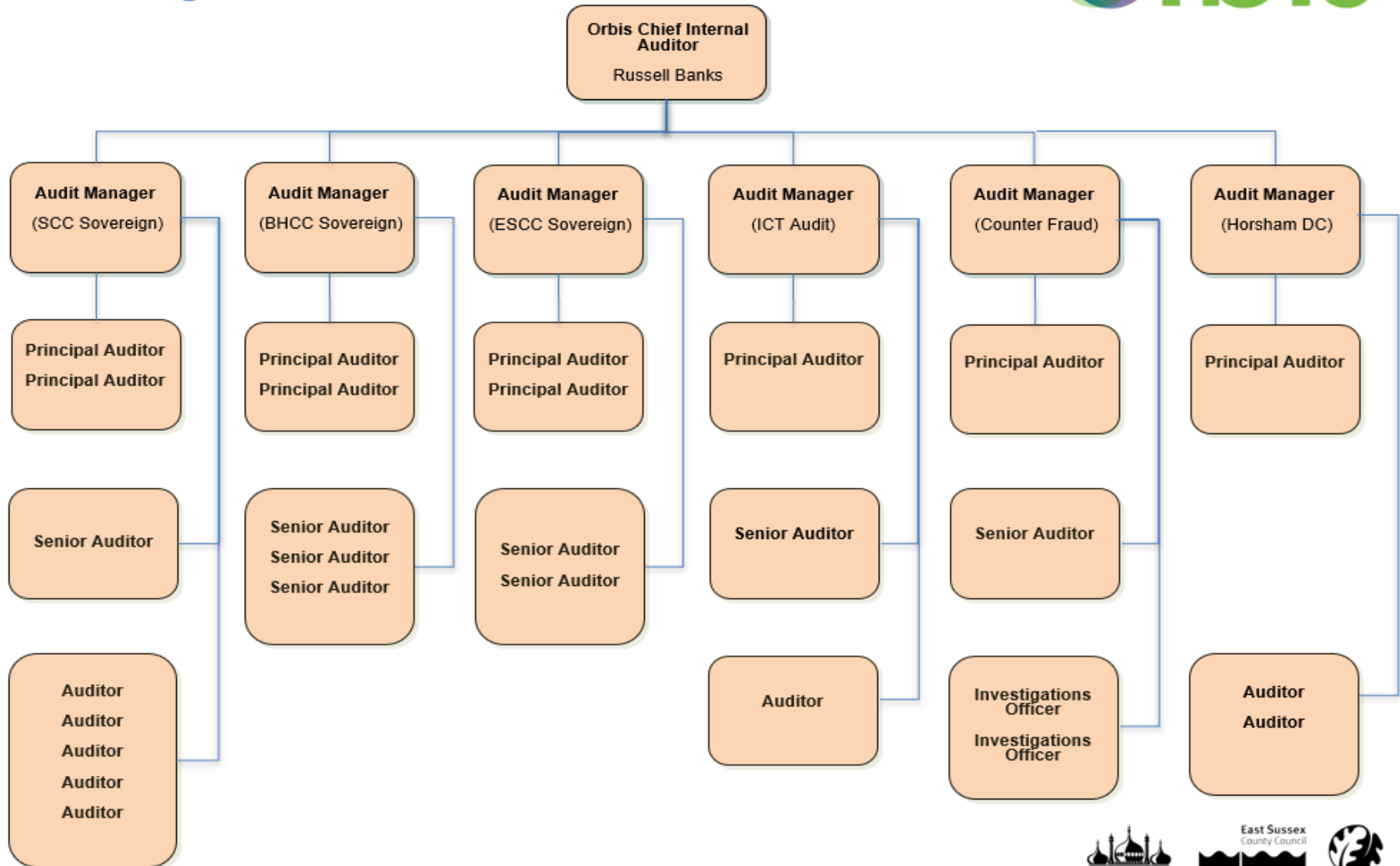
3.1 Audit Committee is recommended to note the updated resourcing position for Orbis IA and the range and extent of qualifications held by staff or currently being studied for.

RUSSELL BANKS, ORBIS CHIEF INTERNAL AUDITOR, BUSINESS SERVICES DEPARTMENT

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Orbis Internal Audit Integrated Structure



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Report to: **Audit Committee**

Date: **18 September 2020**

By: **Chief Operating Officer**

Title of report: **Strategic Risk Monitoring – Quarter 1 2020/21**

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

RECOMMENDATION: The Committee is recommended to note the current strategic risks and the risk controls / responses being proposed and implemented by Chief Officers, including the reinstatement of Strategic Risk 14 ‘No Trade Deal Brexit.’

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 A, is formally reviewed by DMT’s and CMT on a quarterly basis. Members should note that this version of the Strategic Risk Register, which relates to Quarter 1 of 2020/21, was reviewed by CMT on 9 September 2020 and will be presented to Cabinet on 2 October.

2.2. The Strategic Risk Register has been updated to reflect the Council’s risk profile as follows:

2.2.1 Risk 1 (Roads), Risk 4 (Health), Risk 5 (Reconciling Policy, Performance & Resource), Risk 6 (Local Economic Growth), Risk 7 (Schools), Risk 8 (Capital Programme), Risk 9 (Workforce) and Risk 10 (Recruitment) all have updated risk controls. Risk 12 (Cyber Attack), Risk 15 (Climate) and Risk 16 (COVID-19) all have updated risk definitions and controls.

2.2.2. At the Audit Committee meeting on 10th July, the committee made a recommendation to have a No Trade Deal specifically recorded on the Strategic Risk Register and gave feedback on issues this could reflect. This recommendation was considered alongside the officer review of the Strategic Risk Register, and a new **Risk 14 (No Trade Deal Brexit)** has been recorded onto the Strategic Risk Register with updated risk definition and controls to

reflect the risk of the Brexit transition period ending with no agreed trade deal between the UK and EU.

2.3 Officers 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.

Kevin Foster
Chief Operating Officer

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Local Member: All

Background documents:

None

APPENDIX A

Strategic Risk Register – Q1 2020/21

Ref	Risks	Risk Control / Response	RAG
16 Page 57	<p>COVID-19 Adverse impact of Covid-19 sickness and restrictions on Council finances and services. Reduced ability to deliver services, priorities and long-term planning, impacting on e.g. protecting and supporting vulnerable adults and children, education and schools, roads and infrastructure, local economic growth, and the Council's workforce. Capacity to manage a response to a significant sustained increase in Covid-19 cases (a second wave). Adverse impact of Covid-19 on local health, wellbeing and economy creating new long-term need for Council services.</p>	<p>Services have changed and adapted to the changing situation and Government guidance. We are endeavouring to keep services going as far as possible and to offer other options when it isn't possible. Looking after the most vulnerable people in our community is our absolute priority and community hubs have been established with Borough and District partners to support those that need additional help. We have received additional funding from the Government and are closely monitoring our Covid-19 spend. We are also monitoring impacts on the economy and wider community and developing recovery plans with our partners.</p> <p>We have developed a Local Outbreak Plan to prevent, where possible, and respond to and contain local outbreaks, with specific measures for high risk areas.</p> <p>The Corporate Management Team are meeting regularly to ensure our response and recovery is effectively co-ordinated and working well through our established partnerships and the new partnerships, which come into operation when we are operating under the Civil Contingencies Act, including the Sussex Resilience Forum and the Local Health Resilience Forum. Preparation for a reasonable worst-case scenario of a second wave of infections is taking place in ESCC and coordinated across the Sussex Resilience Forum.</p> <p>Extensive co-ordination and lobbying are taking place at Member and officer level through SE7, CCN and other arrangements.</p>	R
12	<p>CYBER ATTACK The National Cyber Security Centre (NCSC) has highlighted the substantial risk to British web infrastructure with elevated levels of Cyber Crime being reported against all areas of government. Cyber-attacks often include multi vector attacks featuring internet based, social engineering and targeted exploits against hardware, software and personnel. The remote nature of the internet makes this an international issue and an inevitable risk. There is a significant rise in global and local Cyber based attacks, which are increasing in sophistication in terms of technology and social based insertion methods. The Covid-19 pandemic has increased</p>	<p>Most attacks leverage software flaws and gaps in boundary defences. Keeping software up to date with regular patching regimes; continually monitoring evolving threats and re-evaluating the ability of our toolset to provide adequate defence'. Ongoing discussion and communication with the Information Security industry to find the most suitable tools and systems to secure our infrastructure.</p> <p>IT&D use modern security tools (e.g. Splunk) to help monitor network activity and identify security threats. These tools have proved their value in preventing and quickly tracing, isolating and recovering from significant malware attacks. IT&D continues to invest in new tools which use AI and machine learning to identify threats by analysing network traffic and patterns for abnormal behaviour. The increasing use of Software As A Service adds additional risk for the user outside of the corporate data centre and core managed platforms, so elements of Cloud</p>	R

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Page 58	<p>many additional functions virtually and remotely and there are more requests to relax security controls, with services more likely to take risks on the technology they procure and how they use it.</p> <p>Examples of the impact of a Cyber Attack include:</p> <ul style="list-style-type: none"> •Financial fraud related to phishing of executives and finance staff; •Loss of Personally Identifiable Information and subsequent fines from Information Commissioner's Office (4% of global revenue under the new General Data Protection Regulations); •Total loss of access to systems that could lead to threat to life. <p>A successful cyber-attack can shut down operations - not just for a few hours, but rather for multiple days and weeks. The collateral damage, such as information leaks and reputational damage can continue for much longer. Added to that, backup systems, applications and data may also be infected and therefore, of little usable value during response and recovery operations</p> <p>- they may need to be cleansed before they can be used for recovery. This takes time and consumes skilled resources, reducing capacity available to operate the usual services that keep the Council working. Our external technology stack is dependent on vendors ensuring that their products are up to date against the methods employed by internet-based threats. Furthermore, aside from the technical risks - social engineering-based insertion methods (such as legitimate looking emails which trigger viral payloads) are becoming harder to identify and filter.</p>		

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<p>Page 59 4</p>	<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>Our collective business associated with the East Sussex Health and Social Care Plan and integration programme has been paused since March in order to enable our health and social care system to focus on the management of our urgent response to the Covid-19 pandemic. This has included:</p> <ul style="list-style-type: none"> •Adapting our system governance in order to deliver the emergency response where this has required coordination and grip across the whole system, for example hospital discharge and mutual aid support to care homes. •The production of system plans to support hospital discharge including integrated commissioning of additional bedded capacity, the local response to the DHSC Action Plan for Adult Social Care and the Care Homes Resilience Plan. <p>We will continue to work as a whole health and social care system to manage existing and new challenges and requirements as they arise from Covid-19 and deliver coordinated support across all aspects of social care, and for the Council will be managed alongside significant financial risks that have arisen from the pandemic as we move into second wave planning and winter pressures. Funding arrangements for hospital discharges were initially confirmed from 19th March to 31st July, and local agreements and processes have been agreed via the East Sussex CFO Group and operated without issues to date. NHSE have committed to extend funding to September, with new conditions expected to be published by Friday 17th July, and the local discharge funding arrangements and the transition process will be reviewed in light of this.</p> <p>In May our system started a process to revise our integration programme as we moved into further phases of the Covid-19 response and the wider recovery process. This will take into account the changes due to Covid-19 to integrate the learning and sustain new models of delivery where there are agreed benefits, to produce a revised programme of the critical shared priorities, projects and objectives that will ensure our continued focus on local health and social care system issues. There will be a continual requirement to balance the ongoing need to respond the pandemic with the pace and delivery of transformation, and attention has also been given to programme capacity and the resources needed to support delivery of our shared priorities.</p> <p>The next step will be to develop a framework of realistic programme metrics and resources for the remainder of 2020/21. We have also started to revisit our objectives and next steps for integrated health and social care commissioning for our population to support how we shape and strengthen our East Sussex ICP as both a commissioner and provider of services, in</p>	<p>R</p>

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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 take a commissioning approach to evaluating need and we consider all methods of service delivery. We work with partner organisations to deliver services and manage demand.</p> <p>We take a 'One Council' approach to delivering our priorities and set out our targets and objectives in the Council Plan. We monitor our progress and report it quarterly. Our plans take account of known risks and pressures, including social, economic and demographic changes and financial risks.</p> <p>The Coronavirus pandemic has had, and will continue to have for a long time, profound impacts on our communities and services. We are operating in new, changing and uncertain contexts. We will review and undertake research to track and understand the impacts. We will update and reset our performance targets, priorities, service offers and financial plans, as required, to reflect them.</p>	R
15	<p>CLIMATE Failure to limit global warming to below 1.5°C above pre-industrialisation levels, which requires global net human-caused emissions of carbon dioxide (CO2) to be reduced by about 45 percent from 2010 levels by 2030, reaching 'net zero' by 2050 at the latest. The predicted impacts of climate change in East Sussex include more frequent and intense flooding, drought and episodes of extreme heat, as well as impacts from the effects of climate change overseas, such as on food supply. This will lead to an increase in heat-related deaths, particularly amongst the elderly, damage to essential infrastructure, increased cost of food, disruption to supply chains and service provision, and greater coastal erosion.</p>	<p>Climate change adaptation: we are following national adaptation advice, including working with partners on flood risk management plans, a heatwave plan and drought plans.</p> <p>Climate change mitigation: we are continuing to reduce the County Council's own carbon footprint, which was cut by 56% between 2008-9 and 2018-19.</p> <p>The County Council declared a Climate Emergency in October 2019 and committed to achieve net zero carbon emissions from the County Council's own activities as soon as possible, and by 2050 at the latest. A corporate climate emergency plan was agreed by Cabinet on 2nd June. A new post of Climate Emergency Officer has been created to lead on delivering the plan and the new postholder will start on 1st July. A senior Officer climate emergency board has been set up and is holding its first meeting on 3rd July.</p>	R

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Ref	Risks	Risk Control / Response	Risk Score
<p>14 Page 61</p>	<p>NO TRADE DEAL BREXIT Brexit transition period ends with no agreed trade deal or future relationship between the UK and EU leading to disruption. Key areas at risk of disruption are:</p> <ul style="list-style-type: none"> •At Newhaven Port and on the surrounding road network due to new port checks; •In business and economic activity, due to import/export administrative complexities for SME's, supply chain disruption and goods storage, impact of trade tariffs on consumer purchasing power, and workforce supply; •The covid-19 pandemic response and local outbreak management e.g. through disrupting international supply chains for PPE; and •delivery of Council Services. <p>The impact of this risk could be heightened should disruption coincide with other events such as an increase in covid-19 infection rates or extreme weather, which challenges the Council's capacity to respond to events effectively and interrupts recovery of the economy from the covid-19 pandemic.</p>	<p>Many of the key areas at risk of disruption are already on the Strategic risk register (Covid-19 response, Local Economic Growth) or departmental risk registers and are subject to business as usual risk and business continuity management.</p> <p>The Trading Standards team are working with Environmental Health colleagues to assess the impact of emerging Government border policy on the capacity required to support new border enforcement arrangements at Newhaven Port. Planning will also be informed by the Government Border Group, of which the Director of Communities, Economy and Transport is a member.</p> <p>The Sussex Resilience Forum has run a preparatory exercise on the coincidence of emergency responses to the Covid-19 pandemic and a No Trade Deal Brexit to inform multi-agency emergency planning for the scenario.</p> <p>The Chief Executive is a representative for the South East on the MHCLG group of nine regional chief executives, which provides a direct channel of communication into the Ministry on local and regional issues emerging in advance of the end of the transition period.</p>	<p>R</p>

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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. Covid-19 could lead to an increase in the level of staff sickness, as well as the need for staff to self- isolate/distance. It will lead to a change in our working approach and arrangements, even beyond the length of any Government imposed lockdown.</p>	<p>The additional capital maintenance funding approved by Cabinet in recent years has enabled us to stabilise the rate of deterioration in the carriageway network and improve the condition of our principle road network. However, a large backlog of maintenance still exists and is addressed on a priority basis.</p> <p>The County Council's asset management approach to highway maintenance is maintaining the overall condition of roads, despite recent years' winter weather. However, severe winter weather continues to be a significant risk with the potential to have significant impact on the highway network. The winter of 2019/20 was one of the wettest on record and generated 4 times more potholes for example. The recently approved five-year capital programme for carriageways 2018/19 to 2022/23, and the six-year additional capital programme for drainage and footways 2017/18 to 2022/23 provide the ability to continue to manage condition and build resilience into the network for future winter events. Additional DfT money from 2018/2019 has supported this approach.</p> <p>Remote working has been adopted where possible in response to Covid-19. We are still able to deliver works on the ground adhering to current working restrictions and the carriageway programme is continuing as normal. If working restrictions change, this might impact our ability to deliver. If staff illness increases for either our contractor, sub-contractors or suppliers, this might impact our ability to deliver.</p>	A

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7 Page 63	<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>	<p>Continue to secure high quality leadership and governance across all our schools, colleges and settings is a high priority for the SLES performance plan. We will:</p> <ul style="list-style-type: none"> •Work with Teaching Schools Alliances and Education Improvement Partnerships to support the development of outstanding leaders. •Work with the existing Academy Chains within East Sussex, including the Diocese of Chichester, to ensure appropriate solutions for schools in East Sussex. •Work in partnership with the National College to increase opportunities for leadership and governance development programmes. •Implement strategies for encouraging headship applicants from outside East Sussex, including supporting schools to place more attractive advertisements and to provide better information on the benefits of living and working in East Sussex. •Accelerate the work to develop partnerships between schools that cannot secure adequate leadership alone and explore the options for closure of schools that are unable to deliver a high-quality education to their pupils. •Secure the establishment and implementation of the Primary Board and delivery working groups within it. •Develop the role of the Secondary Board and Area Groups to review data and other information to identify priorities for improvement, support needs of individual schools and build capacity for school led improvement. •Review of leadership responsibilities and capacity will help respond effectively to changes in the external environment and deliver our refreshed priorities for 2020/21 	A

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Ref	Risks	Risk Control / Response	RAG
Page 64 8	<p>CAPITAL PROGRAMME</p> <p>As a result of current austerity, the capital programme has been produced to support basic need only and as a result of this there is no resource for other investment that may benefit the County e.g. that may generate economic growth. Additionally, there is a risk, due to the complexity of formulas and factors that impact upon them, or changes in these, that the estimated Government Grants, which fund part of the programme, are significantly reduced.</p> <p>There is also a risk that the move from S106 contributions to Community Infrastructure Levy will mean that Council has reduced funding from this source as bids have to be made to Districts and Boroughs. Slippage continues to occur within the programme, which has an impact on the effective use of limited resources.</p>	<p>The Council has a Capital Strategic Asset Board (CSAB), a cross departmental group consisting of officers from each service department, finance, property and procurement to oversee the development and delivery of the capital programme. Governance arrangements continue to be reviewed and developed in support of the robust programme delivery of the basic need programme. The Education Sub Board, which in part focuses on future need for schools' places, continues to inform the CSAB of key risks and issues within the School Basic Need Programme. Regular scrutiny by the CSAB of programme and project profiles (both in year and across the life of the programme) occurs on a quarterly basis.</p> <p>The CSAB also proactively supports the seeking and management of all sources of capital funding, including; grants, S106, CIL and, Local Growth Fund monies. A cross department sub board has been set that oversees the process for bidding for CIL and to the use of S106 funds, and work continues with Districts and Boroughs to maximise the Council's receipt of these limited resources. The impact of Covid-19 provides a risk to external funding that supports the capital programme, with future years capital grants and receipts estimates, CIL and S106 targets at risk of reducing. Officers will proactively monitor funding announcements and seek to minimise the impact on delivery of the capital programme and ensure that there is sufficient liquidity to meet funding requirements.</p> <p>A risk factor was introduced in 2019/20 to acknowledge and address the historic level of slippage in the capital programme, its impact on the financing of the capital programme, and therefore on treasury management activity. Following the creation of the 20-year capital strategy (2020/21 to 2040/41) and the enhanced rigour in the building of the 10-year capital programme (2019/20 to 2029/30), this factor has not been extended to future years. CSAB will continue to monitor slippage and recommend any change should it become necessary. Covid-19 is impacting on the delivery of projects and programmes of work and as a result slippage will increase in 2020/21, to be reported as part of the capital monitoring process overseen by the CSAB. The pressures and issues that Covid-19 has presented are unprecedented and has thrown many of the current planning assumptions off course. Over the summer, services will need to consider if their current targeted basic need investment and capital strategy remain appropriate to support the post Covid-19 service offer and Council Plan.</p>	A

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9 Page 65	<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>The 2020/21 Q1 sickness absence figure for the whole authority (excluding schools) is 1.78 days lost per FTE, an increase of 1.7% since last year. Stress/mental health remains the primary reason for absence, increasing sharply by 106.5% compared to 2019/20 Q1. It is worth noting that Q1 covers the key period of the immediate response to the coronavirus pandemic and lockdown period and it is likely therefore, that the sudden increase since April 2020 is as a result of the Coronavirus situation. This should become clearer in future reports.</p> <ul style="list-style-type: none"> •Almost 100 Mental Health First Aiders have been trained across the organisation and 73 interventions have taken place since November 2019 •Employee and Managers Mental Health Guides have been produced alongside a supporting toolkit, campaign video and dedicated resource intranet page •A dedicated Yammer wellbeing campaign to support staff during Covid-19 was launched in March 2020 and continues to run to support staff •Development of a coaching offer to support an approach based on compassionate leadership •A new Stress Awareness Campaign, with supporting resources has been launched 	A
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>Following an assessment of our workforce demographics and recruitment and retention 'hotspots', CMT had previously supported the establishment of two workstreams of: 'attracting and recruiting the future workforce' and 'leading the workforce'. Work on these workstreams had progressed well with the intention of specific proposals for action being presented to CMT in April 2020. This was delayed as a result of the Coronavirus pandemic. Before reporting back to CMT, the opportunity will now be taken to incorporate the lessons learned from Covid-19 and the Council's response to it, including new ways of working and new models of service delivery.</p>	A

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Page 66	<p>6 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>The County Council and its partners have been successful in securing significant amounts of growth funding totalling £118m, via both the South East and Coast 2 Capital Local Enterprise Partnerships, to deliver a wide range of infrastructure projects in East Sussex. We have also secured outgoing EU funding for complementary economic development programmes supporting businesses to grow, including South East Business Boost (SEBB), LoCASE, SECCADS and inward investment services for the county. We have continued to bid for further EU funding on the above projects and have secured over £4m of investments to be delivered from April 2020 for a further 3 years.</p> <p>Government has withheld a third of all LEPs LGF allocations for 2020/21, which for SELEP equates to approximately £25m pending a review of the deliverability of all the projects within its programme. They subsequently issued a call in mid-June for pipeline projects that can create jobs and deliver over next 18 months, and East Sussex submitted over 25 schemes worth over £40m for consideration – we await further details. Furthermore, there are several recent funds including Future High Streets, Stronger Towns Fund and European Social Fund and we have been actively working with partners in developing projects and submitting proposals and await the outcomes.</p> <p>East Sussex have submitted projects for consideration to SELEP for the Growing Places Fund (GPF Round 3) programme and in June both Barnhorn Green (Rother) commercial workspace and medical centre AND the Observer Building in Hastings secured £1.75m each, subject to business case approval.</p> <p>The Covid-19 outbreak in early March 2020 is seemingly changing the funding landscape, having an impact on major funding decisions from Government. We are developing the East Sussex Economy Recovery Plan, and this is identifying deliverable actions in the short term, alongside more aspirational asks. The initial action plan is expected to be presented to Team East Sussex at end of July, and this plan will become an important bidding document.</p>	G

Audit Committee – Work Programme

List of Suggested Potential Future Work Topics		
Issue	Detail	Meeting Date
Orbis	Update on the potential effect of Surrey becoming a unitary authority	Post publication of the Devolution White Paper
Audit Committee Working Groups		
Working Group Title	Subject area	Meeting Dates
To be agreed.		
Training and Development		
Title of Training/Briefing	Detail	Date

Future Committee Agenda Items		Author
6 November 2020 (revised date)		
Review of Annual Governance Report & 2019/20 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.	External Auditors/ Ian Gutsell, Chief Finance Officer

Review of Annual Pension Fund Governance Report & 2019/20 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.	External Auditors/ Ian Gutsell, Chief Finance Officer
Internal Audit Progress Report	Internal Audit Progress report – Quarter 2, 2020/21 (01/07/20 – 30/09/20)	Nigel Chilcott, Audit Manager/Russell Banks, Chief Internal Auditor
Strategic Risk Management	Strategic risk monitoring report – Quarter 2, 2020/21 (01/07/20 – 30/09/20)	Kevin Foster, Chief Operating Officer / Ian Gutsell, Chief Finance Officer
Treasury Management	To consider a report on the review of Treasury Management performance for 2019/20 and for outturn for the first six months of 2020/21, including the economic factors affecting performance, the Prudential Indicators and compliance with the limits set within the Treasury Management Strategy.	Ian Gutsell, Chief Finance Officer
Property Asset Disposal and Investment Strategy	Consideration of an annual report on the implementation of the Property Asset Disposal and Investment Strategy.	Tina Glen, Head of Property Operations / Graham Glenn, Acquisition & Disposals Manager
Committee Work Programme	Discussion of the future reports, agenda items and other work to be undertaken by the Committee.	Democratic Services Officer
26 March 2021		
External Audit Plan 2020/21	This report sets out in detail the work to be carried out by the Council's External Auditors on the Council's accounts for the financial year 2019/20.	Ian Gutsell, Chief Finance Officer & External Auditors
External Audit Plan for East Sussex Pension Fund 2020/21	To consider and comment upon the External Audit Plan for the East Sussex Pension Fund for the financial year 2019/20.	Ian Gutsell, Chief Finance Officer & External Auditors
Internal Audit	Consideration of the Internal Audit Strategy and Plan for 2021/22	Russell Banks, Chief Internal Auditor/ Nigel

Strategy and Plan		Chilcott, Audit Manager
Annual Audit Letter	To consider the Annual Audit letter and fee update from the External Auditor	Ian Gutsell, Chief Finance Officer
Internal Audit Progress Report	Internal Audit Progress report – Quarter 3, 2020/21 (01/10/20 – 31/12/20)	Nigel Chilcott, Audit Manager/Russell Banks, Chief Internal Auditor
Strategic Risk Monitoring	Strategic risk monitoring report – Quarter 3, 2020/21 (01/10/20 – 31/12/20)	Kevin Foster, Chief Operating Officer / Ian Gutsell, Chief Finance Officer
Committee Work Programme	Discussion of the future reports, agenda items and other work to be undertaken by the Committee.	Democratic Services Officer
9 July 2021		
Review of Annual Governance Report & 2020/21 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.	External Auditors/ Ian Gutsell, Chief Finance Officer
Review of Annual Pension Fund Governance Report & 2020/21 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.	External Auditors/ Ian Gutsell, Chief Finance Officer
Monitoring Officer's Annual Review of the Corporate Governance	Sets out an assessment of the effectiveness of the Council's governance arrangements and includes an improvement plan for the coming year, and the annual governance statement (AGS) which will form part of the statement of accounts.	Philip Baker, Assistant Chief Executive

Framework		
Internal Audit Services Annual Report and Opinion 2020/21	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 reports – Quarter 4, 2020/21, (01/01/21 – 31/03/21).	Nigel Chilcott, Audit Manager/Russell Banks, Chief Internal Auditor
Strategic Risk Monitoring	Strategic risk monitoring report – Quarter 4, 2020/21 (01/01/21 – 31/03/21)	Kevin Foster, Chief Operating Officer / Ian Gutsell, Chief Finance Officer
Committee Work Programme	Discussion of the future reports, agenda items and other work to be undertaken by the Committee.	Democratic Services Officer
17 September 2021		
Internal Audit Progress Report	Internal Audit Progress report – Quarter 1, 2021/22 (01/04/21 – 30/06/21)	Nigel Chilcott, Audit Manager/Russell Banks, Chief Internal Auditor
Strategic Risk Management	Strategic risk monitoring report – Quarter 1, 2021/22 (01/04/21 – 30/06/21)	Kevin Foster, Chief Operating Officer / Ian Gutsell, Chief Finance Officer
Committee Work Programme	Discussion of the future reports, agenda items and other work to be undertaken by the Committee.	Democratic Services Officer