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12 March 2020

Regulation, Audit and Accounts Committee

A meeting of the committee will be held at 10.30 am on Monday, 23 March 2020 at County Hall, Chichester PO19 1RQ.

Tony Kershaw
Director of Law and Assurance

Agenda

1. **Declarations of Interest**

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

2. **Minutes of the last meeting of the Committee** (Pages 5 - 8)

The Committee is asked to agree the minutes of the meeting held on 20 January 2020 (cream paper).

3. Urgent Matters

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

4. **Quarterly Review of the Corporate Risk Register** (Pages 9 - 20)

Report by the Director of Finance and Support Services.

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

5. **Internal Audit Progress Report** (Pages 21 - 46)

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

The Committee is asked to note the Internal Audit Progress report for the period to 31 January 2020 as attached.

6. **Approach to Internal Audit Planning 2020/21** (Pages 47 - 52)

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

The Committee is asked to approve the proposed approach to internal audit planning for 2020/21(Q2 - Q4) and the draft internal audit plan activity (Q1).

7. **Internal Audit Charter 2020/21** (Pages 53 - 64)

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

The Committee is asked to approve the Internal Audit Charter 2020/21.

8. External Audit Plan - West Sussex County Council 2019/20 (Pages 65 - 106)

The Committee is asked to consider the External Audit Plan for West Sussex County Council 2019/20.

9. External Audit Plan - West Sussex Pension Fund 2019/20 (Pages 107 - 138)

The Committee is asked to consider the External Audit Plan for the West Sussex Pension Fund 2019/20.

10. **Regulation of Investigatory Powers** (Pages 139 - 162)

Report by Director of Law and Assurance.

The Committee is asked to review and endorse a revised and updated policy for the Council's use of specific investigation powers available for types of enforcement work for which the Council is responsible.

11. **Financial Statements 2019/20 - Plans and Progress** (Pages 163 - 206)

Report by Director of Finance and Support Services.

The Committee is asked to note the project plans for the County Council and Pension Fund accounts and consider progress to date. The Committee is also asked to consider the draft accounting policies for both the County Council and Pension Fund accounts for 2019/20 and approve them for application in preparing this year's accounts.

12. **Draft Annual Governance Statement 2019/20** (Pages 207 - 238)

Report by Director of Law and Assurance.

The Committee is asked to comment on the draft Annual Governance Statement for 2019-20.

13. **Work Programme 2020/21** (Pages 239 - 242)

Programme by the Director of Law and Assurance.

The Committee is asked to agree the outline work programme for 2020/21 and agree any further priority items for addition to the programme.

14. Date of Next Meeting

The next meeting of the Committee will be held at 10.30 am on 23 July 2020 at County Hall, Chichester.

To all members of the Regulation, Audit and Accounts Committee



Regulation, Audit and Accounts Committee

20 January 2020 – At a meeting of the Regulation, Audit and Accounts Committee held at 10.30 am at County Hall, Chichester.

Present: Dr Dennis (Chairman)

Mr Waight, Mr Baldwin, Mrs Dennis and Mr Jones

Apologies were received from Mr Bradford and Ms Goldsmith

Part I

19. Declarations of Interest

19.1 None.

20. Minutes of the last meeting of the Committee

20.1 Resolved – That the minutes of the meeting of the Committee held on 4 November 2019 be approved as a correct record and that they be signed by the Chairman.

21. Annual Governance Statement 2018/19 - Actions Update

- 21.1 The Committee considered a report by the Director of Law and Assurance (copy appended to the signed minutes).
- 21.2 Mr Kershaw introduced the item. An update was provided on actions from the Annual Governance Statement (AGS) from the year 2018/19 and an update for the current year's (2019/20) AGS.
- 21.3 It was reported that when the 2018/19 statement was being drafted officers noted the content of external inspection reports which raised issues of governance within the County Council. The actions being tracked in the final column of the report provide updates to members on the changes arising from these reports.
- 21.4 The AGS for 2019/20 was being drafted and would be included as part of the July meeting, however an update would be given at the next meeting of the Committee in March.
- 21.5 The following comments and issues were raised:
 - The Scheme of Delegation action was not finalised due to the number of changes at a senior level. If any changes are made members would be informed.
 - The Joint Health and Wellbeing Strategy would be scrutinised by a partnership forum and the Health and Adults Social Care Select Committee.
 - Concerns were raised that there were some instances of little progress against some actions in the Annual Governance Statement, which were raised at the previous meeting. It was

- advised these would be addressed at the Committee's meeting in March 2020 and ongoing matters might remain in the action plan for 2019/20.
- Governance arrangements around key Council Services were being reviewed.
- A need for further member engagement on budget planning.
- In response to questions from the committee on the additional funding allocated for Phases 1 and 2 of the Fire a Rescue Service Improvement Plan, a written response was to be provided. The Chief Fire Officer would also be present at the next meeting to answer the Committees questions.
- 21.6 Resolved That the updates in the report be noted.

22. Internal Audit Progress Report

- 22.1 The Committee considered a report by the Director of Finance and Support Services, and the Head of Southern Internal Audit Partnership (copy appended to the signed minutes).
- 22.2 Mr Pitman, Head of Southern Internal Audit Partnership, / Mr Harvey, Deputy Head of Southern Internal Audit Partnership introduced the report and the appendices included, drawing attention to implementation dates of the low and medium priority overdue actions.
- 22.3 The Committee raised various comments and questions, including the following:
 - It was confirmed that the Council's Fleet Management System was managed by County Council Officers and was not outsourced.
 - The Crawley 'Dual Use' agreement related to dual use of leisure centres. A draft report on this would be made available in the following weeks.
- 22.4 The Chairman welcomed Mr Laird (Acting Head of IT) to the meeting to discuss the IT Asset Management plan. Mr Laird discussed the various measures that were in place that mitigated the loss of assets such as phones and laptops.
- 22.5 The committee raised the following comments and questions:
 - Information relating to the percentage of assets lost, how many blacklisted and the financial impact of this was unavailable, but could be provided at a later date.
 - A process was already in place to mitigate the losses, but needed refining. It was dealt with by County Council staff.
 - Firewalls were used to protect the organisation from technological threats and were reviewed on a regular basis. It was the County Council's responsibility to ensure these reviews were completed by partner organisations and make recommendations of improvements.
 - A written response regarding how/when these reviews were scheduled to take place would be provided.

- Partner organisations are provided a statutory 4 weeks notice of any plans of an audit process. Immediate audits happen rarely, and only under suspicion of fraud or significant irregularities.
- Disaster recovery processes were in place, with a number of second 'mirror' sites in place across the County should an incident occur. The actions listed on page 38 of the report referred.
- 22.6 Resolved That the Committee noted the report.

23. Quarterly Review of the Corporate Risk Register

- 23.1 The Committee considered a report by the Director of Finance and Support Services (copy appended to the signed minutes).
- 23.2 Mr Pake, Corporate Risk and Business Planning Manager, introduced the report and advised that 2 risks had been added.
- 23.3 The Committee made comments on the items included on the risk register but were reminded that the risk owners were the subject matter experts and would have to attend a future meeting to discuss them. The following comments were raised:
 - It was advised that a senior officer meeting was due to take place to discuss the register and its implications. It was also noted that the Chief Fire Officer would be attending the next meeting of the committee.
- 23.4 Resolved That the Committee notes the report.

24. Treasury Management Compliance Report - Third Quarter 2019/20

- 24.1 The Committee considered a report by the Director of Finance and Support Services (copy appended to the signed minutes).
- 24.2 Mrs Chuter, Financial Reporting Manager, introduced the report and addressed issues such as compliance, borrowing, investment, and the exposure limits.
- 24.3 Resolved That the report be noted.

25. Date of Next Meeting

25.1 The Committee noted that its next scheduled meeting would be held at 10.30 am on 23 March 2020 at County Hall, Chichester.

The meeting ended at 13.15

Chairman



Regulation, Audit and Accounts Committee

23 March 2020

Quarterly Review of the Corporate Risk Register

Report by Director of Finance, Performance and Procurement

Executive Summary

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

Risks relating to the impact to council resources due to establishing a children's trust, the Children's Trust retaining permanent control of the service, and the continued delivery of council services due to the COVID19 virus have been added to the corporate risk register. The risk of a projected in-year overspend has been removed and the likelihood of failing to deliver Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMIC FRS) improvement plan has decreased.

Risk will continue to be considered and discussed by the Executive Leadership Team (ELT) monthly, and at least quarterly by directorate management teams.

Risk Management Lunch 'n' Learn sessions have been extended to March 2021. The Risk Management in Practice course has been fully designed and is being tested in April. It will then be scheduled for delivery.

Recommendations

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

1. Introduction

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

2. Background and Context

- 2.1 At the January 2020 meeting this committee reviewed the corporate risk register and risk management processes. The committee were informed of changes to the corporate register from the previous quarter and were also made aware of the current status of risk training and education. Comments from the committee were either addressed at the meeting or are included in the body of this report.
- 2.2 During the preceding quarter there have been the following changes to the corporate risk register.

- Corporate risk #67 Childrens Trust diverting council resources
 - New risk
 - Risk owner Chief Executive
- Corporate risk #68 COVID19 and risk to the delivery of County Council services
 - New risk
 - Risk owner Chief Executive
- Corporate risk #69 Children's services will fail to deliver an acceptable provision to the community
 - New risk
 - Risk owner Executive Director of Children, Young People and Learning
- Corporate risk #22a In-year projected overspend
 - Closed risk
 - Risk owner Director of Finance & Support Services
- Corporate risk #60 HMIC FRS improvement plan
 - Likelihood decreased from 4 to 3
 - To reflect positive feedback from HMIC FRS revisit (Feb 20) and completed mitigating actions
- 2.3 The following table summarises risks on the corporate risk register with a severity graded above the tolerance threshold:

Risk No	Risk	Score - Prev Qtr	Score
CR61	Death/serious injury of a child (Council failing in their duty)	25	25
CR66	Lack of suitably qualified and experienced Approved Mental Health Professionals (AMHP)	25	25
CR68	COVID19 and risk to the delivery of WSCC's services	New	25
CR69	Children's services will fail to deliver an acceptable provision to the commmunity	New	25
CR39 a	Cyber-security	20	20
CR58	Failure of social care provisions	20	20
CR59	Transformational pace and cultural change	20	20
CR65	Corporate leadership, governance and culture	20	20
CR67	Childrens Trust diverting council resources	New	20
CR1	No deal Brexit	16	16
CR7	Non-compliance and a lack of standardisation in some systems and processes	16	16
CR11	Recruit and retain staff	16	16
CR22	Financial sustainability	16	16
CR50	Insufficient health & safety governance	16	16
CR60	HMIC FRS Improvement Plan	20	15

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

Nil

- 2.5 The corporate risk register continues to be reviewed at least monthly by ELT, with any actions promptly addressed.
- 2.6 The directorate risk registers have been reviewed at least quarterly by each Director and their management team, with support from the Corporate Risk Manager where required. The Corporate Risk Manager has continued to engage monthly with Executive Directorate teams to discuss corporate and other directorate/service risks, and risk governance.
- 2.7 Transformation and Capital Programme risks are reported through their respective programme boards. There is ELT representation on each of these boards ensuring that significant concerns to the successful delivery of the programmes and/or associated projects are discussed, communicated to ELT and reflected in the corporate risk register if required. The Corporate Risk Manager has continued to carry out frequent reviews of the project and programme level risk registers.
- 2.8 The Risk Management Lunch 'n' Learn sessions have been extended to March 2021. The Corporate Risk Manager has designed a follow-on course 'Risk Management in Practice'. This is due to be tested in April and will be scheduled for delivery once completed.
- 2.9 The quality and currency of information contained in the corporate and directorate risk registers will continue to be reviewed and updated. The Corporate Risk Manager is continuing to challenge whether identified actions will sufficiently address the concerns, and within a suitable timeframe.
- 2.10 Enduring activities the Corporate Risk Manager is undertaking to ensure continuous improvement and alignment with best practice include:
 - Continue to attend the Sussex Resilience Forum Risk Group to maintain visibility on national risks that may impact the County Council and require inclusion on Corporate Risk Register
 - Attend the South East Risk Managers Group to share best practice of risk management in the public sector across various local authorities
 - Attend appropriate seminars held by professional bodies e.g. Alarm, CMI
 - Support projects and programmes to provide assurance and support on robust governance
 - Engage and support Executive Directors, Directors, service managers and their teams on capturing and communicating risk
 - Continue to engage with Transformation and Capital Programme Boards to support consistent organisational risk governance
 - Attendance at/facilitating various internal boards/meetings and working groups
- 2.11 he committee is asked to consider the Corporate Risk Register and future actions and provide comment as necessary.

3. Equality Impact Report

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

4. Resource Implications and Value for Money

4.1 At this stage, there will be no additional resources required to facilitate the embedding/management of risk and future actions as current support within the organisation is sufficient. The Corporate Risk Manager is conducting risk workshops and risk training sessions in existing management meetings where possible to mitigate resource and scheduling conflicts. However, the impending 'Risk Management in Practice' course will take place during working hours, and participants will be responsible for ensuring their attendance doesn't significantly impact their role requirement.

5. Risk Management Implications

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

6. Crime and Disorder Act Implications

6.1 None.

7. Human Rights Act Implications

7.1 None.

Katharine Eberhart

Director of Finance and Support Services **Contact:** Katharine Eberhart, 033 022 22087

Appendices

Appendix 1 - Corporate Risk Register

Background Papers

None

Current Risk

4 16 Next Risk

Review Date

Jul-20

Jun-20

May-20

					T	arge	et Ris	isk					Cur	rent R	Risk		
Risk No	Risk Description	Risk Owner	Risk Impact	Risk Strategy	Impact	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Likelihood	Score	Risk Control/Action	Action Owner	Action Target Date	Risk Update	Impact	Likelihood	Score	Next Risk Review Date	
	The financial sustainability of council services is at risk due to uncertain funding from central government and/or failure to make the required decisions to ensure the budget is balanced. This has been compounded further	Director of Finance & Support Services	Insufficient government funding to deliver services.	Treat	4		3	12	Pursue additional savings options to help close the budget gap.	Director of Finance & Support Services	Ongoing		4	4	16	Jun-20	
	with the recent Ofsted and HMIC FRS reports.		2. Adverse effect on reserves/balanced budget.						Request additional funding from the relevant government departments to help deal with service improvement in Children's and Fire and Rescue.	Director of Finance & Support Services	Ongoing						
			3. Reputational impact through reduction of service quality						Monitor the use of additional funds made available to improve service delivery.	Director of Finance & Support Services	Ongoing						
			4. Increased liability of service delivery, transferred by external partners due to funding restrictions i.e. supporting homelessness.						To continue to lobby government groups to influence funding decisions.	Chief Executive	Ongoing		_				
	As a result of staff accessing unsafe links from external sources and unauthorised/insecure website browsing, the Council's systems will be subjected to a Cyber-Security attack leading to a loss of data or system failure,		1. The Council suffers significant financial loss or cost.	Treat	4	. 4	4	16	Improve staff awareness of personal & business information security practices & identification of cyber-security issues. Continued actions due to evolving threats.	Head of IT		Role specific training delivered to children's services due to analysis of breach data received. Regular comms distributed to all staff. Included as annual refresher. Interim course to communicate essential/key information as soon as possible. Password review completed. Phishing emails sent out and responses evaluated. Follow up exercise completed April '19. New awareness campaign being developed.		20	20	Apr-20	
			2. The Council's reputation is damaged.						Maintain IG Toolkit (NHS) & Public Service Network security accreditations.	Head of IT	Ongoing	Joint submission to NHS Digital in the 2019 assessment by the Data Protection Team; to cover ensure IGTK incorporates Information Security, along with Info Governance. PSN accreditation submitted.	_				
			3. Resident's trust in the Council is undermined.						Conduct tests including penetration, DR and social engineering. (conducted 6 monthly)	Head of IT		Password review completed. Phishing emails sent out and responses evaluated. Follow up exercise completed April '19. New awareness campaign being developed. IT Health check undertaken with observations to be addressed.	-				
			4. Partners will not share data or information with the Council.						Ensure that cyber-attack is identified early, that reporting & monitoring is effective, and recovery can be prompt.	Head of IT		Full audit not carried out by IA 2019. Instead a full review took place in May 2019 of progress against actions from the 2018 audit. Ethical Hacker training being carried out. Review of advanced threat management solution.					
			5. Punitive penalties are made on the Council.						Provide capacity & capability to align with National Cyber-Security centre recommendations.	Head of IT	Ongoing	Maintain watching brief for updated guidance notes. WSCC has formally joined SE Warning Advice and Reporting Point (WARP).					
									Test the effectiveness of DPIA for software systems deployed after 25 May 2018.	Head of IT	Ongoing	To be conducted annually					
									Adopt ISO27001 (Information Security Management) aligned process & practices.	Head of IT	Ongoing						

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Risk No	Risk Description	Risk Owner	Risk Impact	Risk Strategy	Impact	Likelihood	Score		Action Owner	Action Target Date	Risk Update	Impact	Likelihood	Score	Next Ris Review Date
CR39b	New data protection legislation now in force which imposes additional obligation on the	Director of Law &	1. Individuals or groups come to harm.	Treat	3	3	9	Test the effectiveness of DPIA	Head of IT	Ongoing	To be conducted annually	4	3	12	Jun-20
	council. The Council is a Data Controller and has obligations and responsibilities arising from that role. Council needs resources, skills, knowledge, systems and procedures to ensure	Assurance	2. The Council's reputation is damaged.					Maintain IG Toolkit (NHS) & Public Service Network security accreditations.	Head of IT	Ongoing	Joint submission to NHS Digital in 2019 assessment by the Data Protection Team; to ensure IGTK incorporates Information Security, with Information Governance. PSN accreditation submitted.				
	obligations are met.		3. Resident's trust in the Council is undermined.					Undertake Data Privacy Impact Assessments (DPIA) when systems or processes change and carry out resulting actions.	Director of Law & Assurance	Ongoing	Processes settled. Most impact assessments completed. DPIA to be conducted annually.				
			4. Partners will not share data or information with the Council.					Enable safe data sharing, including using appropriate data standards & appropriate anonymization techniques.	Head of IT	Ongoing	As part of GDPR reviews of existing arrangements.				
			5. Punitive penalties are made on the Council.					Ensure the skills and knowledge is available to support Caldicott Guardian in ASC.	Head of Data Protection	Ongoing					
								Adopt ISO27001 (Information Security Management) aligned process & practices.	Head of IT	Ongoing					
								Review IT systems implemented prior to 25 May 2018 to confirm compliance with updated regulations.	Director of Law & Assurance	Ongoing	IT to identify applicable systems and provide support in resolving any risks of non-compliance.				
CR50	WSCC are responsible for ensuring the HS&W of its staff and residents. There is a risk that if there is a lack of H&S awareness and accountability by directorates to capture and	Director of Human Resources & Org Change	Increase risk of harm to employees, public and contractors.	Treat	4	3	12	Purchase, develop and introduce an interactive online H&S service led audit tool.	Health and Safety Manager	Apr-20		4	4	16	Jun-20
	communicate in accordance with Council governance arrangements, will lead to a serious health & safety incident occurring.		2. Increase number of claims and premiums.					Conduct a training needs analysis, produce gap analysis to understand requirements and produce suitable courses as a consequence.	Health and Safety Manager	Mar-20	Partially completed. Fire Warden training and H&S eLearning included in annual refresher training from 1 Feb 19. TNA produced with suite of courses required identified. Courses to be commissioned include bespoke modules for induction & asbestos awareness.	:			
			3. Adverse reputational impact to Council.					Incorporate HS&W information into current performance dashboard.	Health and Safety Manager	Apr-20	Dashboard to capture details on sickness, absence and H&S. H&S data currently collated relates to RIDDOR and NON-RIDDOR incidents.				
			4. Increase in staff absence.					Carry out a Health at Work needs assessment.	Health and Safety Manager	0 0	Strategic Health & Wellbeing Strategy and Action Plan being developed. (led by Public Health)				
								Regular engagement with other LA's on best practice and lessons learned.	Health and Safety Manager	Ongoing					
								Develop and introduce a more comprehensive risk profile approach and front line service based audits.	Health and Safety Manager	Ongoing					

					Та	rget	Risk					Curr	rent R	isk	
Risk No	Risk Description	Risk Owner	Risk Impact	Risk Strategy	Impact	Likelihood	Score	Risk Control/Action	Action Owner	Action Target Date	Risk Update	Impact	Likelihood	Score	Next Risk Review Date
CR58	If there were to be a failure of social care provisions there is a risk that both WSCC funded residents and self-funding residents are not being properly cared for; which may result	Executive Director of Adults and Health	Potential that people will come to harm and Council will be unable to ensure statutory safeguarding duty.	Treat	3	3		Consideration of opportunities to provide services in house to enable contingency for provider failure.	Cx Lead	Apr-20	Initial business case completed. Further analysis indicating delivery will involve higher cost. Requires appetite check of costs prior to completing full business case.	5	4	20	Date Apr-2000
	in death or injury to individuals and significant reputational harm to the council.		CQC action against service provider which could lead to establishment closure at short notice					Collection of market information on Firefly. Analysis of information and appropriate level of quality assurance response.	Head of Contracts & Performance	ongoing	Information used to support emergency planning and inform quality processes.				
			3. Financial implication of cost of reprovision following closure of services.					Scoping and implementation of a multi agency failure prevention team.	Joint Strategic Director of Cx	ongoing	Agreement was made in October 2019 with the CCG Chief Nurse to proceed with the joint programme. Workshop took place Dec 19 with agreement on the need for a joint residential/ nursing contract, exploration of income generation opportunities and potential of increased offer to providers who agree to managed rates.				
			4. Reduced capacity in the market as a result of failure of provision.					Financial analysis of high risk provision - due diligence checks.	Head of Contracts & Performance	ongoing	Working with strategic contracts to identify key providers for more regular financial checks.				
			5. Delayed Transfer of Care (DTOC)					Development and embedding of multi agency Quality, Safeguarding and Improvement Group, Strategic Provider Concerns meeting and mechanisms to focus on specific providers where concerns arise.	Head of Safeguarding and Quality	ongoing	QSIG established. Working towards embedding these mechanisms and confirming benefit in terms of preventative focus.				
			6. Non-compliance with Care Act.					In the event of an incident, ensure the consistent implementation of Emergency Response Plans, including a full de-brief and lessons learned.	Head of Adult Operations	ongoing	Emergency plans in place for residential services and Domiciliary Care provision. Continue to work with RET to ensure process is robust and reflects learning from incidences.				
			7. Reputational impact. Public perception of the council being willing to accept poor standards of care. Low public confidence in social care.					Capacity Action plans for residential and non residential services to focus on long and short term actions to improve capacity to support potential contingencies.	Cx Lead	ongoing	Progress on capacity action plans to be reported to senior managers weekly.				
CR59	Benefits from transformation are not realised within projected timescales because of a lack of robust and effective portfolio governance adversely impacting on in-year budget pressures.		Financial pressures through non-delivery of savings.	Treat	3	3	9	Review current programme to ensure robust project and programme plans are developed to implement changes and savings.	Director of Finance & Support Services	Jan-20		4	5	20	Apr-20
			2. Failure to improve customer services.					Develop effective benefits tracking process.	Director of Finance & Support Services	Mar-20					
			Inefficient and ineffective business processes.					Develop detailed programmes in collaboration with Directors to deliver required changes.	Director of Finance & Support Services	Mar-20					
			Failure to deliver required cultural changes.												

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					Target I	Risk					Cur	rrent F		
Risk No	Risk Description	Risk Owner	Risk Impact	Risk Strategy	Impact Likelihood	Score	Risk Control/Action	Action Owner	Action Target Date	Risk Update	Impact	Likelihood	Score	Next Risk Review Date
	service delivery, to focussing on improving the quality of children's services.		Delivery of Council services interrupted/impacted. Impact on Corporate improvement.				Backfill workstream leads with interim resource.	Director HR & OC		To be discussed with HR&OC, initial approach has been agreed.				ndix 1

					Tar	rget	Risk					Cur	rent F	Risk	
Risk No	Risk Description	Risk Owner	Risk Impact	Risk Strategy	Impact	Likelihood	Score	Risk Control/Action	Action Owner	Action Target Date	Risk Update	Impact	Likelihood	Score	Next Risk Review Date
	Due to the recent Covid 19 outbreak and potential exposure/infection of employees, there is a risk to the delivery of WSCC's services due to staff shortages (WSCC and	Executive	1. Failing to deliver statutory duties.	Treat	5	3	15	Review and initiate business continuity and degradation plans.	Executive Director of Adults and Health	ongoing	In progress	5	5	25	Apr-20
	contractors) as a result of self-isolation, or staff remaining at home to care for dependant children due to school closures or illness.		2. Negative reputational impact.					Local Resilience Forum (LRF) and Local Health Resilience (LHRP) Partnerships engagement.	Director of Environment and Public Protection						
			3. Litigation.					Review and activate Corporate Response Plan (CRP).	Chief Executive	ongoing	Strategic Management Group (SMG) and Tactical Management Group (TMG) tasked. Pandemic Response Plan to be activated.				
								Develop communications plan/process to disseminate information to the public.	Head of Communications	ongoing	Health advice and guidance.				
								Regular meetings to review current national and organisational status.	Director of Public Health	ongoing	Health Protection Team and Education Team to liaise weekly.				
	If the council fail to make the necessary improvements to progress from the previous 'inadequate' rating, there is a risk that		A child is exposed to dangers which could cause harm.	Treat	5	4	20	Deliver Children First Improvement Plan.	Senior Improvement Lead	ongoing		5	5	25	Jun-20
	children's services will fail to deliver an acceptable provision to the commmunity.	Young People and Learning	2. Significant reputational damage.					Continue to work with Hants CC as a partner in practice to improve the breadth of children's service.	Executive Director of Children, Young People and Learning	ongoing	Steering group established to report progress of the 9 workstreams into Improvement Board.				
			3. Reduced confidence by residents in the Councils ability to run children's services. 4. Legal implications through non-compliance or negligence.												

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Regulation, Audit & Accounts Committee

23 March 2020

Internal Audit Progress Report – January 2020

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

Executive Summary

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

Recommendation

The Committee notes the Internal Audit Progress report for the period to 31 January 2020 as attached.

1. Introduction

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

2. Background

- 2.1 Under the Accounts and Audit (England) Regulations 2015, the Council is responsible for:
 - ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of functions and includes arrangements for the management of risk; and
 - undertaking an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.
- 2.2 In accordance with proper internal audit practices (Public Sector Internal Audit Standards), the Chief Internal Auditor is required to provide a written status report to the Regulation, Audit & Accounts Committee, summarising:
 - The status of 'live' internal audit reports (outstanding management actions);
 - an update on progress against the annual audit plan;
 - a summary of internal audit performance, planning and resourcing issues; and

- a summary of significant issues that impact on the Chief Internal Auditor's annual opinion
- 2.3 Appendix A summarises the activities of internal audit for the period up to 31 January 2020.

3. Resource Implications and Value for Money

3.1 None arising directly from this report

4. Equality Duty.

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

5. Risk Management Implications

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

Katharine Eberhart

Director of Finance and Support Services

Neil Pitman

Head of Southern Internal Audit Partnership

Contact: Neil Pitman, 07719 417233

Appendices

Appendix A - Annual Internal Audit Progress Report – January 2020

Background Papers

None

Internal Audit Progress Report

January 2020

West Sussex County Council



Southern Internal Audit Partnership

Assurance through excellence and innovation

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1. Role of Internal Audit

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

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

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

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

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

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

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

2. Purpose of report

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

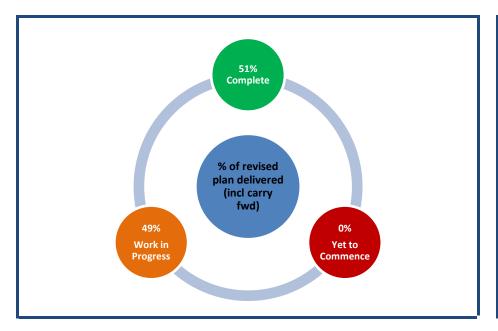
- The status of 'live' internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor's annual opinion.

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

Substantial	A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.
Adequate	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified.
Limited	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.
No	Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives.

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

3. Performance dashboard





Compliance with Public Sector Internal Audit Standards

An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015. The report concluded:



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

In accordance with PSIAS, a further self assessment was completed in April 2019 concluding that the Southern Internal Audit Partnership continues to comply with all aspects of the IPPF, PSIAS and LGAN.

4. Analysis of 'Live' audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion		ا	Managem	ent Actions		2 2 2 1 1 1 3			
				Total Actions Reported	Not Accepted	Not Yet Due	Complete		Overdu	2		
									Priority	,		
								L	M	Н		
Fleet Management	Jun 2018	CFO	Satisfactory	9	0	0	6	1	2			
Governance Compliance	Feb 2019	Corp	Limited	3	0	0	1		2			
Section 106 / CIL / Commuted sums	Mar 2019	DH&T	Adequate	8	0	0	7	1				
Home to School Transport	Mar 2019	DH&T	Limited	4	0	1	3			<u> </u>		
Pupil Premium	May 2019	DE&S	Adequate	6	0	1	5					
Special Guardianship Orders	May 2019	DC&FS	Limited	24	0	0	19		3	2		
E-Income	June 2019	F&SS	Adequate	1	0	0	0			1		
Payroll and Employment Administration	July 2019	HR&OC	Adequate	10	0	0	8	1	1			
MSS	July 2019	Corp	Adequate	1	0	0	0	1				
IR35	Aug 2019	HR&OC	Limited	9	0	1	6			2		
Software Licencing	Aug 2019	F&SS	Adequate	2	0	0	0	1	1			
Capacity Planning and Monitoring	Aug 2019	F&SS	Adequate	3	0	0	2		1			
Access Control	Aug 2019	F&SS	Adequate	5	0	1	1		3			
Retained Firefighters	Sept 2019	CFO	Adequate	12	0	4	4	2	1	1		
Cyber Security	Sept 2019	F&SS	Adequate	3	0	0	2		1			
Residential Care Payments	Sept 2019	EDAH	Limited	10	0	1	9					
IT Asset Management	Oct 2019	F&SS	Limited	4	0	0	1			3		
Firewalls	Nov 2019	F&SS	Limited	7	0	1	2		4			
Proactive fraud - Pre-payment cards for DPs	Nov 2019	F&SS	Adequate	4	0	0	3		1			
Intentionally Homeless – Financial Control	Dec 2019	DC&FS	Limited	11	0	5	6					
Budgetary Control	Dec 2019	F&SS	Adequate	6	0	0	3		3			
Disaster Recovery Planning	Dec 2019	F&SS	Limited	6	0	2	1		2	1		

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Audit Review	Report Date	Audit Sponsor	Assurance Opinion		Management Actions							
				Total Actions Reported	Not Accepted	Not Yet Due	Complete		Overdu	e		
									Priority	,		
								L	M	н		
Application Review - Mosaic	Dec 2019	F&SS	Adequate	2	0	0	1		1			
External Placements	Jan 2020	DASS DC&FS	Limited	5	0	2	3					
Civil Parking Arrangements	Jan 2020	DH&T	Adequate	9	0	7	2					
Total								7	26	10		

	Audit S
Chief Exc	ecutive
CFO	Chief Fire Officer
HR&OC	Director of Human Resource and Organisational Change

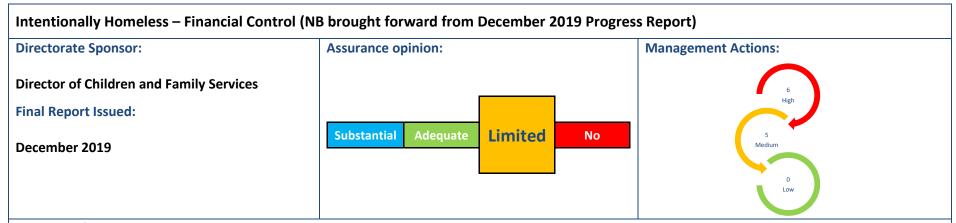
S	Sponsor									
		Executive Director Place Services								
		DH&T	Director of Highways and Transport							
		DE&PP	Director of Environment and Public Protection							
		DC	Director of Communities							

Executive Director, Adults and Health and statutory DASS

Executive	Director of Children, Young People and Learning
DC&FS	Director of Children and Family Services
DE&S	Director of Education and Skills

Executive Director Resource Services							
DL&A	Director of Law and Assurance						
F&SS	Director of Finance and Support Services						
P&A	Director of Property and Assets						

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



Summary of key observations:

To effectively manage outturn forecasting and budget monitoring a spreadsheet had been developed to record existing (and predict future) commitments, however, this had not been maintained. The service does not provide clear instructions to the Accommodation Team regarding the Authority's financial commitment for families requiring section 17 assistance.

The information required to financially assess families is not provided on a consistent and prompt basis to the Accommodation Team to enable a family to move into private rented accommodation. Arrears are not efficiently pursued due to the manual processes / systems in place. Testing of client accounts found discrepancies between the entries on the bank account and those manually recorded on the rent account spreadsheet.

Procedures covering financial aspects of the Intentionally Homeless process are in need of updating and there is no practice guidance to follow regarding working with Intentionally Homeless people, explaining the provision, criteria and types of S17 financial assistance available.

Management Response / Update:

A new forecasting and budget monitoring document is in place and provided to the Principal Finance officer on a monthly basis. Development of Children's Social Care Practice Guidance on Financial Assistance under S.17 is to be agreed and signed off by end of January 2020. A model of assessment, housing planning and financial decision making for IH families requiring S.17 is to be implemented and reviewed in February 2020. Practice standards for Children's Social Care and the Accommodation Team for IH will be created by the end of the financial year.

Appropriate training has been delivered to the Children's workforce and to provide consistency, the Accommodation Officer post has been filled from November 2019.

The number of spreadsheets in use meant the system is no longer fit for purpose and investigation of alternative recording systems did not provide the required functionality. A solution has been developed that potentially meets requirements and will be reviewed by the end of January 2020. The Accommodation Team will agree a model to review and escalate cases of non-repayment of loans associated with S.17 by 31st March 20. All discrepancies on client accounts identified in the audit have been corrected and the Accommodation Team Guidance will be updated by year end.

6. Planning & Resourcing

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

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

7. Rolling Work Programme

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
IR35	HR&OC	✓	✓	✓	May 19	Aug 19	Limited	
MSS (self Service Compliance)	Corporate	✓	✓	✓	Jun 19	Jul 19	Adequate	
Budgetary Control	F&SS	✓	✓	✓	May 19	Dec 19	Adequate	
Pension Fund Governance & Strategy	F&SS	✓	✓	✓	Jul 19	Aug 19	Substantial	
IT Asset management	F&SS	✓	✓	✓	Jul 19	Oct 19	Limited	
Software licencing	F&SS	✓	✓	✓	June 19	Aug 19	Adequate	
Capacity planning and monitoring	F&SS	✓	✓	✓	June 19	Aug 19	Adequate	
Cyber security	F&SS	✓	✓	✓	June 19	Sept 19	Adequate	
Application review	F&SS	✓	✓	✓	Sept 19	Dec 19	Adequate	

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IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
Access control	F&SS	✓	✓	✓	June 19	Aug 19	Adequate	
External Placements	DAS DC&FS	✓	✓	✓	June 19	Jan 20	Limited	
School Thematic – 6 th Form Funding Assurance and Bursary Fund	DE&S	✓	✓	✓	June 19	Aug 19	Adequate	
Retained Firefighters	CFO	✓	✓	✓	May 19	Sept 19	Adequate	
Residential Care Payments	DAS	✓	✓	✓	May 19	Sept 19	Limited	
Whole Council Design - Governance	Corporate	✓	✓	✓				
Whole Council Design - Support	Corporate	n/a	n/a	✓	n/a	n/a	n/a	support/advisory
SAP Replacement Project	F&SS	n/a	n/a	✓	n/a	n/a	n/a	support/advisory
Contract ManagementWSP Framework (Highways)Crawley Schools PFI	F&SS	√	√	*	√			
Contract Management (Registers)	F&SS	✓	✓	✓	Oct 19	Oct 19	N/A	Position Statement
Business Continuity – Follow up	DE&PP	✓	✓	✓	May 19	May 19	N/A	Follow up report
Employment status	HR&OC	✓	✓	✓				
Information Governance FOI Process	DC	✓	✓	✓				
Document management and retention	DC	✓	✓	✓				

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
Decision Making and Accountability	L&A	✓	✓	✓				
Treasury Management	F&SS	✓	✓	✓	Nov 19	Jan 20	Substantial	
Travel Management Hub	F&SS	✓	✓	✓				
Accounts Payable	F&SS	✓	✓	✓				
Allowances	HR&OC	✓	✓	✓	Oct 19			
Capital Programme and Monitoring	F&SS	✓	✓	✓				
Bank Reconciliations	F&SS	✓	✓	✓	Sept 19	Oct 19	Substantial	
Change Management	F&SS	✓	✓	✓	Sept 19	Oct 19	Substantial	
Data Storage and Data Backup	F&SS	✓	✓	✓	Feb 20			
Disaster Recovery Planning	F&SS	✓	✓	✓	Nov 19	Dec 19	Limited	
Problem & Incident Management	F&SS	✓	✓	✓				
Firewalls & Malware Protection	F&SS	✓	✓	✓	Sept 19	Nov 19	Limited	
Network Infrastructure Management & Monitoring	F&SS	✓						
Safeguarding (CS assurance mapping)	DC&FS	✓	n/a	✓				
SEND Special Educational Needs	DE&S	✓						

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IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
Think Family	DC&FS	n/a	n/a	✓	n/a	n/a	n/a	Grant certification
Improvement Plan (CS)	DC&FS	✓						
18 Teasel Close	DC&FS	✓	✓	✓	July 19	Oct 19	Adequate	
School Thematic – GDPR compliance	DE&S	✓	✓	✓	Feb 20			
School Thematic – Website content	DE&S	✓	✓	✓	May 19	Aug 19	Adequate	
Cornfield School	DE&S	✓						
St Andrew's Primary School	DE&S	✓	✓	✓	July 19	Jan 20	Adequate	
Clapham & Patching	DE&S	✓	✓	✓	June 19	July 19	Adequate	
Virtual School Pupils Premium	DE&S	n/a	n/a	n/a	n/a	n/a	n/a	Assurance mapping
SFVS	DE&S	✓	✓	✓	Dec 19	Feb 20	n/a	Analytics report
HMIC inspection follow up	CFO	✓	✓	✓	Oct 19	Oct 19	n/a	Follow up report
Fire Core Financial Systems	CFO	✓	✓	✓	Feb 20			
Safeguarding Adults	DAS	✓	n/a	✓				
Deprivation of Liberty Safeguards – Follow Up	DAS	✓	✓	✓				

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
Budgetary Management (AS)	DAS	✓	n/a	n/a	n/a	n/a	n/a	Assurance from review of Budgetary Control (Dec 19)
Glebelands	DAS	✓	✓	✓	July 19	Oct 19	Adequate	
Asset Protection (recoverable works)	DH&T	✓	✓	✓				
Procurement – Significant Projects	DH&T	✓						
Commuted Sums (post agreement) Maintenance of Assets	DH&T	✓	✓	✓				
Intentionally Homeless – Financial Control	DC&FS	✓	✓	✓	Oct 19	Dec 19	Limited	
Civil Parking Arrangements	DH&T	✓	✓	✓	Aug 19	Jan 20	Adequate	
Gigabit Project	DE&PP	✓	n/a	✓	n/a			Grant Certification
Crowdfunding (SpaceHive) governance	Corporate	✓	✓	✓				
Grant Certification(s)	Corporate	n/a	n/a	✓	n/a	n/a	n/a	Grant Certifications
Internal Investments	F&SS	√	n/a	n/a	n/a	n/a	n/a	Assurance from review of Treasury Management (Jan 20)

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IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
Externally Managed investments (AAF/SAS70 reports only) and pooling arrangements.	F&SS	✓	✓	✓	Nov 19			
Scheduled, Admitted and Employing bodies	F&SS	✓						
National Fraud Initiative	F&SS	n/a	n/a	✓	n/a		n/a	
Fraud Proactive - Prepayment cards for Direct payments	F&SS	✓	✓	✓	Oct 19	Nov-19	Adequate	
Fraud Proactive - Due diligence, care related payments	F&SS	✓						
Fraud Proactive - Purchasing cards	F&SS	✓	✓	✓	Sept 19			
Crawley Dual Use Agreements	P&A	✓	✓	✓				
Recruitment and Retention	HR&OC	✓						
Mosaic User Access	DASS/DC&FS	✓						
Special Guardianship Allowances	DC&FS	✓						

8. Adjustments to the Internal Audit Plan (Since Last Progress Report)

Audit reviews removed from the plan (since last progress report)					
Financial Resilience	Defer the review to 2020-21 to align the audit with the production of the MTFS.				
LGA Peer review	Audit on hold pending the outcomes of the recently commissioned 'Good Governance' review – any resulting actions should address /supersede the outcomes from the 2018 LGA Peer Review.				
IT Strategy and Planning	Deferred pending the permanent appointment to the of Head of IT				
Service resilience	Deferred pending the permanent appointment to the of Head of IT				

Audit reviews added to the plan (since last progress report)					
Recruitment and Retention	Audit requested by S151 officer.				
Mosaic User Access	Audit of the effectiveness of the actions taken following the identification of issues with user accesses.				
Special Guardianship Allowances	Audit requested by the Directorate.				

Annexe 1

Agenda Item 5 Appendix A

Overdue 'High Priority' Management Actions

Observation	Management Action	Implement		Latest service update
		Original	Revised	
Special Guardianship Orders Ownership of SGOs Ownership of Special Guardianship is split between the:	The SG assessment team and the SG support team to be brought together under 1 Group Manager.	30.09.19	31.03.20	A permanent appointment to the role was not identified therefore an interim Group Manager was appointed and commenced
 SGO and Kinship Assessment Team (responsible for allocation and tracking of the assessment process); and Special Guardianship and Adoption Support (SGAS) Team (responsible for providing support services post order). 	Group Manager (GM) post to be advertised by end of April with a view that a GM would be in post by end of June with the teams to be configured together by end of September 2019.			in post as of 03.09.19. The formation of a Friends and Family Team was contingent upon disaggregation of the special guardian and adoption support team – HR consultation on which has now concluded. Therefore, it is now possible to proceed with the formation of the
Due to the fragmentation of the process there is a risk that the SGAS team may not be aware of all orders awarded and special guardians' expectations in relation to support plans may not be met.				'Family and Friends' Team which will be the team formed by bringing the SG Assessment and SG support teams together. The GM post for the Family and Friends Team will be advertised in February.
Assessment Process A review of information recorded in Mosaic showed that there is a lack of consistency and that guidance is not followed. Testing highlighted records in Mosaic to be incomplete or absent	Guidance to be re-written to detail correct processes to be followed.	30.06.19	29.02.20	A mosaic Board is now in place to agree changes to the ICS to ensure changes are appropriate and is chaired by the AD for Safeguarding and Quality of Practice. A stocktake/health check is being undertaken of open steps where work is not completed on Mosaic to assure ourselves there is no risk of work not progressed. How we facilitate a data cleanse and tidy up can then be

	determined. There is a lead for this v	work
	and additionally a second worker wh	o also
	has a SW practice background to real	lly
	understand the implication of work a	and
	recording issues.	

Observation	Management Action	Implementation Date		Latest service update
Observation	ivianagement Action	Original	Revised	Latest service upuate
E-Income				
Capita Pay360 replaced the legacy 'Netbanx' system for receiving payments however the old system has not been decommissioned and any payments received via Netbanx requires re-allocation by finance staff.	Decommission Netbanx following implementation of a fix to Pay 360.	31.12.2019	31.03.2020	Zipporah had developed an integration with the Pay360 solution which was earmarked to go live in 2018. The integration did not work as intended. A ticket was raised with both suppliers to find a solution (June 18). There has been a recent push with Zipporah who have committed to reimplementing the solution by building it anew. Whilst there is no definitive timeline, it is expected to be completed by the end of March 20.

Observation	Management Action	Implementation Date		Latest service update
Observation	Wanagement Action	Original	Revised	Latest service update
IR35				
Existing Vendor Records	The SRM supplier list will be reviewed as	31.12.2019	TBC	
Existing vendors, where there is a potential	part of the preliminary work carried out			
IR35 implication, should be blocked in SAP to	to procure and secure the next agency			
prevent re-engagement without further	worker contract.			
checks being completed and the CEST status				
of these vendors should be flagged in the				
SRM supplier list. A review of suppliers listed				

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in the SRM supplier list showed that a significant number are not blocked in SAP or flagged correctly in the SRM list which would allow them to be re-engaged without further CEST checks being completed.				
Guidance and procedure notes Links to relevant guidance were not easily identifiable through direct searches on the Point. In some instances, the guidance available was found to be out of date and a number of ambiguities were also noted.	The inception of the agency contract team is currently being communicated throughout the Council as more hiring managers need resource and get referred to the team. As a result, a more hands on process to guide hiring managers through the hiring process as a whole is being implemented with IR35 being a significant part of the advice that is given.	31.12.2019	TBC	

Observation	Managament Astion	Implementation Date		Latest comics undete
Observation	Management Action	Original	Revised	Latest service update
Retained Firefighters				
Training records Personnel cannot crew units if safety critical training has not been completed or refreshed.	Undertake review of potential for integration of Learning Management System with Firewatch in order to remove the need for Firefighters to duplicate records on Firewatch	31.10.19	31.03.20	Discussions are ongoing with both IT providers as to the viability of creating the interface between FireWatch & Learning Pool this is proceeding as a collaboration with East Sussex Fire and Rescue and
Firefighters are responsible for maintaining competence and ensuring that Firewatch is up to date; there are a limited number of terminals available for retained firefighters to access Firewatch and update their training records, which may be a contributory factor.				Surrey Fire and Rescue Services. This will transform the way we work to eliminate double data entry into multiple systems. They have agreed to speak to relevant companies and look to develop an interface (API) between both Learningpool and Firewatch and to establish whether the three services can share the cost of

	the development work and running costs
	as a collaboration.

Observation	Managament Action	Implementation Date		Latact comics undete
Observation	Management Action	Original	Revised	Latest service update
IT Asset Management				
The Asset Management Data Base (AMDB) has not been effectively maintained and assurance cannot be provided that it	Identify and acquire a suitable AMDB solution.	31.12.19	31.03.20	Capita have undertaken to specify and acquire a new solution then cleanse and migrate data. As this will be post the
accurately reflects the Council's estate of hardware and software. Testing of devices issued in 2018/19 found discrepancies between the AMDB records and Active Directory data highlighting weaknesses with the accuracy of recording, to whom devices have been issued, and reallocations between end users.	Update AMDB solution to address incorrect count of equipment.	31.12.19	31.03.20	Windows 10 deployment then data will be based on the actual deployment of new and re-furbished equipment.
There is no centrally managed solution to manage mobile phones. Users are required to install an application on to their device which enables the Council to track it, however, there is a risk that users who leave the Council and do not hand back their device can uninstall the application preventing the Council from tracking the device. The leavers process does not consistently ensure that all devices are returned, and reallocations are recorded.	Capita will review existing solution and assess configuration settings for more locked down capability. Should this prove unacceptable a new solution is required that can provide the appropriate MDM controls including management to prevent user removal of the software.	31.12.19	31.03.20	Capita have undertaken to review the remote management solution so that it can be configured to prevent removal - this will enhance the degree of remote control over a device. Devices will be locked when an employee leaves, making the phone non-functioning and, therefore, more likely to be returned. Managers will be encouraged to ensure that Council owned mobile phones are returned as part of the leavers process.

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Observation	Management Action	Original	Revised	Latest service update
Disaster Recovery Planning				
Following the disaster recovery test in November 2018 a project closure report was published which documented the outcome of the conducted test and highlighted a series of lessons learnt.	· ·	01.12.2019	31.03.2020	The existing Disaster Recovery Plan is currently under review. Additionally, requirements are being gathered for a replacement of the existing backup solution. The new backup solution will inform select steps in the revised DR Plan.
There is currently no formal action plan established to address the findings identified in the report to ensure effective future disaster recovery planning and testing.	updated disaster recovery plan.			·

Overdue 'Low & Medium Priority' Management Actions

Audit Review	Report	Assurance	Overdue Management Actions		
	Date	Opinion	Priority	Implementation	Implementation
				Date (original)	Date (Revised)
			Low	30.09.18	31.03.20
Fleet Management	Jun 2018	Satisfactory	Medium	31.12.18	31.03.20
			Medium	31.12.18	31.03.20
Governance Compliance	Feb 2019	Limited	Medium	31.05.19	31.03.20
Governance compliance	FED 2019	Lillitea	Medium	30.09.19	30.06.20
Section 106 / CIL / Commuted sums	Mar 2019	Adequate	Low	31.07.19	31.07.20
			Medium	31.07.19	31.03.20
Special Guardianship Orders	May 2019	Limited	Medium	31.07.19	31.03.20
			Medium	30.09.19	31.03.20
Payroll and Employment Administration	July 2019	Adequate	Medium	31.07.19	31.03.20
rayron and Employment Administration	July 2019		Low	31.07.19	31.03.20
MSS	July 2019	Adequate	Low	31.07.19	30.09.21
Software Licencing	Aug 2019	Adequate	Low	30.11.19	29.02.20
Software Electricing	Aug 2013		Medium	30.11.19	29.02.20
Capacity Planning and Monitoring	Aug 2019	Adequate	Medium	31.12.19	31.03.20
			Medium	30.09.19	29.02.20
Access Control	Aug 2019	Adequate	Medium	30.09.19	30.06.20
			Medium	31.10.19	29.02.20
			Medium	31.10.19	30.04.20
Retained Firefighters	Sept 2019	Adequate	Low	31.12.19	TBC
			Low	31.12.19	ТВС
Cyber Security	Sept 2019	Adequate	Medium	30.09.19	31.03.20
Firewalls	Nov 2019	Limited	Medium	31.01.20	31.03.20
1 ii Cwalis	INOV ZUIJ	Liiiiiteu	Medium	31.01.20	31.03.20

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			Medium	31.01.20	31.03.20
			Medium	31.01.20	31.03.20
Proactive fraud - Pre-payment cards for DPs	Nov 2019	Adequate	Medium	31.01.20	31.03.20
Budgetary Control	Dec 2019	Adequate	Medium	31.12.19	29.02.20
			Medium	31.12.19	30.04.20
			Medium	31.12.19	31.03.20
Disaster Recovery Planning	Dec 2019	Limited	Medium	31.01.20	29.02.20
Disaster Necovery Flamming			Medium	31.01.20	29.02.20
Application Review - Mosaic	Dec 2019	Adequate	Medium	31.01.20	28.02.20

Annexe 2

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

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

Regulation, Audit & Accounts Committee

23 March 2020

Approach to Internal Audit Planning 2020/21

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

Executive Summary

The purpose of this paper is to provide the Regulation, Audit & Accounts Committee with an overview of the approach to internal audit planning for the period 2020/21 to enable the most effective use of internal audit resource.

Recommendation

The Committee approve the proposed approach to internal audit planning for 2020/21(Q2 - Q4) and the draft internal audit plan activity (Q1).

1. Introduction

1.1 This report provides an overview of internal audit's approach to planning and effective alignment of internal audit resource during 2020/21.

2. Background

- 2.1 In accordance with the Public Sector Internal Audit Standards there is a requirement that Internal audit establish a risk-based audit plan to determine the priorities of the internal audit service, consistent with the organisation's goals.
- 2.2 The aim of the internal audit plan is to provide independent and objective assurance to management and those charged with governance, in relation to the business activities; systems or processes under review that:
 - the framework of internal control, risk management and governance is appropriate and operating effectively; and
 - risk to the achievement of the Council's objectives is identified, assessed and managed to a defined acceptable level
- 2.3 To develop the risk-based plan, internal audit is required to consult with senior management to obtain an understanding of the organisation's strategies, key business objectives and associated risks.
- 2.4 West Sussex County Council joined the Southern Internal Audit Partnership (SIAP) in February 2018. Since that time SIAP have struggled to optimise engagement with senior management to ensure the most effective use is made organisationally of internal audit resource
- 2.5 Barriers to effective engagement have included:
 - senior management churn;
 - o changing priorities, strategies and focus;
 - o prioritisation on DMT agendas.

- 2.6 Whilst it remains the SIAPs aim to build effective relationships over the forthcoming year (20/21) it is essential for the organisation that during this transition, we optimise internal audit focus on key risk areas.
- 2.7 To achieve this and to further strengthen the overall governance and assurance framework across the Council it is proposed that internal audit planning contributing towards the 2020/21 internal audit plan is premised around the Council's key strategic risks through a process of assurance mapping.
- 2.8 This approach seeks to identify and record the key sources of assurance that inform management and those charged with governance on the effectiveness of the controls and processes that are relied on to manage identified organisational (strategic and departmental) risks.

Proposed Approach to 2020/21 Planning

- 2.9 Assurance mapping will provide West Sussex County Council with an improved ability to understand and confirm 'do you really know what you think you know'
- 2.10 The outcome of the assurance mapping exercise will provide a comprehensive picture of where the organisation receives assurance, highlighting instances of over assurance (duplication) and potential areas of under assurance where additional internal audit focus maybe best utilised.
- 2.11 Outcomes will inform a more strategic allocation of internal audit resource across the organisation
- 2.12 Some of the key benefits / deliverables of the assurance mapping exercise will include:
 - Providing DMTs / ELT and those charged with governance (Regulation, Audit & Accounts Committee) that adequate levels of assurance are received across key departmental and organisational risks;
 - Good governance, contributing to the Annual Governance Statement;
 - Identification of areas of over assurance (duplication, cost savings);
 - o Identification of under assurance (focus of internal audit work);
 - o Underpin and support existing risk management arrangements; and
 - Help encourage management to take a lead and ownership over the assurance provided on their areas of responsibility / accountability.

Context and Potential Barriers

2.13 Through the current risk management process, strategic and departmental risks have been identified and recorded along with the controls/ actions in place to mitigate those risks. The proposed assurance mapping process will build on these foundations to determine what assurance the organisation has that those controls are operating effectively.

- 2.14 Assurance can come from many sources. The Three Lines of Defence is a model that helps identify and understand the various sources of assurance by defining them in three broad categories. Such categorisation helps to understand how each contributes to the overall level of assurance provided and how best they can be integrated and mutually supportive.
- 2.15 The three lines of defence are defined below:

1st line (Operational Management) - within the 'front-line' or business operational areas, there will be many arrangements established that can be used to derive assurance on how well controls are being managed.

This assurance comes direct from those responsible for delivering specific objectives or operation; it provides assurance that performance is monitored, risks identified and addressed and objectives are being achieved. This type of assurance may lack independence and objectivity, but its value is that it comes from those who know the business, culture and day-to-day challenges.

2nd line (Management Oversight) - associated with oversight of management activity and separate from those responsible for delivery, but not independent of the organisation's management chain.

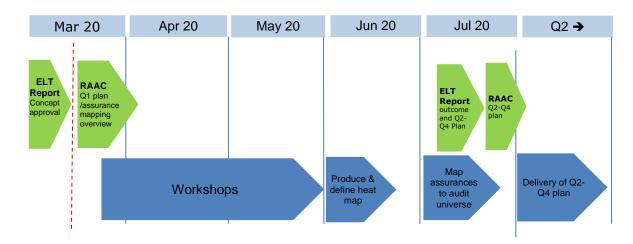
This assurance provides valuable management insight into how well work is being carried out in line with set expectations and policy or regulatory considerations. It will be distinct from and more objective than first line assurance.

3rd line (Independent Oversight) - relates to independent and more objective assurance and focuses on the role of internal audit, which carries out a programme of work specifically designed to provide an independent and objective opinion on the framework of governance, risk management and control. Other sources of assurance may include External Audit, Ofsted, HMIC etc.

Next Steps

- 2.16 The SIAP will work with DMTs and Risk owners in facilitating a series of workshops to fully understand and document the key sources of assurance available against the controls in place to mitigate departmental risks.
- 2.17 The Southern Internal Audit Partnership will then analyse and record this information to provide a 'heat map' of assurance against strategic / departmental risks, which will aid in assessing areas of duplication and omission. The 'heat map' will provide a useful tool for management and those charged with governance that comprehensive process are in place to support the effectiveness of the organisation's framework of risk management, internal control and governance.
- 2.18 The outcomes of the assurance mapping process will used to inform the annual internal audit plan to more strategically align resources.

Timelines



- 2.19 Given the indicative timescales a schedule of internal audit reviews has been compiled for Q1 based on the Head of Southern Internal Audit Partnerships own assessment and following the existing model of liaison with Executive Directors and enabling sufficient time for the assurance mapping workshops to take place and outcomes considered. We will then produce a Q2 Q4 plan using the assurance map for consideration / approval by ELT and the Regulation, Audit and Accounts Committee in July.
- 2.20 Appendix A summarises the draft internal audit plan for quarter 1 (April June 2020).

3. Resource Implications and Value for Money

3.1 None arising directly from this report

4. Equality Duty.

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

5. Risk Management Implications

5.1 There are risks associated with non compliance with the statutory requirements of the Accounts & Audit [England] Regulations 2015 and conformance to the Public Sector Internal Audit Standards 2017. Non-compliance would result in the internal audit activity not being able to report that it functions in accordance with industry standards and may impact on the level of assurance attained from internal conclusions by Members, Senior Management and External Audit.

Katharine Eberhart

Director of Finance and Support Services

Neil Pitman

Head of Southern Internal Audit Partnership Contact: Neil Pitman, 07719 417233

Appendices

Appendix A – Draft Internal Audit Plan 2020-21 (Quarter 1)

Background Papers

None

Draft Internal Audit Plan 2020/21 - Quarter 1

Audit Review	Risk	Responsible Executive Director / Director	Potential Scope	Timing
Health & Safety	CR50	Director of HR & Organisational Change	Effective governance, accountability and ownership to protect the Council against a serious health & safety incident	Q1
Corporate Governance	CR65	Director of Law & Assurance	To complement the work of the 'Good Governance Project'. Review and monitor the timely implementation of actions / recommendations from the report.	Q1
Assurance Mapping	CR7	All	Identification and recording of key sources of assurance that inform management and those charged with governance on the effectiveness of control and processes that are relied on to manage identified organisational risks.	Q1
Risk Management	CR7	Director of Finance & Performance	To review strategy, approach and embeddedness within the organisation. Review to run alongside the assurance mapping review.	Q1
HMIC FRS Improvement Plan	CR60	Chief Fire Officer	To review and assess progress against the implementation of actions to conclude on the initial report and any issues emanating from the follow up report (Jan 2020)	Q1
Approved Mental Health Professionals	CR66	Executive Director Adults & Health	Assurances in place that the Council is able to meet the demand for mental health assessments.	Q1
Cloud	-	Director of Finance & Performance	To review existing cloud based arrangements and future strategy and direction of travel.	Q1
Fraud Thematic Review - TBC		Director of Finance & Performance	Theme to be confirmed	Q1
Fraud Training: • General Fraud Awareness • Procurement Cards	CR7	Director of Finance & Performance	Training provided to all WSCC staff. Mandatory training for PCard Approvers	Q1

Audit Review	Risk	Responsible Executive Director / Director	Potential Scope	Timing
School Thematic Review - TBC	-	Executive Director of Children, Young People & Learning	Theme to be agreed with Director	Q1
Individual School Reviews x 5	-	Executive Director of Children, Young People & Learning	Full audit reviews of a selection of maintained schools.	Q1

Regulation, Audit & Accounts Committee

23 March 2020

Internal Audit Charter 2020/21

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

Executive Summary

The purpose of this paper is to present the Internal Audit Charter 2020-21 to the Regulation, Audit & Accounts Committee in accordance with the requirements of the Public Sector Internal Audit Standards.

Recommendation

The Committee approves the Internal Audit Charter 2020/21 as attached.

1. Introduction

1.1 The report presents the Internal Audit Charter 2020/21 which formally defines the purpose, authority and responsibilities of the internal audit service.

2. Background

2.1 The Accounts and Audit (England) Regulations 2015 state:

'a relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management control and governance processes, taking into account public sector internal auditing standards or guidance'

- 2.2 The Public Sector Internal Audit Standards (attribute standard 1000) requires that all internal audit activities maintain an 'internal audit charter'.
- 2.3 The charter is a formal document that defines the internal audit activity's purpose, authority and responsibility consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards.
- 2.4 The internal audit charter establishes internal audits position within the organisation including:
 - Recognising the mandatory nature of the Public Sector Internal Audit Standards
 - o Defining the scope of internal audit responsibilities.
 - o Establishing the responsibilities and objectives of internal audit.
 - o Establishing the organisational independence of internal audit.
 - Establishing accountability and reporting lines (functional and administrative).

- Setting out the responsibilities of the board and the role of statutory officers with regard to internal audit.
- o Arrangements that exist with regard anti-fraud and anti-corruption.
- Establishing internal audit rights of access.
- Defining the terms 'board' and 'senior management' for the purpose of internal audit; and
- o Arrangements in place for avoiding conflicts of interest.
- 2.5 In accordance with the Standards the internal audit charter should be reviewed annually (minimum) and approved by senior management and the Regulation Audit & Accounts Committee.
- 2.6 Appendix A provides a draft copy of the internal audit charter 2020-21 for review and comment.

3. Resource Implications and Value for Money

3.1 None arising directly from this report

4. Equality Duty.

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

5. Risk Management Implications

5.1 There are risks associated with non compliance with the statutory requirements of the Accounts & Audit [England] Regulations 2015 and conformance to the Public Sector Internal Audit Standards 2017. Non-compliance would result in the internal audit activity not being able to report that it functions in accordance with industry standards and may impact on the level of assurance attained from internal conclusions by Members, Senior Management and External Audit.

Katharine Eberhart

Director of Finance and Support Services

Neil Pitman

Head of Southern Internal Audit Partnership Contact: Neil Pitman, 07719 417233

Appendices

Appendix A – Internal Audit Charter 2020/21

Background Papers

None



Internal Audit Charter 2020-21

Introduction

The Public Sector Internal Audit Standards provide a consolidated approach to audit standards across the whole of the public sector providing continuity, sound corporate governance and transparency.

The 'Standards' form part of the wider mandatory elements of the International Professional Practices Framework (IPPF) which also includes the mission; core principles; definition of internal audit; and Code of Ethics.

The Standards require all internal audit activities to implement and retain an 'Internal Audit Charter'.



The purpose of the Internal Audit Charter is to formally define the internal audit activity's purpose, authority and responsibility.

Mission and Core Principles

The IPPF's overarching 'Mission' for internal audit services is:

'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.'

The 'Core Principles' that underpin delivery of the IPPF mission require internal audit functions to:

- Demonstrate integrity;
- o Demonstrate competence and due professional care;
- Be objective and free from undue influence (independent);
- Align with the strategies, objectives and risks of the organisation;
- Be appropriately positioned and adequately resourced;
- Demonstrate quality and continuous improvement;
- Communicate effectively;
- Provide risk-based assurance:
- o Be insightful, proactive, and future-focused; and
- o Promote organisational improvement.

Authority

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

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

The standards for 'proper practices' in relation to internal audit are laid down in the Public Sector Internal Audit Standards 2017 [the Standards].

Purpose

The County Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the County Council that these arrangements are in place and operating effectively. The County Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

This is achieved through internal audit providing a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

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

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

Responsibility

The responsibility for maintaining an adequate and effective system of internal audit within West Sussex County Council lies with the Director of Finance and Support Services, as the authority's Chief Finance Officer (S151 Officer).

For the County Council, internal audit is provided by the Southern Internal Audit Partnership.

The Chief Internal Auditor (Head of Southern Internal Audit Partnership) is responsible for effectively managing the internal audit activity in accordance with the 'Mission', 'Core Principles', 'Definition of Internal Auditing', the 'Code of Ethics' and 'the Standards'.

Definitions

For the purposes of this charter the following definitions shall apply:

The Board – the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At the County Council this shall mean the Regulation, Audit and Accounts Committee (RAAC).

Senior Management – those responsible for the leadership and direction of the Council. At the County Council this shall mean the Executive Leadership Team (ELT).

Position in the organisation

The Chief Internal Auditor reports functionally to RAAC, and organisationally to the Director of Finance and Support Services who has statutory responsibility as proper officer under Section 151 of the Local Government Act 1972, for ensuring an effective system of internal financial control and proper financial administration of the County Council's affairs.

The Chief Internal Auditor has direct access to the Chief Executive who carries the responsibility for the proper management of the County Council and for ensuring that the principles of good governance are reflected in sound management arrangements.

The Chief Internal Auditor has direct access to the County Council's Monitoring Officer where matters arise relating to Chief Executive responsibility, legality and standards.

Where it is considered necessary to the proper discharge of the internal audit function, the Chief Internal Auditor has direct access to elected Members of the Council and in particular those who serve on committees charged with governance (i.e. RAAC).

Internal audit resources

The Chief Internal Auditor will be professionally qualified (CMIIA, CCAB or equivalent) and have wide internal audit and management experience, reflecting the responsibilities that arise from the need to liaise internally and externally with Members, senior management and other professionals.

The Director of Finance and Support Services will provide the Chief Internal Auditor with the resources necessary to fulfil the County Council's requirements and expectations as to the robustness and scope of the internal audit opinion.

The Chief Internal Auditor will ensure that the internal audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the audit strategy and operational audit plan.

The annual operational plan will identify the resources required to complete the work, thereby highlighting sufficiency of available resources. The Chief Internal Auditor can propose an increase in audit resource or a reduction in the number of audits if there are insufficient resources.

'ELT' and *'RAAC'* will be advised where, for whatever reason, internal audit is unable to provide assurance on any significant risks within the timescale envisaged by the risk assessment process.

The annual operational plan will be submitted to 'ELT' and 'RAAC', for approval. The Chief Internal Auditor will be responsible for delivery of the plan. The plan will be kept under review to ensure it remains responsive to the changing priorities and risks of the County Council.

Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and reported to *'ELT'* and *'RAAC'*.

If the Chief Internal Auditor, 'ELT' or 'RAAC' consider that the scope or coverage of internal audit is limited in any way, or the ability of internal audit to deliver a service consistent with the Standards is prejudiced, they will advise the Director of Finance and Support Services, accordingly.

Independence and objectivity

Internal auditors must be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased and effective professional judgements and advice.

Internal auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgement on audit matters to others.

To achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, arrangements are in place to ensure the internal audit activity:

- o retains no executive or operational responsibilities;
- o operates in a framework that allows unrestricted access to 'ELT' and 'RAAC';
- reports functionally to 'RAAC';
- reports in their own name;
- rotates responsibilities for audit assignments within the internal audit team;
- completes individual declarations confirming compliance with rules on independence, conflicts of interest and acceptance of inducements; and
- ensures the planning process recognise and address potential conflicts of interest.

If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to *'ELT'* and *'RAAC'*. The nature of the disclosure will depend upon the impairment.

Due professional care

Internal auditors will perform work with due professional care, competence and diligence. Internal auditors cannot be expected to identify every control weakness or irregularity, but their work should be designed to enable them to provide reasonable assurance regarding the controls examined within the scope of their review.

Internal auditors will have a continuing duty to develop and maintain their professional skills, knowledge and judgement based on appropriate training, ability, integrity, objectivity and respect.

Internal auditors will apprise themselves of the 'Mission', 'Core Principles', 'Definition of Internal Auditing', the 'Code of Ethics' and the 'Standards' and will work in accordance with them in the conduct of their duties.

Internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest. They will ensure that any suspicions of fraud, corruption or improper conduct are promptly reported to the Chief Internal Auditor in accordance with the County Council's laid down procedures.

Internal auditors will treat the information they receive in carrying out their duties as confidential. There will be no unauthorised disclosure of information unless there is a legal or professional requirement to do so. Confidential information gained in the course of internal audit work will not be used to effect personal gain.

Access to relevant personnel and records

In carrying out their duties, internal audit (on production of identification) shall have unrestricted right of access to all records, assets, personnel and premises, belonging to the County Council or its key delivery partner organisations.

Internal audit has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. Such access shall be granted on demand and not subject to prior notice.

Scope of Internal Audit activities

The Chief Internal Auditor is responsible for the delivery of an annual audit opinion and report that can be used by the County Council to inform its governance statement. The annual opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The County Council assume a key stakeholder role within the Southern Internal Audit Partnership (SIAP). The SIAP currently provides internal audit services to a wide portfolio of public sector clients. (Annex 1) through a variety of partnership and sold service delivery models.

A range of internal audit services are provided (Annex 2) to form the annual opinion for each member / client of the SIAP. The approach is determined by the Chief Internal Auditor and will depend on the level of assurance required, the significance of the objectives under review to the organisations success, the risks inherent in the achievement of objectives and the level of confidence required that controls are well designed and operating as intended.

In accordance with the annual audit plan, auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls. Additionally, proactive fraud reviews will be incorporated within the plan to deter and detect fraud, covering known areas of high risk.

Managers are required to report all suspicions of theft, fraud and irregularity to the Chief Internal Auditor. Investigations carried out by internal audit will be managed by the Chief Internal Auditor who will ensure that investigators are fully trained in carrying out their responsibilities.

Where there is evidence that County Council staff are committing fraud, internal audit will liaise with Human Resources and the department concerned. The decision on whether to invoke criminal proceedings will be made by the Chief Internal Auditor in conjunction with the Monitoring Officer and the Director of Finance and Support Services.

Internal audit will provide assurance over the County Council's Anti-Fraud Strategy and framework as part of the internal audit plan.

Internal audit also facilitates the County Council's participation in the National Fraud Initiative (NFI) in which data from the County Council's main systems are matched with data supplied from other Local Authorities and external agencies to detect potentially fraudulent activity.

Reporting

Chief Internal Auditor's Annual Report and Opinion

The Chief Internal Auditor shall deliver an annual internal audit opinion and report that can be used by the organisation to inform it governance statement.

The annual internal audit report and opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report will incorporate as a minimum:

- o The opinion;
- A summary of the work that supports the opinion; and
- A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme

Executive Leadership Team

As those responsible for the leadership and direction of the Council it is imperative that the ELT are engaged in:

- approving the internal audit charter (minimum annually);
- approving the risk based internal audit plan;
- receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters;
- making appropriate enquiries of management and Chief Internal Auditor to determine inappropriate scope and resource limitations; and
- o receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance

The Regulation, Audit and Accounts Committee

Organisational independence is effectively achieved when the Chief Internal Auditor reports functionally to RAAC Such reporting will include:

- o approving the internal audit charter;
- o approving the risk based internal audit plan;
- o approving the internal audit resource plan;
- receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters, including the annual report and opinion;
- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope and resource limitations;
- receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of nonconformance; and
- approval of significant consulting services not already included in the audit plan, prior to acceptance of the engagement

Review of the internal audit charter

This charter will be reviewed annually (minimum) by the Chief Internal Auditor and presented to 'ELT' and 'RAAC' for approval.

Annex 1

Southern Internal Audit Partnership – Client Portfolio

Strategic Partners: Hampshire County Council

Key Stakeholder Partners: West Sussex County Council

Havant Borough Council

East Hampshire District Council

Winchester City Council
New Forest District Council
Mole Valley District Council
Epsom & Ewell Borough Council
Reigate & Banstead Borough Council

Tandridge District Council

Hampshire Fire & Rescue Authority

Hampshire OPCC

Hampshire Constabulary

Sussex OPCC Sussex Police Force

Surrey OPCC

Surrey Police Force

External clients: Waverley Borough Council

Hampshire Pension Fund West Sussex Pension Fund

New Forest National Park Authority

Ringwood Town Council

Lymington & Pennington Town Council

Chichester Harbour Authority

Further Education Institutions

Eastleigh; Isle of Wight; Highbury; and Portsmouth

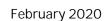
Annex 2

Assurance Services

- Risk based audit: in which risks and controls associated with the achievement of defined business objectives are identified and both the design and operation of the controls in place to mitigate key risks are assessed and tested, to ascertain the residual risk to the achievement of managements' objectives. Any audit work intended to provide an audit opinion will be undertaken using this approach.
- O Developing systems audit: in which:
 - the plans and designs of systems under development are assessed to identify the potential weaknesses in internal control and risk management; and
 - programme / project management controls are assessed to ascertain whether the system is likely to be delivered efficiently, effectively and economically.
- Compliance audit: in which a limited review, covering only the operation of controls in place to fulfil statutory, good practice or policy compliance obligations are assessed.
- Quality assurance review: in which the approach and competency of other reviewers / assurance providers are assessed in order to form an opinion on the reliance that can be placed on the findings and conclusions arising from their work.
- Fraud and irregularity investigations: Internal audit may also provide specialist skills and knowledge to assist in or lead fraud or irregularity investigations, or to ascertain the effectiveness of fraud prevention controls and detection processes. Internal audit's role in this respect is outlined in the County Council's Anti Fraud and Anti Corruption Strategy.
- Advisory / Consultancy services: in which advice can be provided, either through formal review and reporting or more informally through discussion or briefing, on the framework of internal control, risk management and governance. It should be noted that it would not be appropriate for an auditor to become involved in establishing or implementing controls or to assume any operational responsibilities and that any advisory work undertaken must not prejudice the scope, objectivity and quality of future audit work.







West Sussex County Council County Hall West Street Chichester PO19 1RQ

Dear Committee Members

Audit planning report

We are pleased to attach our audit planning report for the forthcoming meeting of the Regulation, Audit and Accounts Committee. The purpose of this report is provide the Committee with a basis to review our proposed audit approach and scope for the 2019-20 audit, in accordance with the requirements of the auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key issues which drive the development of an effective audit for West Sussex County Council. We have aligned our audit approach and scope with these.

This report is intended solely for the information and use of the Regulation, Audit and Accounts Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

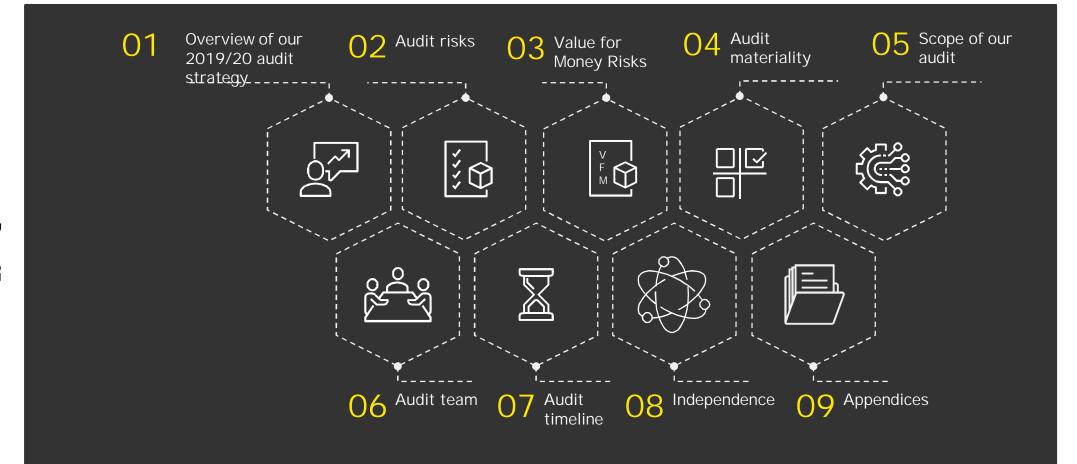
We welcome the opportunity to discuss this report with you on 23 March 2020 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

For and on behalf of Ernst & Young

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Contents



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

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

This report is made solely to the Regulation, Audit and Accounts Committee and management of West Sussex County Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Regulation, Audit and Accounts Committee, and management of West Sussex County Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Committee and management of West Sussex County Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.





Overview of our 2019-20 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Regulation, Audit and Accounts Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year

Audit risks and areas of focus					
Risk / area of focus	Risk identified	Change from PY	Details		
Misstatements due to fraud or error	Fraud risk	No change in risk.	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.		
Inappropriate capitalisation of revenue expenditure.	Fraud risk.	No change in risk. The focus of our work has been updated to reflect current year developments.	Linking to our fraud risk identified above, we have determined that the way in which management could override controls is through the inappropriate capitalisation of revenue expenditure to understate revenue expenditure reported in the financial statements.		
Pension Liability and Asset Valuation	Inherent Risk	No change in risk or focus.	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme which it administers. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.		

Audit risks and areas of focus

Accounting for finance leases

Overview of our 2019-20 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Regulation, Audit and Accounts Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year

7.12.17.16.16.21.10.20.50.16.20.20					
Risk / area of focus	Risk identified	Change from PY	Details		
Valuation of Land and Buildings	Inherent Risk	No change in risk or focus.	The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.		
Private Finance Initiative (PFI)	Inherent Risk	No change in risk, but the focus of our work has been updated to reflect issues relevant to the year of account.	The Council has three material PFI arrangements. PFI accounting is a complex area. We are aware from early communication with officers of a contract variation made to the Council's waste PFI during the year. This has resulted in changes to the underpinning accounting model and detailed consideration of how the contract variation should be accounted for in the 2019/20 financial statements. We will consider this further as part of our work in this area.		
Restatement of the Comprehensive Income and Expenditure Statement (CIES)	Inherent Risk	No change in risk.	Restructuring undertaken in the period will require the Council to re-analyse, represent and re-state the portfolio analysis of its service level income and expenditure disclosed in the CIES. We will review the Council's underlying work to ensure the comparative figures are correctly restated.		
			The proposed accounting for two specific transactions has been shared with us at		

New risk identified

this year

Inherent risk

the planning stage of the audit. In both cases consideration is being given to

Council is the lessee. Although not individually material, the accounting will determine the timing of when expenditure is recognised in the Council's accounts

and is therefore relevant to our responsibilities in this area.

whether the transactions should be accounted for as finance leases where the



Overview of our 2019-20 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Regulation, Audit and Accounts Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year

		C C
Audit ri	icke and	l areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Officer's remuneration disclosures	Inherent Risk	New risk identified this year	There have been a number of changes to the senior leadership of the Council during 2019/20. This brings an increased complexity to the disclosures required within the Officers' remuneration note. The Council needs to ensure that its reporting is comprehensive and transparent, in addition to being compliant with, and including all of the disclosures required by, the CIPFA Code of Practice on Local Authority Accounting.
New Accounting Standard	Inherent risk	New risk identified this year	IFRS 16 (leases) applies from 1 April 2020. The Council needs to put in place arrangements to implement the new standard for the 2020/21 financial year, and to make necessary disclosures for forthcoming changes in accounting standards in its 2019/20 Statement of Accounts.

Overview of our 2019-20 audit strategy

Planning materiality £12.89m Materiality has been set at £12.89 million which represents 1% of the prior years gross revenue expenditure. This comprises of gross expenditure on the provision of services, levies expenditure and interest payable. In the prior year we applied a threshold of 1.8%, meaning that materiality was set as £23.2 million. We have reduced materiality this year in consideration of the current high public profile of the Council and level of forecast overspending against the Council's 2019/20 revenue budget. Materiality for the Firefighters' Pension Scheme Account included in the financial statements is £95,030 based on 1% of prior year benefits payable.

Performance materiality £9.67m

Performance materiality has been set at £9.67 million, which represents 75% of materiality. Performance materiality for Firefighters' Pensions is £71,273, which again represents 75% of materiality.

Audit differences £0.64m

We will report all uncorrected misstatements relating to the main Council financial statements over £0.64 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Regulation, Audit and Accounts Committee. We will report all uncorrected differences relating to Firefighters' Pensions over £4,752.

Overview of our 2019-20 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of West Sussex County Council give a true and fair view of the financial position as at 31 March 2020 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

We will provide an update to the Regulation, Audit and Accounts Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in July 2020.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9, 15 and 16 in recent years as well as the expansion of factors impacting the value for money conclusion. Therefore to the extent any of these are relevant in the context of West Sussex County Council's audit, we will discuss these with management as to the impact on the scale fee.



Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error *

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What will we do?

- Inquire of management about risks of fraud and the controls put in place to address those risks.
- Understand the oversight given by those charged with governance of management's processes over fraud.
- Consider of the effectiveness of management's controls designed to address the risk of fraud.

Perform mandatory procedures regardless of specifically identified fraud risks, including:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- Assessing accounting estimates for evidence of management bias.
- Evaluating the business rationale for significant unusual transactions.

We will utilise our data analytics capabilities to assist with our work.

Having evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We concluded that only those procedures included under 'Inappropriate capitalisation of revenue expenditure' are required.

Audit risks

Our response to significant risks

We have set out the significant risks identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Inappropriate capitalisation of revenue expenditure*

Financial statement impact

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

- ► Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.
- ► Expenditure being classified as revenue expenditure financed as capital under statute (REFCUS) when it is inappropriate to do so.
- ► Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating PPE additions and/or REFCUS in the financial statements.

What is the risk?

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.

We have determined that the way in which management could override controls is through the in appropriate capitalisation of revenue expenditure to understate revenue expenditure reported in the financial statements.

What will we do?

We will:

- ► Test Property, Plant and Equipment (PPE) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- ► Test REFCUS, if material, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ring fenced capital resources.
- ► Seek to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

We are also aware that the Council intends to make use of the Flexible Use of Capital Receipts Direction issued by the Ministry of Housing, Communities and Local Government which grants local authorities the flexibility to apply capital receipts to fund the revenue costs of transformation projects. In October 2019, the Council approved that up to £7 million of capital receipts may be applied towards the costs of transformation in 2019/20. We will undertake detailed work to gain assurance that the requirements of the Guidance have been fully complied with and therefore that it is appropriate to charge relevant revenue costs to capital receipts.

We will utilise our data analytics capabilities to assist with our work, including journal entry testing. We will assess journal entries more generally for evidence of management bias and evaluate for business rationale.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk/area of focus?

Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2019 this totalled £818.6 million.

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

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

What will we do?

We will:

- Liaise with the auditors of West Sussex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to West Sussex County Council. We note that a full triennial valuation of West Sussex Pension Fund as at 31 March 2019 is in the process of being undertaken. As part of our work on the West Sussex Pension Fund audit we will need to undertake some testing of the data informing this to gain assurance over the IAS19 liability at 31 March 2020 provided by the actuary for the Council and accounted for in its financial statements.
- Assess the work of the pension fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team.
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

We will consider outturn information available at the time we undertake our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We will use this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required.

Audit risks

Other areas of audit focus (Contd)

What is the risk/area of focus?

Valuation of Land and Buildings

The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

PFI

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The Council has three material PFI arrangements. PFI accounting is a complex area, and a detailed review of these arrangements was undertaken by our internal expert in 2016/17 and followed-up in 2017/18 and 2018/19

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

Restructuring undertaken in the period will require the Council to re-analyse, re-present and re-state the portfolio analysis of its service level income and expenditure disclosed in the CIES.

What will we do?

We will:

- Consider the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Sample test key asset information used by the valuer in performing its valuation (e.g. floor plans to support valuations based on price per square metre) and challenge the key assumptions used by the valuer.
- Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for Investment Property.
- Review assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated.
- Test accounting entries have been correctly processed in the financial statements.

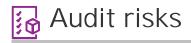
We will review the accounting entries and disclosures in relation to PFI in detail in 2019/20, with a focus on any significant changes since the previous year. We are aware from early communication with officers of a contract variation made to the Council's waste PFI during the year. This has resulted in changes to the underpinning accounting model and detailed consideration of how the contract variation should be accounted for in the 2019/20 financial statements. We will consider this further as part of our work in this area.

For each of the three material PFI schemes at the Council we will undertake testing of in-year inputs to the accounting models and agree relevant entries in the financial statements to year-end outputs from each of the models.

Our approach will focus on:

- A review of the analysis of how service level income and expenditure figures are derived, how the ledger system has been re-mapped to reflect the Council's new organisational structure and how overheads are apportioned across the service areas reported.
- Agreement of restated comparative figures.

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Other areas of audit focus (Contd)

What is the risk/area of focus?

Accounting for finance leases

The proposed accounting for two specific transactions has been shared with us at the planning stage of the audit. In both cases consideration is being given to whether the transactions should be accounted for as finance leases where the Council is the lessee. Although not individually material, the accounting will determine the timing of when expenditure is recognised in the Council's accounts and is therefore relevant to our responsibilities in this area.

Officer's remuneration disclosures

There have been a number of changes to the senior leadership of the Council during 2019/20. This brings an increased complexity to the disclosures required within the Officers' remuneration note.

The Council needs to ensure that its reporting is comprehensive and transparent, in addition to being compliant with, and including all of the disclosures required by, the CIPFA Code of Practice on Local Authority Accounting.

What will we do?

We will assess:

- The evidence to support the Council's assertion that for both transactions it is appropriate to recognise assets on the Council's balance sheet under the finance lease arrangements.
- Whether the revenue impact of the transactions, and in particular the impact on the Minimum Revenue Provision charge, are properly reflected in the Council's financial statements.

We will:

- Assess the disclosures in the remuneration report against those required by the CIPFA Code.
- Assess whether the disclosures meet the requirements for clarity and understandability.
- Assess the adequacy of the Council's governance and decision making in determining payments made to senior officers.

Audit risks

Other areas of audit focus (Contd)

What is the risk/area of focus?

IFRS 16 Leases

This new accounting standard is applicable for local authority accounts from the 2020/21 financial year and will change:

- How operating leases are recognised (as lessee); and
- The disclosure requirements for operating leases (as lessee).

The 2020/21 CIPFA Code of Practice on Local Authority accounting has not yet been issued. However, the Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new accounting standard, but one which has not yet been implemented.

What will we do?

We will:

- Assess the Council's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2019/20.
- Review additional disclosure requirements.



Value for Money

Background

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

For 2019/20 this is based on the overall evaluation criterion:

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

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

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

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the identification of two significant risks noted on the following pages which we view as relevant to our value for money conclusion.



Value for Money Value for Money Risks

What is the significant value for money risk?

Ofsted undertook an inspection of the Council's Children's Services during 2018/19, with their findings being announced in early May 2019. In all three areas considered inspectors found services to be inadequate and as a result the overall effectiveness was judged to be inadequate. Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) published the results of an inspection it undertook in late-June 2019. The service was rated as requiring improvement in two of the three areas reviewed, and inadequate in the third area.

Informed decision making

In 2018/19 we concluded that the issues highlighted by the Children's Services review in particular were indicative of weaknesses in organisational arrangements as follows:

- Weaknesses in the effectiveness of Children's Improvement Board which did not identify required improvements in practice within the service more quickly.
- Performance information and monitoring did not fully flag the scale of the quality weaknesses in social work practice.
- Risk management arrangements in the service did not identify and escalate the scale of the weaknesses more promptly.

We therefore concluded that adequate arrangements were not in place to take informed decisions and issued an except for qualification of the 2018/19 value for money conclusion.

Following the results of the Children's Services inspection the Secretary of State for Education issued a Direction in late June instructing the Council to co-operate with the appointed Children's Commissioner, the Chief Executive of Hampshire County Council. The Commissioner was requested to carry out an investigation that would lead to a report to the Department for Education, focusing specifically on an assessment of the capacity and capability of the Council to improve Children's Services within an appropriate timeframe. The results of this review were published in December 2019 and were highly critical of the Council, highlighting failures in governance and culture at both a service and organisational level. During this period the Chief Executive and Leader have both changed and there continues to be a high level of churn in senior management and a number of vacant posts. Following this, in early 2020, East Sussex County Council (ESCC) has become the corporate improvement partner for the Council, with the Chief Executive of ESCC now working as Chief Executive for East Sussex and West Sussex County Councils. The Council is now continuing to work to address the issues highlighted by both the original inspection reports for both Fire and Rescue and Children's Services, and the subsequent assessment of its capacity and capability to improve Children's Services within an appropriate timeframe.

We therefore consider there to be a significant risk that the Council may be unable to address failings highlighted following recent service inspections in its organisational governance, culture and capacity.

Value for Money Value for Money Risks

Informed decision making - What will we do?

Our approach will focus on reviewing and assessing the progress made by the Council in addressing the weaknesses highlighted by the recent service inspections and Children's Commissioner review in organisational governance arrangements, including the development of sufficient capacity to address the issues raised.

What is the significant value for money risk

As at the end of month 6, in September 2019, the Council forecast a projected overspend of £7.4 million against its revenue budget, which was a significant reduction in the level of overspending forecast earlier in the year. The main cause of this overspending continues to relate to cost pressures in Children and Young People resulting from the need to implement remedial actions to address issues highlighted by the Children's Services Inspection.

As at June 2019 the Council forecast a cumulative budget gap of £75.5 million for the four years commencing 2020/21. The reported size of the forecast budget gap has continued to vary over the remainder of 2019/20 reflecting benefits to the Council from the recent Local Government Financial Settlement, the continued assessment of the recurrent impact of spending needed to address the findings of the Children's Services and Fire and Rescue inspections and mitigating actions to address the current year forecast overspending. As at January 2020 the four-year budget gap is estimated to be £74 million before approved savings of £29 million.

We therefore consider there to be a significant risk the Council may be unable to continue to adapt its financial planning, monitoring and management arrangements to ensure it is able to continue to deploy the resources available to it sustainably over the medium term.

What arrangements does the risk affect?

Sustainable resource deployment

Sustainable resource deployment - What will we do?

Our approach will focus on:

- Considering the 2019/20 financial outturn for the Council, both revenue and capital, and any associated impacts on the Council's medium-term financial planning.
- Reviewing the Council's medium term financial strategy and underpinning assumptions and arrangements to ensure they are both reasonable and fit for purpose, with a particular focus on how accurately and completely one-off and recurrent costs arising from the need to address service delivery concerns identified have been incorporated in the Council's medium term financial plans.



₽ Audit materiality

Materiality

Materiality

For planning purposes, materiality for 2019/20 has been set at £12.9 million. This represents 1% of the Council's prior year gross expenditure on provision of services. We have provided supplemental information about audit materiality in Appendix C.



We request that the Regulation, Audit and Accounts Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £9.7m which represents 75% of planning materiality.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement and balance sheet that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Regulation, Audit and Accounts Committee, or are important from a qualitative perspective.

Specific materiality – We set a materiality of £95,030 for Firefighter's Pension Scheme disclosures based on 1% of benefits paid.





Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.
- 2. Arrangements for securing economy, efficiency and effectiveness (value for money)

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

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls.
- Substantive tests of detail of transactions and amounts.

For 2019/20, we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests.
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Regulation, Audit and Accounts Committee.

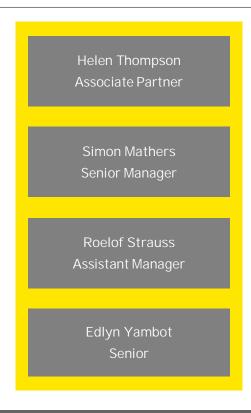
Internal audit:

We will regularly meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit work, where they raise issues that could have an impact on the financial statements, the Narrative Statement or the Annual Governance Statement.



Audit team





Working together with the Council

We are working together with officers to identify continuing improvements in communication and processes for the 2019-20 audit.

We will continue to keep our audit approach under review to streamline it where possible.

Audit team changes

Key changes to our team.

Roelof Strauss, Assistant Manager

> Roelof takes over from James Stuttaford as the Assistant Manager on the engagement.

Edlyn Yambot, Senior

Edlyn takes over from Giulia Carmignani as the lead senior on the engagement.



Audit team Use of specialists

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where specialists are expected to provide input for the current year audit are:

Area	Specialists
Pensions disclosure	EY Actuaries Hymans Robertson - Actuary to West Sussex Pension Fund
PPE	Montagu Evans are engaged by the Council for valuation of its PPE and Investment Property portfolio.

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable.
- Assess the reasonableness of the assumptions and methods used.
- Consider the appropriateness of the timing of when the specialist carried out the work.
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2019-20. The final timetable will depend on our ability to obtain sufficient, appropriate audit evidence to support our audit opinion.

From time to time matters may arise that require immediate communication with the Regulation, Audit and Accounts Committee and we will discuss them with the Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Regulation, Audit and Accounts Committee Meeting timetable	Deliverables
Planning:	January	Regulation, Audit and Accounts	Verbal progress update
Risk assessment and setting of scopes		Committee Meeting	
Walkthrough of key systems and processes			
	February		
Interim audit testing	March	Regulation, Audit and Accounts Committee Meeting	Audit Planning Report and Interim audit update
	April		
	May		
Year end audit	June		
Audit Completion procedures	July	Regulation, Audit and Accounts Committee Meeting	Audit Results Report Audit opinions and completion certificates
	August		Annual Audit Letter



🗱 Independence

The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Planning stage

- The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;
- The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- The overall assessment of threats and safeguards;
- Information about the general policies and process within EY to maintain objectivity and independence.
- Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed.
- Details of non-audit services provided and the fees charged in relation thereto.
- Written confirmation that the firm is independent.
- Written confirmation that all covered persons are independent.
- Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy.
- Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and
- An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.



Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Helen Thompson, your audit engagement partner, and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

At the time of writing EY are discussing with the Council the potential to deliver 2019/20 non-audit work with the Council to develop a predictive data analytics capability to support children's services. The scope and proposed fee for this work has been accepted by Public Sector Audit Appointments Limited. We are satisfied that our independence as your external auditor will not be impaired. We are content that there is no threat of self review as no advice or decisions are being made by the non-audit team which would be reviewed by us as auditors, given the nature of the non-audit engagement and our role within it.

We are therefore content there are no self review threats at the date of this report.

Relationships, services and related threats and safeguards

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2019

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2019 and can be found here:

https://www.ey.com/en_uk/who-we-are/transparency-report-2019



New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - Tax advocacy services
 - Remuneration advisory services
 - Internal audit services
 - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the audit committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply until 31st March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.

We do not provide any non-audit services which would be prohibited under the new standard.





Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

	Planned fee 2019-20	Final Fee 2018-19
	£	£
Audit Fee	90,561	93,561*
Fees for additional work:		
Additional risks impacting the financial statements audit	10,000	
Additional risks impacting the VFM conclusion	15,000	
Total Fee	115,561	93,561

All fees exclude VAT

For 2019/20, the fee will be impacted by a range of factors which will result in additional work. We set out below an estimate of the potential additional fee for this and will discuss with management during the audit and report back to the Audit Committee. The issues we have identified at the planning stage which will impact on the fee include:

- Additional work that will be required to address the financial statements and value for money risks identified.
- Review of additional disclosures that will be required in relation to IFRS 16.
- * the 2018/19 final proposed fee included a scale fee variation for work undertaken the restatement of the CIES, EFA and related notes which constitutes a change in audit scope. This also includes a fee for the use of our PFI expert in order to gain assurance over the PFI model adjustments in 2018/19.

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ► The production of materially accurate draft accounts;
- ► Our accounts opinion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.



Appendix B

Required communications with the Regulation, Audit and Accounts Committee

We have detailed the communications that we must provide to the Regulation, Audit and Accounts Committee.		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Regulation, Audit and Accounts Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit Planning Report, 23 March 2020 meeting of the Regulation, Audit and Accounts Committee.
Significant findings from the audit	 Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures Significant difficulties, if any, encountered during the audit Significant matters, if any, arising from the audit that were discussed with management Written representations that we are seeking Expected modifications to the audit report Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report, 23 July 2020 meeting of the Regulation, Audit and Accounts Committee.



Appendix B

Required communications with the Regulation, Audit and Accounts Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	 Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: Whether the events or conditions constitute a material uncertainty Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements The adequacy of related disclosures in the financial statements 	Audit Results Report, 23 July 2020 meeting of the Regulation, Audit and Accounts Committee.
Misstatements	 Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation The effect of uncorrected misstatements related to prior periods A request that any uncorrected misstatement be corrected Corrected misstatements that are significant Material misstatements corrected by management 	Audit Results Report, 23 July 2020 meeting of the Regulation, Audit and Accounts Committee.
Fraud	 Enquiries of the Regulation, Audit and Accounts Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity Any fraud that we have identified or information we have obtained that indicates that a fraud may exist A discussion of any other matters related to fraud 	Audit Results Report, 23 July 2020 meeting of the Regulation, Audit and Accounts Committee.
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: Non-disclosure by management Inappropriate authorisation and approval of transactions Disagreement over disclosures Non-compliance with laws and regulations Difficulty in identifying the party that ultimately controls the entity	Audit Results Report, 23 July 2020 meeting of the Regulation, Audit and Accounts Committee.

Our Reporting to you

Appendix B

Required communications with the Regulation, Audit and Accounts Committee (continued)

Required communications	What is reported?	When and where
Independence	 Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: The principal threats Safeguards adopted and their effectiveness An overall assessment of threats and safeguards Information about the general policies and process within the firm to maintain objectivity and independence 	Audit planning report, 23 March 2020 meeting of the Regulation, Audit and Accounts Committee. Audit Results Report, 23 July 2020 meeting of the Regulation, Audit and Accounts Committee.
External confirmations	 Management's refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report, 23 July 2020 meeting of the Regulation, Audit and Accounts Committee.
Consideration of laws and regulations	 Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off Enquiry of the Regulations, Audit and Accounts Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Committee may be aware of 	Audit Results Report, 23 July 2020 meeting of the Regulation, Audit and Accounts Committee.
Internal controls	Significant deficiencies in internal controls identified during the audit	Audit Results Report, 23 July 2020 meeting of the Regulation, Audit and Accounts Committee.
Representations	 Written representations we are requesting from management and/or those charged with governance 	Assurance Letter to be received shortly after year-end.
Material inconsistencies and misstatements	 Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report, 23 July 2020 meeting of the Regulation, Audit and Accounts Committee.
Auditors report	 Key audit matters that we will include in our auditor's report Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report, 23 July 2020 meeting of the Regulation, Audit and Accounts Committee.



Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Regulation, Audit and Accounts Committee reporting appropriately addresses matters communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

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Appendix C

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.





West Sussex County Council County Hall West Street Chichester PO19 1RQ

Dear Committee Members

Audit planning report

We are pleased to attach our audit planning report for the forthcoming meeting of the Regulation, Audit and Accounts Committee. The purpose of this report is provide the Committee with a basis to review our proposed audit approach and scope for the 2019-20 audit, in accordance with the requirements of the auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key issues which drive the development of an effective audit for West Sussex Pension Fund. We have aligned our audit approach and scope with these.

This report is intended solely for the information and use of the Regulation, Audit and Accounts Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 23 March 2020 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

For and on behalf of Ernst & Young

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Contents



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

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

This report is made solely to the Regulation, Audit and Accounts Committee and management of West Sussex Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Regulation, Audit and Accounts Committee, and management of West Sussex Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Committee and management of West Sussex Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.





Overview of our 2019-20 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Regulation, Audit and Accounts Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year

Audit risks and areas of focus			
Risk / area of focus	Risk identified	Change from PY	Details
Risk of manipulation of Investment income and valuation.	Fraud risk.	This risk was also identified in the prior year.	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively. We have determined that the way in which management could override controls is through the manipulation of the journal entries which record the investment income and changes to investment valuation.
Valuation of Property Investments	Inherent Risk.	This risk was also identified in the prior year.	We consider the valuation of property investments to be of a higher degree of inherent risk because of the higher degree of estimation uncertainty. Management is required to make material judgemental inputs and apply estimation techniques, supported by a professional valuer, to arrive at the year value of property investments carried in the Net Assets Statement.

Overview of our 2018-19 audit strategy

Planning materiality £43.7m

Materiality has been set at £43.714 million which represents 1% of 2018-19 net assets.

Performance £32.8m

Performance materiality has been set at £32.786 million, which represents 75% of materiality.

Audit differences £2.2m

We will report all uncorrected misstatements relating to the Net Assets Statement and Pension Fund Account over £2.185 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Regulation, Audit and Accounts Committee.

Overview of our 2019/20 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

• Our audit opinion on whether the financial statements of West Sussex Pension Fund give a true and fair view of the financial position as at 31 March 2020 and of the income and expenditure for the year then ended; and

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Pension Fund.

We will provide an update to the Regulation, Audit and Accounts Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in July 2020.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of complex investment assets, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9, 15 and 16 in recent years. Therefore to the extent any of these are relevant in the context of West Sussex Pension Fund audit, we will discuss these with management as to the impact on the scale fee.



Audit risks

Our response to significant risks

We have set out the significant risks identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Risk of manipulation of Investment income and valuation*

Financial statement impact

We have assessed that the risk of manipulation of investment income and valuation through management override of controls is most likely to affect investment income and assets in the year, specifically through journal postings.

Net return on investments: £278,237,000

Total net assets of the Fund available: £4,374,121,000

What is the risk?

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What will we do?

We will:

- ▶ Test journals at year-end to ensure there are no unexpected or unusual postings;
- ▶ Undertake a review of reconciliations to the fund manager, custodian and valuer reports and investigating any reconciling differences;
- ▶ Re-perform the detailed investment note using the reports we have acquired directly from the custodian, valuer or fund managers;
- ► Check the reconciliation of holdings included in the Net Assets Statement back to the source reports;
- ▶ Review accounting estimates for evidence of management bias, including estimates with a higher level of inherent risk relating to PPE;
- ▶ Ensure the value applied to each property agrees back to the listing of deeds owned. We will view the deeds of any new properties acquired in the year, and a sample of existing property deeds; and
- ▶ For quoted investment income we will agree the reconciliation between fund managers and custodians back to the source reports.

We will utilise our data analytics capabilities to assist with our work, including journal entry testing. We will assess journal entries for evidence of management bias and evaluate for business rationale.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is th	e risk/area of focus?	What will v

Valuation of Property Investments

We consider the valuation of property investments to be of a higher degree of inherent risk because of the higher degree of estimation uncertainty. Management is required to make material judgemental inputs and apply estimation techniques, supported by a professional valuer, to arrive at the year value of property investments carried in the Net Assets Statement.

We will:

- Consider the work performed by the Fund's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Challenge the key assumptions used by the valuer.
- Test accounting entries have been correctly processed in the financial statements.



Audit materiality

Materiality

Group materiality

For planning purposes, materiality for 2019-20 has been set at £43.7 million. This represents 1% of the net assets for 2018-19.

It will be reassessed throughout the audit process. For West Sussex Pension Fund, the Net Asset Statement, which discloses the value of the investments held by the scheme, is the most appropriate measure rather than the Fund Account. Assets are key, as they cover the liabilities of the fund and generate significant income. Use of net assets as the measure of materiality is EY standard practice for pension funds.



We request that the Regulation, Audit and Accounts Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £32.8 million which represents 75% of planning materiality. We apply 75% when it is not an initial audit and we have a sound understanding of the entity and past experience with the engagement indicates that a higher risk of misstatement is unlikely.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the fund account and the net assets statement that have an effect on returns or that relate to expenditure.

Other uncorrected misstatements, such as reclassifications and misstatements in the statements or disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the Regulation, Audit and Accounts Committee, or are important from a qualitative perspective.

Scope of our audit

Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Pension Fund financial statements:

Financial statement audit

Our objective is:

- To form an opinion on the financial statements under International Standards on Auditing (UK and Ireland); and
- To form an opinion on the consistency of the pension fund financial statements within the pension fund annual report with the published financial statements of West Sussex County Council.

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2019-20 we plan to follow a substantive approach to the audit, as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

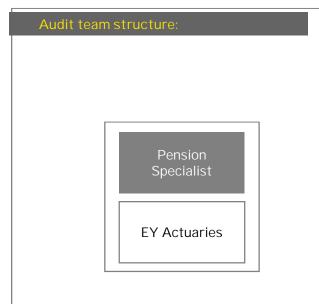
We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Regulation, Audit and Accounts Committee.

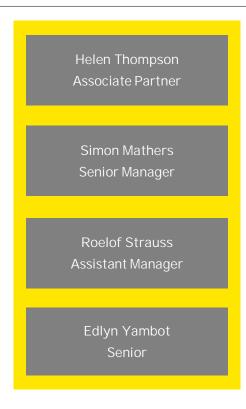
Internal audit:

We will regularly meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



Audit team





Working together with the Pension Fund

We are working together with officers to identify continuing improvements in communication and processes for the 2019-20 audit.

We will continue to keep our audit approach under review to streamline it where possible.

Audit team changes

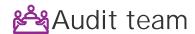
Key changes to our team.

Roelof Strauss, Assistant Manager

> Roelof takes over from James Stuttaford as the Assistant Manager on the engagement

Edlyn Yambot, Senior

Edlyn takes over from Giulia Carmignani as the lead senior on the engagement



Audit team Use of specialists

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where specialists are expected to provide input for the current year audit are:

Area	Specialists
Pension Valuation	Management Specialist - Hymans Robertson EY Specialist - EY actuaries
PPE Valuation	Management Specialist - Savills

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Pension Fund's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used:
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



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Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2019-20. The final timetable will depend on our ability to obtain sufficient, appropriate audit evidence to support our audit opinion.

From time to time matters may arise that require immediate communication with the Regulation, Audit and Accounts Committee and we will discuss them with the Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Regulation, Audit and Accounts Committee Meeting timetable	Deliverables
Planning:	January		
Risk assessment and setting of scopes			
Walkthrough of key systems and processes			
Interim audit testing	February		
Interim audit testing	March	Regulation, Audit and Accounts Committee Meeting	Audit Planning Report and general update on audit progress.
	April		
	May		
Year end audit	June		
Audit Completion procedures			
	July	Regulation, Audit and Accounts	Audit Results Report
		Committee Meeting	Audit opinions and completion certificates
	August		Annual Audit Letter



The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Planning stage

- The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;
- The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- The overall assessment of threats and safeguards;
- Information about the general policies and process within EY to maintain objectivity and independence.
- Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed:
- Details of non-audit services provided and the fees charged in relation thereto;
- Written confirmation that the firm is independent;
- Written confirmation that all covered persons are independent;
- Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and
- An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Helen Thompson, your audit engagement partner, and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Fund. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note O1 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, there are no non-audit fees associated with West Sussex Pension Fund. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Pension Fund. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2019

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2019 and can be found here:

https://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2019



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Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

	Planned fee 2019/20	Final Fee 2018/19
	£	£
Scale Fee - Code work (1)	20,364	20,364
Additional fee for IAS19 assurance work on behalf of admitted bodies which has not yet been approved by Public Sector Audit Appointments for 2018/19 and 2019/20	5,500	5,500
Additional fee for work on the 2019 triennial valuation of the Fund that has yet to be determined and agreed by PSAA (2)	TBC	-
Total indicative Pension Fund fee	TBC	25,864

(1) For 2019/20 the scale fee may be impacted by a range of factors (see page 7), on which we will update the Committee, as the audit progresses

(2) For 2019/20 we will need to undertake some further work to gain assurance over the 2019 triennial valuation of the Fund. The triennial valuation informs both the assessment of the IAS19 liabilities in scheduled bodies' financial statements and the actuarial present value of promised retirement benefits disclosure in the Pension Fund financial statements. We will update the Committee with further details of the additional fee in due course.

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ► The production of materially accurate draft accounts;
- ► Our accounts opinion being unqualified;
- ► Appropriate quality of documentation is provided by the Pension Fund; and
- ► The Pension Fund has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix B

Required communications with the Regulation, Audit and Accounts Committee

We have detailed the comn	Our Reporting to you	
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Regulation, Audit and Accounts Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit Planning Report, 23 March 2020 meeting of the Regulation, Audit and Accounts Committee.
Significant findings from the audit	 Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures Significant difficulties, if any, encountered during the audit Significant matters, if any, arising from the audit that were discussed with management Written representations that we are seeking Expected modifications to the audit report Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report, 23 July 2020 meeting of the Regulation, Audit and Accounts Committee.
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Our Reporting to you

Appendix B

Required communications with the Regulation, Audit and Accounts Committee (continued)

		Gai repermig to year
Required communications	What is reported?	When and where
Going concern	 Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: Whether the events or conditions constitute a material uncertainty Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements The adequacy of related disclosures in the financial statements 	Audit Results Report, 23 July 2020 meeting of the Regulation, Audit and Accounts Committee.
Misstatements	 Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation The effect of uncorrected misstatements related to prior periods A request that any uncorrected misstatement be corrected Corrected misstatements that are significant Material misstatements corrected by management 	Audit Results Report, 23 July 2020 meeting of the Regulation, Audit and Accounts Committee.
Fraud	 Enquiries of the Regulation, Audit and Accounts Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity Any fraud that we have identified or information we have obtained that indicates that a fraud may exist A discussion of any other matters related to fraud 	Audit Results Report, 23 July 2020 meeting of the Regulation, Audit and Accounts Committee.
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: Non-disclosure by management Inappropriate authorisation and approval of transactions Disagreement over disclosures Non-compliance with laws and regulations Difficulty in identifying the party that ultimately controls the entity	Audit Results Report, 23 July 2020 meeting of the Regulation, Audit and Accounts Committee.



Required communications with the Regulation, Audit and Accounts Committee (continued)

Required communications	What is reported?	When and where
Independence	 Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: The principal threats Safeguards adopted and their effectiveness An overall assessment of threats and safeguards Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Planning Report, 23 March 2020 meeting of the Regulation, Audit and Accounts Committee. Audit Results Report, 23 July 2020 meeting of the Regulation, Audit and Accounts Committee.
External confirmations	 Management's refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report, 23 July 2020 meeting of the Regulation, Audit and Accounts Committee.
Consideration of laws and regulations	 Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off Enquiry of the Regulation, Audit and Accounts Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Committee may be aware of 	Audit Results Report, 23 July 2020 meeting of the Regulation, Audit and Accounts Committee.
Internal controls	Significant deficiencies in internal controls identified during the audit	Audit Results Report, 23 July 2020 meeting of the Regulation, Audit and Accounts Committee.
Representations	 Written representations we are requesting from management and/or those charged with governance 	Assurance Letter to be received shortly after year-end.
Material inconsistencies and misstatements	 Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report, 23 July 2020 meeting of the Regulation, Audit and Accounts Committee.
Auditors report	 Key audit matters that we will include in our auditor's report Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report, 23 July 2020 meeting of the Regulation, Audit and Accounts Committee.

Our Reporting to you

Appendix C

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Fund to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Regulation, Audit and Accounts Committee reporting appropriately addresses matters communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.



Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

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Regulation Audit and Accounts Committee

23 March 2020

Regulation of Investigatory Powers Policy

Report by Director of Law and Assurance

Summary

The County Council is able to use powers available under the Regulation of Investigatory Powers Act 2000 to facilitate enforcement action in connection with functions of the Council relating to potential unlawful activity within its area.

Whilst these powers are used rarely and in relation to very limited areas of Council activity it is prudent for the Council to maintain an up to date policy governing the exercise of these powers.

Following recent changes in guidance and best practice and the recommendations of the external inspectorate the policy has been updated and is presented for consideration and approval. The annexes and flowcharts referred to in the policy are not included in the draft attached as an appendix to the report.

Recommendation

That the Committee reviews and endorses the revised policy (attached) for the governance and control of the Council's exercise of the powers available to it under the Regulation of Investigatory Powers Act 2000 and that the Director of Law and Assurance be authorised to maintain and update the policy in line with changes to law or Codes of Practice or future inspectorate recommendations.

1. Background and Context

- 1.1 The Regulation of Investigatory Powers Act 2000 provides all public authorities which have criminal enforcement responsibilities with a range of powers which they can choose to exercise to support investigations and enforcement activity. The powers comprise:
 - Directed surveillance
 - Covert intelligence sources
 - Interception of electronic communications

Evidence gathered through the use of these powers can be used in enforcement activity and so their use must be strictly managed.

- 1.2 The County Council has historically only exercised these powers in connection with Trading Standards enforcement work principally to help monitor trade in counterfeit and otherwise unsafe or unlawful products and to provide evidence to deter such activity and to prosecute when considered necessary
- 1.3 It is also necessary to have a clear policy for the exercise of such powers in order to ensure and show that the Council is fully compliant with the restrictions the legislation imposes and to ensure officers are aware of the

- constraints and requirements for the exercise of such powers. This also provides assurance to the public that the powers are not used excessively.
- 1.4 To date all RIPA authorisations have been made for Trading Standards investigations principally to deal with suspected trade in counterfeit or unlawful goods and most of these related to surveillance using social media. Officers have been authorised to undertake test purchases using false identities in order to secure evidence of trade in unlawful goods. Most have led to warning notices being served upon those suspected of such activity.

2. Proposal

- 2.1 The attached policy updates an established policy framework which the County Council has had in place since the legislative powers were made available. The revisions include changes which take account of recent changes to guidance and the recommendations from external inspection.
- 2.2 The amendments are in line with the recommendations of the Assistant Surveillance Commissioner, whose office oversees the proper use of the legislation, following recent inspection of the Council's policy and practice.
- 2.3 The Policy has been expanded and updated to recognise the change in social habits and the growth in the use of social media. It is important that officers are alert to the danger of inadvertent misuse of social media monitoring, and that officers who do not have a formal investigatory role are made aware of the risks for routine and legitimate enquiries to go beyond open source materials. The updated policy provides explanations for newcomers to RIPA, and signposts them to correct procedure and source materials.
- 2.4 The updated policy also removes references to obsolete applications, such as the ability to grant oral authorisations in urgent cases and has been updated to reflect changes in legislation and the Codes of Practice, with specific reference to the new thresholds introduced for judicial approval.

3. Resources

3.1 There are no resource implications associated with the adoption and implementation of the policy.

4. Consultation

4.1 The head of Trading Standards whose service is the principal user of the powers has commented on the policy and specifically the changes being proposed and endorses the document as now presented.

5. Risk Implications and Mitigations

Risk	Mitigating Action
Policy not compliant with current best practice and guidance. Activity places enforcement action vulnerable to challenge.	All current guidance and all recent external inspection recommendations have been considered and applied to the revision.

Risk	Mitigating Action
Policy not sufficiently well known or understood by officers in enforcement roles. Activity occurs outside the policy.	The principal service user has contributed to the revisions. All services with enforcement powers required to confirm dissemination of the policy to relevant officers and ensure they are trained.

6. Other Options Considered

6.1 The changes only address recent changes to best or recommended good practice and recommendations from the national inspectorate. No other options were considered.

7. Equality Duty & Human Rights Implications

- 7.1 There is no specific implication for the equality duty from the adoption of the revised policy as the changes do not have any direct or indirect implications for those with protected characteristics. The equality duty will be considered in connection with specific enforcement activity.
- 7.2 The Council must meet obligations arising under the Human Rights Convention in relation to all enforcement activity. By their very nature the powers available under the Regulation of Investigatory Powers Act encroach upon rights to private family life (Article 8) and also have implications for the obligations of any enforcement authority to ensure the fair treatment of those accused or suspected of wrong-doing (Articles 6 and 7).
- 7.3 These obligations will be assessed in connection with all enforcement action and in particular in the exercise of the specific powers described in the policy. It is the aim of the policy to ensure that the rights and freedoms of individuals are properly safeguarded through the strict application of the checks and balances the policy sets and the attached policy addresses this.

8. Crime and Disorder Act Implications

8.1 The policy has direct implications for the duty of the County Council to ensure, as far as it is able to do so, to reduce the impact of crime and disorder in its area. The exercise of the powers described in the policy will be directed at meeting that obligation in connection with the range of enforcement obligations the Council has.

Tony Kershaw

Director of Law and Assurance, 033 022 22662

Appendices

Appendix A - Revised RIPA policy (excluding annexes and flowcharts)

Background Papers

None



RIPA POLICY

WEST SUSSEX COUNTY COUNCIL

(March 2020)

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1. INTRODUCTION TO THE REGULATION OF INVESTIGATORY POWERS

This policy meets the requirements of the Regulation of Investigatory Powers Act 2000 ('RIPA'), The Protection of Freedoms Act 2012 Home Office's Codes of Practice for Directed Surveillance, Covert Human Intelligence Sources and the Acquisition and Disclosure of Communications Data.

The Codes of Practice will be available to the public on request. The Director of Law and Assurance and all Directors with enforcement responsibilities will hold up-to-date copies of the Codes of Practice. The Office of the Surveillance Commissioner's (OSC) Procedures and Guidance 2016 can be found by following this link: https://www.ipco.org.uk/docs/OSC%20PROCEDURES%20AND%20GUIDANCE.pdf.

This policy provides a summary of the legislation and Codes of Practice. If any officer proposes to use RIPA powers for the first time they should refer to the Codes and contact the Director of Law and Assurance for advice in the first instance.

1. Purpose of this Policy

- 1.1 Surveillance provides a means of preventing crime and disorder. RIPA provides for the regulation of covert investigation by a number of bodies, including local authorities. RIPA regulates a number of investigative procedures, including access to communications data. There are Codes of Practice for the proper exercise of the powers. See this link: https://www.gov.uk/government/collections/ripa-codes.
- 1.2 County Council officers as part of their duties may carry out activities which fall within the remit of RIPA and are subject to monitoring and oversight by the Investigatory Powers Commissioners Office and the Interception of Communications Commissioner's Office.
- 1.3 Officers involved in any kind of surveillance in their role should familiarise themselves with this document and the Codes of Practice. Legal advice should be sought before undertaking any activity within the scope of RIPA.
- 1.4 This policy demonstrates the Council's commitment to carrying out its enforcement powers and investigations in an equitable and transparent manner respecting the human rights of those who may be affected.
- 1.5 Officers must note that if they fail to follow the requirements of this Policy, the legislation and the Codes of Practice any of the following may occur:
 - 1.5.1 The County Council may be liable to claims alleging breaches of an individual's rights under the Human Rights Act 1998;
 - 1.5.2 The admissibility of any evidence obtained may be adversely affected;
 - 1.5.3 The safety of the member of the public supplying information may be compromised;
 - 1.5.4 If there is no authorisation in place, the ability to apply exemption to disclosure under the Public Interest Immunity may be lost;
 - 1.5.5 A complaint of maladministration could be made to the Local Government Ombudsman.

Types of regulated activity

- 1.6 **Covert Directed Surveillance** is undertaken in relation to a specific investigation or operation where the person or persons subject to the surveillance are unaware that it is or may be taking place. The activity is also likely to result in obtaining private information about a person whether or not it is specifically sought for the purpose of the investigation.
- 1.7 Investigations may require the use of a Covert Human Intelligence Source. These may be undercover officers, agents or informants. Such sources may be used to obtain and pass on information about a third party, without their knowledge, as a result of establishing or making use of an existing relationship. This has implications for a person's privacy and is a regulated activity. A Covert Human Intelligence source would be used rarely and only in exceptional circumstances. Collateral intrusion should be kept to a minimum and all applications should include a risk assessment to address this risk.
- 1.8 RIPA regulates these activities, and the procedure regarding **the acquisition of telecommunications data**, including obtaining telephone subscriber, billing and account information.
- 1.9 RIPA provides a statutory system of authorisation and monitoring of surveillance activities with which The County Council must comply to ensure that no individual's rights are unnecessarily compromised.
- 1.10 RIPA introduced the Investigatory Powers Tribunal to investigate human rights complaints. The Investigatory Powers Act 2016 established the Investigatory Powers Commissioners Office and the Interception of Communications Commissioner to inspect public bodies undertaking covert surveillance and the acquisition of communications data.
- 1.11 Each officer within West Sussex County Council with responsibilities for the conduct of investigations shall, before carrying out any investigation involving RIPA, undertake appropriate training to ensure that all operations are carried out lawfully and in accordance with this policy.

2. POLICY STATEMENT

- 2.1 The main aims of the policy are to set out the surveillance practices and procedures to be used across the County Council, to ensure that all officers act within the law and generate and maintain a proper record of activities and authorisations with the aims of reducing the risk of legal challenge and enabling effective enforcement activity.
- 2.2 The County Council will not undertake any activity defined within RIPA without prior or emergency authorisation from a trained senior officer who is empowered to grant such consents. It is Council policy for any RIPA usage to be considered only as a last resort.
- 2.3 No Authorising Officer shall authorise the use of surveillance techniques or human intelligence sources unless the activity can be shown to be necessary for the purpose of preventing or detecting crime or of preventing disorder. The lawful use of RIPA powers requires judicial approval and the criminal offence to be prevented or detected by the exercise of the power must be one punishable by a term of at least 6 months' imprisonment.
- 2.4 Once satisfied that the activity is necessary, the Authorising Officer must then determine whether the activity is proportionate to what is sought to be achieved. The Authorising Officer must be satisfied that there are no other reasonable means of carrying out the investigation or obtaining the desired information. If the information can be obtained by other means the authorisation should not be granted. In determining proportionality and authorisation the issues to consider are set out in paragraphs 2.5-2.11 below.
- 2.5 Confidential information consists of matters subject to legal privilege, confidential personal information or confidential journalistic material. Where confidential information is likely to be acquired, authorisation should only be given in exceptional and compelling circumstances.
- 2.6 When considering applications for the use of a CHIS, an Authorising Officer must be satisfied that appropriate arrangements are in place for the management and oversight of the CHIS and consider the level of intrusion likely to be caused to every person who would be affected by the use of a CHIS and any adverse impact on community confidence that might result from such use or from the information obtained.
- 2.7 Applications for authorisation of directed surveillance and the use of a CHIS except in emergency where the legislation permits, be made in writing on the appropriate forms.
- 2.8 Intrusive surveillance operations are defined as activities using covert surveillance techniques on residential premises or in any private vehicle which involves the use of a surveillance device or an individual in such a vehicle or on such premises. West Sussex County Council's officers are NOT legally entitled to authorise such activities.

- 2.9 Public bodies are permitted to record telephone conversations where one party consents to the recording and a Directed Surveillance authorisation has been granted. On occasions, officers of the County Council may need to record telephone conversations to secure evidence.
- 2.10 Intrusive surveillance operations are defined as activities using covert surveillance techniques on residential premises or in any private vehicle, which involves the use of a surveillance device, or an individual, in such a vehicle or on such premises. West Sussex County Council officers are NOT legally entitled to authorise these types of operations.
- 2.11 However public bodies are permitted to record telephone conversations, where one party consents to the recording being made and a Directed Surveillance authorisation has been granted. On occasions, officers of the County Council may need to record telephone conversations to secure evidence.



3. REGULATED ACTIVITIES

Definition of Surveillance

- 3.1 Surveillance includes:
 - Monitoring, observing or listening to persons, their movements, their conversations or their other activities or communication;
 - Recording anything monitored, observed or listened to in the course of surveillance;
 - Surveillance by or with the assistance of a surveillance device.
- 3.2 Surveillance includes the interception of postal and telephone communication where the sender or recipient consents to the reading of or listening to or recording of the communication. This is a form of directed surveillance.
- 3.3 Covert Surveillance is surveillance carried out in a manner calculated to ensure that subjects are unaware that it is or may be taking place. Covert Surveillance involves the systematic surveillance of an individual. The everyday functions of law enforcement will not usually involve covert surveillance.

Directed Surveillance

- 3.4 Directed Surveillance is surveillance which is:
 - covert;
 - not intrusive surveillance;
 - undertaken for the purpose of a specific investigation or operation;
 - undertaken in such a manner that it is likely that private information about an individual is obtained (whether or not that person is specifically targeted for the purposes of the investigation or operation); and
 - not carried out by way of an immediate response to events, which would make seeking authorisation under the Act reasonably impracticable.

4. COVERT HUMAN INTELLIGENCE SOURCES ('CHIS')

4.1. The use of informants or undercover officers is referred to as "covert human intelligence sources". It means establishing or maintaining a personal or other relationship with a person for the covert purpose of facilitating the obtaining of information. The Authorising Officer (see 8) must be satisfied that the use of a CHIS is necessary in the circumstances, that the conduct authorised is proportionate to what it seeks to achieve and that arrangements for the overall control and management of the individual are in place.

4.2. A person is a source (CHIS) if:

- 4.2.1. they establish or maintain a personal or other relationship with a person for the covert purpose of facilitating the doing of anything falling within paragraph 3.1 or 3.2.
- 4.2.2. they covertly use such a relationship to obtain information or to provide access to any information to another person; or
- 4.2.3. they covertly disclose information obtained by the use of such a relationship or as a consequence of the existence of such a relationship.
- 4.3 A purpose is covert, in relation to the establishment or maintenance of a personal or other relationship, if and only if, the relationship is conducted in a manner that is calculated to ensure that one of the parties to the relationship is unaware of the purpose.
- 4.4 A relationship is used covertly, and information obtained is disclosed covertly, if and only if it is used or disclosed in a manner that is calculated to ensure that one of the parties to the relationship is unaware of the use or disclosure in question.
- 4.5 The use of a source involves inducing, asking or assisting a person to engage in the conduct of a source, or to obtain information by means of the conduct of such a source. This covers the use of professional witnesses to obtain information and evidence. The use or conduct of a source to obtain knowledge of matters subject to legal privilege must be subject to the **prior approval of the Surveillance Commissioner**.
- 4.6 Carrying out test purchases will not require the purchaser to establish a relationship with the supplier with the covert purpose of obtaining information and, therefore, the purchaser will not normally be a CHIS. By contrast, developing a relationship with a person in the shop, to obtain information about the seller's suppliers of an illegal product will require authorisation as a CHIS.

- 4.7 WSCC Trading Standards will not by default seek RIPA authorisation for covert test purchasing operations for age restricted goods. Each operation will need to be looked at to consider whether there is a specific reason for applying RIPA. This might include the formation of a long term customer relationship between an individual and a retailer, operations over a sustained period or the characteristics of particular premises.
- 4.8 A directed surveillance authorisation will be obtained if recording equipment were to be used, and test purchase volunteer was not a CHIS.
- 4.9 Trading Standards will not require the use of RIPA directed surveillance authorisation for routine 'shop floor' under age sales test purchases because it is considered
 - highly unlikely that private information would be obtained;
 - there is little or no risk of collateral intrusion:
 - all sales take place in business premises freely accessible to any members of the public;
 - the purchasing process only takes a few minutes;
 - observation is specifically focused on the sale of the age restricted product to the young person and the actions of the retailer in relation to the purchaser e.g. do they ask the persons age or for ID.
- 4.10 The provisions of RIPA are not intended to apply in circumstances where members of the public volunteer information to the police or other authorities, as part of their normal civic duties.
- 4.11 However, asking a source to obtain information should not be used as the sole benchmark in seeking a CHIS authorisation. It is the activity of the CHIS in exploiting a relationship for a covert purpose which is regulated, whether or not that CHIS is asked to do so. It is possible therefore that a person will become engaged in the conduct of a CHIS without being induced, asked or assisting the person to engage in that conduct.
- 4.12 If the informant is a CHIS, he or she is a person to whom a duty of care is owed. If information provided by a CHIS is to be acted upon, that information must be independently corroborated before taking action. Only the most exceptional circumstances would merit the use of a vulnerable person as a CHIS. A vulnerable individual is a person who may be susceptible to exploitation and who may be in need of support by reason of physical or mental disability, illness or age. Juveniles are people under the age of 18. For both vulnerable and juvenile sources, the Director of Law and Assurance's advice must be obtained when considering authorisation. An authorisation under RIPA will provide lawful authority for the use of a source.

5. COMMUNICATIONS DATA

5.1 It is crucial that the acquisition of communications data is properly authorised. No officer may seek the acquisition of any form of communication data unless he is authorised to do so and the application has been provided to the appointed Single Point of Contact (SPoC). Applications for access to communications data shall be made via the National Anti-Fraud Network (NAFN) and approved by the Office for Communications Data Authorisations (OCDA) in accordance with the Code of Practice.



6. AUTHORISATION

- 6.1. The list of Authorising Officers is set out in Annex 9. This list will be regularly reviewed and kept up to date by the Director of Law and Assurance. Authorisations for directed surveillance or the use of a CHIS must be obtained using the appropriate application forms. See annexes 3 and 4.
- 6.2. Authorisations for access to communications data are processed online by the National Anti-Fraud Network ('NAFN'). Applicants will need to log on to NAFN and complete an application form online. The site includes notes for guidance.
- 6.3. In cases where authorisation leads to confidential information being acquired or a vulnerable adult or juvenile being used as a CHIS, the Chief Executive, or in his/her absence the Director of Law and Assurance, must sign the authorisation.
- 6.4. Where an authorisation is approved by the Authorising Officer the applicant will then apply to a Justice of the Peace for judicial approval of the authorisation.

7. SOCIAL NETWORKING SITES

Use of Social Media

- 7.1 The Council recognises that officers may make ad hoc use of social media, and this is a recognised aspect of routine investigations. It is important that officers who do so are aware of their obligations, and make sure that they do not put themselves or the Council at risk of challenge or penalty. Social networking sites mean any site which involves individuals creating a profile which contains personal information and is viewable by others, whether accepted as 'friends' or otherwise. This includes sites such as 'Facebook' and 'Linkedln'. In using social media for the gathering of evidence:-
 - 7.1.1. Material that is in the public arena (has been published openly) may be accessed and viewed and used as evidence provided this is limited to occasional use;
 - 7.1.2. officers must not 'friend' individuals on social networks as part of work activity unless authorisation has been obtained;
 - 7.1.3. officers should not use their personal accounts to view the social networking accounts of other individuals for work related purposes;
 - 7.1.4. the adoption of a false identity to establish a relationship and exchange information with another person so as to gain access to material to use as evidence constitutes the use of a covert human intelligence source (CHIS) which requires both internal authorisation and the approval of a magistrate's court;

- 7.1.5. officers should not view an individual's profile on a social networking site excessively and viewing should only be undertaken in order to obtain evidence to inform their investigation:
- 7.1.6. regular and planned tracking of information of this kind even if published and open constitutes 'directed surveillance' and should only take place if specifically authorised.
- 7.1.7. further viewing of open profiles on social networking sites to gather or to monitor an individual's status, must only take place once RIPA authorisation has been granted and approved by a Magistrate;
- 7.1.8. officers should be aware that it may not be possible to verify the accuracy of information on social networking sites and, if such information is to be used as evidence, steps MUST be taken to ensure its validity.

8. AUTHORISATION PROCEDURE

General

- 8.1 Authorisation is required for the use of directed surveillance, for the conduct and use of sources and for the conduct in relation to a postal service or telecommunication system and the disclosure to any person of such data. Authorisation for directed surveillance can only be granted if the purpose of the surveillance is the prevention or detection of crime(s) punishable by 6 months imprisonment or more or relates to the sale or alcohol or tobacco to underage persons.
- 8.2 Any officer who undertakes investigations on behalf of the Council shall seek provisional authorisation in writing from an Authorising Officer in relation to any directed surveillance or for the conduct and use of any source. Each provisional authorisation then needs to receive judicial approval before being acted upon. Flowcharts which may be of use when considering whether to undertake covert surveillance or the use of CHIS can be found at annexes 1 and 3.

Who can give Provisional Authorisations?

- 8.3 An Authorising Officer may grant a provisional authorisation, but this authorisation will not take effect until it receives judicial approval (See paragraph 8.19 et seq). Please note that certain provisional authorisations, namely those relating to confidential information, vulnerable individuals and juvenile sources, can only be granted by the Chief Executive, or, in her absence, the Senior Responsible Officer.
- 8.4 The Council's authorised posts are listed in Annex 9. This appendix will be kept up to date by the Director of Law and Assurance and added to as needs require. If any council manager wishes to add, delete or substitute a post, a request must be referred to the Director of Law and Assurance for consideration as necessary.

- 8.5 It will be the responsibility of Authorising Officers who have been duly certified to ensure their relevant members of staff are also suitably trained as 'applicants' so as to avoid common mistakes appearing on forms for RIPA authorisations. Training will be given before Authorising Officers are certified to sign any RIPA forms. A central register of all those individuals who have undergone training will be kept by the Director of Law and Assurance.
- 8.6 Authorising Officers will also ensure that staff who report to them follow this guidance document and do not undertake or carry out any form of surveillance without first obtaining the relevant authorisations in compliance with this document.
- 8.7 Authorising Officers must also ensure that, when sending copies of any forms to the Director of Law and Assurance, the same are sent in sealed envelopes and marked 'Strictly Private and Confidential'. Any equipment to be used in any approved surveillance must be properly controlled, recorded and maintained for audit purposes.

Grounds for Authorisation - the 'necessary & proportionate' test

- 8.8 An Authorising Officer has a number of obligations within the provisions of the Act, which must be met before carrying out any form of surveillance. An Authorising Officer shall not grant a provisional authorisation for the carrying out of directed surveillance, or for the use of a source or for the obtaining or disclosing of communications data unless he believes:
 - that a provisional authorisation is necessary and
 - the provisionally authorised investigation is proportionate to what is sought to be achieved by carrying it out.
- 8.9 For local authority investigations, provisional authorisation is deemed "necessary" in the circumstances of the particular case if it is for the purpose of preventing or detecting crime.
- 8.10 Conduct is not deemed "**proportionate**" if the pursuance of the legitimate aim listed above will not justify the interference or if the means used to achieve the aim are excessive in the circumstances. Any conduct must meet the objective in question and must not be arbitrary or unfair nor must the impact on any individuals or group be too severe. The conduct must also be the least invasive method of achieving the end and the risk of intrusion into the privacy of persons other than those who are directly the subjects of the investigation must be assessed and taken into account (see Collateral Intrusion below).
- 8.11 Consideration must be given to the seriousness of the offence under consideration. Authorisation for directed surveillance can only be granted if the purpose of the surveillance is the prevention or detection of crime(s) punishable by 6 months imprisonment or more or relates to the sale or alcohol or tobacco to underage persons.

- 8.12 Careful consideration needs to given by authorising officers to all of these points. Such consideration needs to be demonstrated on the authorisation form. Authorising Officers must exercise their minds every time they are asked to sign a form. They must never sign the form without thinking about their personal and the Council's responsibilities. Any boxes not needed on the form/s must be clearly marked as being 'not applicable' or a line put through the same. Great care must also be taken to ensure accurate information is used and inserted in the correct boxes. Reasons for any refusal of an application must also be kept on the form and retained for future audits.
- 8.13 Authorising Officers should not be responsible for authorising investigations or operations in which they are directly involved.

Collateral Intrusion

- 8.14 Before provisionally authorising investigative procedures, the Authorising Officer shall also take into account the risk of intrusion into the privacy of persons other than those who are directly the subjects of the investigation or operation (collateral intrusion). The investigating officer shall take measures, wherever practicable, to avoid or minimise unnecessary intrusion into the lives of those not directly connected with the investigation or operation. The Authorising Officer must consider whether there is a risk of collateral intrusion into the private life of any person who is not the primary subject of the investigation. In addition to named individuals, the application should include a description of those who might be at risk of collateral intrusion should authorisation be granted. If the risk of collateral intrusion is significant, the Authorising Officer must decide whether a separate authorisation is necessary for those other people.
- 8.15 If, during the operation, the privacy of individuals not covered by the initial authorisation is unexpectedly interfered with, the Authorising Officer's consideration must be sought to determine whether the initial authorisation needs to be amended and re-authorised or whether a new authorisation is required.
- 8.16 When considering collateral intrusion and proportionality, the Authorising Officer must balance the intrusiveness of the activity on the target and others against the operational need for the activity. The Authorising Officer should only authorise the activity that is the least intrusive unnecessary intrusion must be minimised.
- 8.17 An application for a provisional authorisation shall include an assessment of the risk of any collateral intrusion. The Authorising Officer shall take this into account, when considering the proportionality of the surveillance.
- 8.18 Where an operation unexpectedly interferes with the privacy of individuals who were not the subject of surveillance or covered by the authorisation in some other way, the investigating officer should inform the Authorising Officer.

Judicial Approval of Provisional Authorisations and Renewals

- 8.19 The Council is only able to grant a provisional authorisation or renewal to conduct covert surveillance. All provisional authorisations and renewals must be approved by the Magistrates Court before surveillance commences.
- 8.20 Authorising Officers must when making authorisations be aware that each authorisation (or renewal of an authorisation) for the use of directed surveillance, acquisition of communications data or for the use of a CHIS will be subject to judicial approval through a Magistrates Court application.
- 8.21 The Council must apply to the local Magistrates Court for an Order approving the grant or renewal of an authorisation. A template application form and draft Order are included at **Appendix 6** to this policy. In order to obtain judicial approval, the first page of the template form must be completed and submitted along with a copy of the provisional authorisation and any other relevant supporting documents.
- 8.22 The Council does not need to give notice of the application to the person(s) subject to the application or their legal representatives. If the Magistrates Court refuse to approve the application, it may also make an order quashing the provisional authorisation.
- 8.23 Magistrates will give approval only if, at the date of the grant of authorisation or renewal of an existing authorisation, they are satisfied that:
 - there were reasonable grounds for believing that the use of the measure is reasonable and proportionate and that these grounds still remain;
 - the "relevant conditions" were satisfied in relation to the authorisation.

8.24 Relevant conditions are that:

- the relevant person was designated as an Authorising Officer or Designated Person;
- it was reasonable and proportionate to believe that using the proposed measure was necessary and that the relevant conditions have been complied with;
- the grant or renewal of any authorisation or notice was not in breach of any restrictions imposed under section 25(3) of RIPA; and
- any other conditions provided for by an order made by the Secretary of State were satisfied.
- 8.25 Judicial approval will also review that the serious crime threshold has been met in relation to the carrying out of directed surveillance. The threshold is that the directed surveillance is for the purpose of preventing or detecting a criminal offence and meets the following conditions:
 - that the criminal offence to be prevented or detected is punishable by a maximum term of at least six months' imprisonment; or

- constitutes an offence under sections 146, 147 or 147A of Licensing Act 2003 (sale of alcohol to children) or section 7 of the Children and Young Persons Act 1933 (sale of tobacco to children under 18 years old) or
- constitutes an offence under section 92 Children and Families Act 2014 (sale of nicotine inhaling products to children under 18 years old) or proxy purchasing of tobacco, including nicotine inhaling products, to children under 18 years old under section 91 Children and Families Act 2014.

It is therefore essential that Investigating officers consider the penalty attached to the criminal offence which they are investigating, before considering whether it may be possible to obtain an authorisation for directed surveillance. If the Magistrates' Court refuses to approve the grant of the authorisation, then it may make an order to quash that authorisation.

Urgency

8.26 Urgent authorisations to bypass the above requirements are not available in relation to directed surveillance or covert human intelligence sources.

Standard Forms

8.27 All authorisations must be in writing. Standard forms for seeking provisional directed surveillance and covert human intelligence source authorisations are provided at annex 2 & 4. The standard form for obtaining judicial approval is provided at annex 6. All authorisations shall be sought using the standard forms as amended from time to time.

9. DURATION OF AUTHORISATIONS

- 9.1. All records must be kept for at least three years.
- 9.2. A written authorisation ceases to have effect at the end of the following periods, unless it is renewed:
 - 9.2.1. Directed surveillance 3 months.
 - 9.2.2. Conduct and use of a CHIS 12 months.
 - 9.2.3. A notice issued for the production of communication data will remain valid for one month.

10. REVIEWS

- 10.1. The regular review of authorisations and notices must be undertaken by the relevant authorising officer to assess the need for the surveillance or notice to continue. The results of the review must be recorded on the central record of authorisations.
- 10.2. Where surveillance provides access to confidential information or involves collateral intrusion particular attention must be given to the need for surveillance in such circumstances.

- 10.3. In each case, the Authorising Officer must determine how often a review is to take place and this should be as frequently as is considered necessary and practicable.
- 10.4. See annexes 2, 4, or 5 for location of review forms.

11. RENEWALS

- 11.1. If at any time an authorisation or notice ceases to have effect and the Authorising Officer considers it necessary for the authorisation or notice to continue for the purposes for which it was given, s/he may renew it, in writing, for a further period of:-
 - 11.1.1. Directed surveillance 3 months:
 - 11.1.2. CHIS 12 months:
 - 11.1.3. Access to communications data 1 month.
- 11.2. A renewal takes effect at the time at which the previous authorisation ceased to have effect. An application for renewal should not be made until shortly before the authorisation period is drawing to an end. Any person entitled to grant a new authorisation can renew an authorisation. Authorisations may be renewed more than once provided they continue to meet the criteria for authorisation.
- 11.3. See annexes 2, 4 or 5 for location of renewal forms.

12. CANCELLATIONS

- 12.1. The Authorising Officer who granted or last renewed the authorisation or notice must cancel it if satisfied that the authorised measure no longer meets the criteria for which it was authorised. When the Authorising Officer is no longer available this duty falls on the person who has taken over the role of Authorising Officer or the person who is acting as Authorising Officer. See annexes 2, 4 or 5 for location of cancellation forms.
- 12.2 As soon as the decision is taken that an approved measure should be discontinued or its use no longer meets the criteria for which it was authorised, instruction must be given to those involved to stop the activity. The authorisation does not expire when the activity has been carried out or is deemed no longer necessary. It must be either cancelled or renewed. The date and time when such an instruction was given should be recorded in the central register of authorisations and the notification of cancellation, where relevant.

13. RETENTION AND DESTRUCTION OF MATERIAL

13.1 Confidential material must be destroyed as soon as it is no longer needed. It must not be retained or copied unless for a necessary and specified purpose.

14. CENTRAL REGISTER AND MONITORING

- 14.1. Each Authorising Officer will notify the Director of Law and Assurance of all authorisations and terminations of the regulated activities. The Director of Law and Assurance will keep written records centrally. All such authorisations and terminations will be monitored and reviewed on a regular basis by the Director of Law and Assurance to ensure compliance with current rules and with this policy. Any breaches of this policy, or the Regulations or Codes of Practice will be pursued with the relevant Director and where necessary, referred to the Director of Law and Assurance as Monitoring Officer.
- 14.2. A copy of all authorisations, renewals and cancellations together with relevant supporting information shall be forwarded to the Director of Law and Assurance within 5 working days of the date of the authorisation, renewal or cancellation.

14.3. The Director of Law and Assurance shall:

- 14.3.1. Keep a register of the documents referred to above;
- 14.3.2. Monitor the quality of the documents and information received;
- 14.3.3. Monitor the integrity of the process in place for the management of any CHIS;
- 14.3.4. Monitor compliance with Part II of RIPA and the Codes;
- 14.3.5. Oversee the reporting of errors to the relevant oversight Commissioner and the identification of both the cause of errors and the implementation of processes to minimise any repetition;
- 14.3.6. Engage with the IPCO Inspectors when they conduct their inspections, where applicable, and
- 14.3.7. Where necessary, oversee the implementation of post-inspection action plans approved by the relevant oversight Commissioner.

15. PLANNED AND DIRECTED USE OF COUNCIL CCTV SYSTEMS

15.1 The Council's CCTV surveillance systems must not be used for directed surveillance without the Director of Law and Assurance confirming to the relevant operational staff that a valid authorisation is in place.

16. CONSEQUENCES OF NON COMPLIANCE

16.1. If authorisation confers entitlement to engage in a certain conduct and the conduct is in accordance with the authorisation, then it shall be lawful for all purposes.

- 16.2. Where there is unjustifiable interference with the right to respect for private and family life guaranteed under Article 8 of the European Convention on Human Rights, and where there is no other source of lawful authority, the consequence of not obtaining an authorisation under RIPA may be that the action is unlawful by virtue of section 6 of the Human Rights Act 1998.
- 16.3. Officers shall seek an authorisation where the directed surveillance, the use of a source or the obtaining or disclosure of communications data is likely to interfere with a person's Article 8 rights to privacy by obtaining private information about that person, whether or not that person is the subject of the investigation or operation. Obtaining an authorisation will ensure that the action is carried out in accordance with law and subject to stringent safeguards against abuse.

17. TRAINING

- 17.1. The Senior Responsible Officer will have and maintain written arrangements for holding and updating copies of any Regulations and their relevance in practice and procedures and for training staff responsible for any relevant enforcement activities and the implementation of this policy.
- 17.2. The Authorising Officers and Single Points of Contact shall be provided with training to ensure awareness of the legislative framework. Single Points of Contact can only be appointed following attendance at a training course accredited by the Home Office and passing a written examination.

18. COMPLAINTS AND REPRESENTATIONS

18.1 The Director of Law and Assurance will be responsible for responding to complaints under RIPA in liaison with the relevant Director and for the management of representations to the Tribunal established under Part IV of RIPA in respect of any referrals relating to the activities of the County Council together with responsibility for liaison with the Office of the Commissioner.

19. DATA PROTECTION

All data will be kept in accordance with the Data Protection principles and the Council's Information Governance policies.

March 2020



Regulation, Audit and Accounts Committee

23 March 2020

Financial Statements 2019/20 — Plans and Progress

Report by Director of Finance and Support Services

Executive Summary

Project plans have again been prepared for the closure of the 2019/20 accounts for the County Council and the West Sussex Pension Fund and reflect the regulation changes which came into effect for the 2017/18 accounts. The deadline for the draft statements to be produced is 31 May 2020 and the audited statements need to be on the council's website by 31 July 2020. The draft external audit report for both the County Council and the Pension Fund accounts will be available by 14 July 2020 (subject to confirmation), ahead of the Regulation, Audit and Accounts Committee meeting on 23 July 2020. Members will have the opportunity to participate in a briefing session arranged for 25 June 2020 to walk through the financial statements for both the County Council and Pension Fund.

The accounts are prepared under the requirements of statute and accounting standards, which are consolidated into the Code of Practice on Local Authority Accounting. Officers' interpretation of these requirements is set out in the accounting policies. The policies have been updated to reflect accounting changes along with other minor changes.

Recommendations

- (1) Members note the project plans for the County Council and Pension Fund accounts (Appendices 1 and 2) and consider progress to date.
- (2) Members consider the draft accounting policies for both the County Council and Pension Fund accounts for 2019/20 as set out in full in Appendices 3(a) and 3(b), and approve them for application in preparing this year's accounts.

1. Introduction

1.1 This paper sets out the planning framework for closing the 2019/20 accounts for both West Sussex County Council and the West Sussex Pension Fund. It also presents a draft set of accounting policies for both the County Council and the Pension Fund accounts.

2. Planning Framework and Draft Accounting Policies

Planning Framework

- 2.1 The 2018/19 accounts were closed in line with the statutory deadlines as set out in the Accounts and Audit Regulations 2015, which came into effect from the 2017/18 accounts, with the deadlines for both the production and audit of the statements being brought forward to 31 May and 31 July respectively. Officers finalised the statements for the County Council and the Pension Fund by the end of May and these were signed off by the Director of Finance and Support Services on 31 May 2019. External audit then started their work on the audit on 3 June 2019 and were on site for six weeks having rephased a significant amount of their audit work throughout the year at both the planning and interim visits in October and March. EY again issued an unqualified opinion on both the County Council and Pension Fund accounts, although as part of the value for money conclusion, EY concluded that our arrangements are adequate except for informed decision-making arrangements. This opinion reflects the outcome of the Ofsted inspection of the Council's Childrens Services, which judged the overall effectiveness of the service as inadequate.
- 2.2 In preparation for the audit of the 2019/20 accounts, EY have again rephrased a significant amount of their audit work throughout the year at both the planning and interim visits in January and March, including substantive testing of the period April to January at their March visit.
- 2.3 A briefing session has again been arranged for 25 June 2020 to help members gain a greater understanding of the accounts including a walkthrough of the financial statements; this will take place whilst the audit is in progress.
- 2.4 A formal project plan has again been produced for both the County Council and Pension Fund accounts, enabling scarce resources to be allocated, to identify a critical path and formally evaluate risks. The project plans for each body are attached as Appendices 1 and 2. Each plan includes a table of milestones which are set out below.

Figure 1: WSCC Closedown Milestones

Task	Due date
Corporate Project Plan issued	2 September 2019
Letter of instruction issued to property valuers	4 October 2019
EY commence 3-week 'Planning Visit'	6 January 2020
Montagu Evans provide draft non-current asset valuation	3 February 2020
certificates for Corporate Finance review	
Working paper requirements agreed with EY	7 February 2020
EY commence 5-week 'Interim Audit'	24 February 2020
Issue closedown timetable and guidance notes to	6 March 2020
practitioners	
RAAC considers accounting policies and handbook	23 March 2020
Service monitors submitted for outturn TPM	16 April 2020
Anticipated receipt of IAS19 pensions actuary reports	17 April 2020
Outturn management accounts finalised	20 April 2020
Member & Senior Officer Related Party survey deadline	24 April 2020
Montagu Evans provide final valuation report	24 April 2020
Executive Leadership Team considers outturn TPM	29 April 2020
Anticipated receipt of HR establishment report	30 April 2020
Council Tax and Business Rates outturn collection funds	1 May 2020
due from billing authorities	•
Anticipated receipt of P11d data (Benefits in Kind)	1 May 2020
Cabinet Briefing considers outturn TPM	5 May 2020
Complete draft Statement of Accounts (SoA) available for	22 May 2020
senior management QA	
CFO certifies draft SoA for publication on WSCC website	29 May 2020
& submission to EY	
Start of accounts inspection period	1 June 2020
EY commence on-site audit	1 June 2020
Finalisation of audit working paper file	5 June 2020
RAAC Member Briefing – walkthrough draft statements	25 June 2020
End of accounts inspection period	10 July 2020
Schedule of audit amendments agreed; EY to provide	10 July 2020 (TBC)
draft Audit Results Report for comment	
Complete audited SoA available for management QA	13 July 2020
CFO authorises audited SoA for RAAC despatch	14 July 2020
EY despatches final Audit Results Report to RAAC	14 July 2020
Scheduled conclusion of on-site audit	17 July 2020
RAAC approves audited SoA	23 July 2020
EY provides opinion on financial statements	24 July 2020 (TBC)
Audited SoA published on website	31 July 2020
EY provides signed WGA Assurance Statement and audit	21 August 2020
certificate	(TBC)
Deadline for submission of audited Whole of Government	28 August 2020
Accounts to Treasury	(TBC)

- 2.5 Seven milestones on the above plan should have been achieved by the date of this committee. A verbal update will be given at the meeting.
- 2.6 Attention is drawn to the County Council risk register which is attached as an appendix to the project plan. Seven risks have been identified, none of which are red, and mitigations are in place for each of them.

Figure 2: WSPF Closedown Milestones

Task	Due date
'Planning Visit' Commences	6 Jan 2020
Consideration of the accounting policies and project	23 March 2020
management handbook & audit planning report by	
Regulation, Audit & Accounts Committee (RAAC)	
'Interim Audit'	30 March 2020
Data collection from Pension Service	6 April 2020
Contributions and benefits reconciliation complete	13 May 2020
Investments are reconciled with the fund managers and	15 May 2020
custodian	
Verification of information provided by fund managers,	24 May 2020
custodian and pension services team and reconciliation	
against SAP to enable full technical review of draft	
(Statement of Accounts) SoA by lead reviewer.	
Draft SoA for QA	26 May 2020
Completed internal quality assurance (QA) of SoA	28 May 2020
Submission of draft SoA to Ernst & Young (EY)	29 May 2020
On site Audit	1 June 2020
Accounts inspection period commences	1 June 2020
Ensure that the individual electronic working papers are	1 June 2020
provided in accordance with the agreed protocol with EY,	
signed off by the lead reviewer.	
Member Briefing with RAAC, Pensions Panel and Pension	25 June 2020
Advisory Board	
Draft Audit Results Report available for comment	10 July 2020 (TBC)
End of accounts inspection period	10 July 2020
EY despatches final Audit Results Report to RAAC	14 July 2020
Completion of EY audit work within advised fee scale	17 July 2020
Consideration of draft SoA and Pension Fund Annual	22 July 2020
Report by Pensions Panel	
Consideration of final SoA by RAAC	23 July 2020
Sign off audited Financial Statements by RAAC	23 July 2020
Opinion on financial statements provided	24 July 2020
Provision of signed audit certificate	21 August 2020
Deadline for submission of audited Whole of Government	28 August 2020
Accounts to Treasury	(TBC)

- 2.7 One milestone on the Pension Fund plan has been achieved by the date of this committee. A verbal update will be given at the meeting.
- 2.8 Attention is drawn to the Pension Fund risk register which is attached as an appendix to the project plan. Seven risks have been identified, none of which are red, and mitigations are in place for each of them.

Accounting Policies

2.9 It is good practice to present the accounting policies to those charged with governance. The accounting policies for both the County Council and the West Sussex Pension Fund are attached as Appendices 3(a) and 3(b).

- 2.10 Only relatively minor changes in the County Council accounting policies are proposed for 2019/20, including changes to the Property, Plant and Equipment accounting policy. The Council has adapted its policy so that the estimated remaining useful lives of its buildings (including componentised assets) as used for the purposes of calculating depreciation are now provided by its external valuer. Additionally, the Council's policy regarding the recognition of schools' non-current assets has been reworded to ensure alignment with the latest provisions of the Code and to remove duplication with its Critical Judgements disclosure. This has no impact on the recognition of school assets by the Authority. Finally, this policy has been amended to reflect the adoption by the Council of its inaugural Flexible Use of Capital Receipts Strategy.
- 2.11 Changes have also been made to the Charges to Revenue for Non-Current Assets accounting policy, to confirm the arrangements for accounting for lease premiums, such as the cost of the IT equipment refresh, which was incurred during 2019/20.
- 2.12 The opportunity has also been taken to make some other minor changes which are intended to remove unnecessary detail in line with CIPFA's 'Cut the Clutter' initiative, ensure ongoing alignment with the example accounting policies in CIPFA's Code of Practice Guidance Notes where appropriate, along with addressing issues raised by EY during their previous audit. The changes are designed to provide clarification, streamline or to address previous omissions, and none are intended to reflect a change in existing practice.
- 2.13 The Pension Fund policies have been updated to reflect minor changes to address previous omissions or provide clarification.

3. Equality - Customer Focus Appraisal

3.1 A Customer Focus Appraisal is not required for this decision as it is a report dealing with internal and procedural matters only.

4. Resource Implications and Value for Money

4.1 The accounting policies determine the detailed application of accounting standards, and thus the basis on which the accounts are prepared. Approval of policies inconsistent with the Code of Accounting Practice risks additional audit time and fees, as well as reputational damage. The risks included on the risk register if not mitigated may also lead to additional audit time and cost.

5. Risk Management Implications

5.1 The project plans include an analysis of main risks and mitigating actions.

6. Crime and Disorder Act Implications

6.1 None.

7. Human Rights Act Implications

7.1 None.

Katharine Eberhart

Director of Finance and Support Services

Contact: Vicky Chuter, Financial Reporting Manager, 033 022 23414

Appendices

Appendix 1 – WSCC Project Management Handbook Appendix 2 – WSPF Project Management Handbook Appendix 3(a) – WSCC Accounting Policies Appendix 3(b) – WSPF Accounting Policies

Background Papers

None

2019/20 Final Accounts Closedown

West Sussex County Council (WSCC)

Project Management Handbook

1. Background & Overview

This Project Management Handbook has been prepared in recognition of the importance to the organisation of achieving an unqualified set of financial accounts in accordance with legislative deadlines, for the assurance this gives:

- In providing a reliable foundation for decision-making and planning
- In ensuring that reputation of the public organisation is not brought into disrepute
- In ensuring key processes are identified and adhered to.

2. Success Criteria

- Complete draft Statement of Accounts available for internal senior management QA by 22 May
- Draft accounts certified by Chief Finance Officer (CFO) by 29 May for publication on WSCC website and submission for external audit
- Complete set of compliant working papers (in electronic format) are provided to the external auditors, EY, by 5 June
- EY agrees schedule of audit amendments and provides draft Audit Results Report for comments by 10 July (date subject to EY confirmation)
- Complete audited Statement of Accounts available for senior management QA by 13 July
- CFO authorises despatch of audited Statement of Accounts to Regulation, Audit and Accounts Committee (RAAC) by 14 July
- EY despatches final Audit Results Report to RAAC by 14 July
- RAAC approves audited financial statements at its meeting of 23 July
- EY to provide unqualified audit opinion following July meeting of RAAC
- Audited accounts to be published on the WSCC website by 31 July
- EY to provide WGA Assurance Statement and audit certificate by 21 August (TBC)
- Audit completed within advised fee scale (see section 7)
- RAAC and EY feedback endorses that accounts have been closed effectively

3. Dependencies & Stakeholder Analysis

At various stages during the closedown process, input will be required from individuals outside of the Finance and Support Services Directorate. These are summarised below:

- Outturn Report the management accounts (outturn TPM) confirms the outturn position, including any approved carry forwards. These management accounts are the foundation from which the financial statements are built; as such, large aspects of the Statement of Accounts cannot be progressed until the management accounts are finalised. The outturn TPM will be considered by the Executive Leadership Team (ELT) on 29 April, and at the Cabinet Briefing on 5 May.
- **IAS19 Actuary Reports** these are issued by the Authority's actuary, Hymans Robertson. The reports analyse the performance of the West Sussex and Firefighters' pension schemes. The detail in these reports informs the pension disclosure notes, and also impacts on all four core financial statements. These reports are anticipated to be delivered no later than 17 April.

- Capital Asset Valuations the capital accounts are largely dependent on the certificates provided by our external valuers, Montagu Evans, as part of the rolling revaluation programme. Montagu were instructed to provide draft valuation certificates to Corporate Finance by 3 February, and a final valuation report is to be delivered by 24 April.
- Related Party Transactions (Members) Democratic Services survey Members in the spring to collate related party transactions. This informs a disclosure note to the accounts. The deadline for responses will follow the 3 April meeting of Full Council.
- Related Party Transactions (Senior Officers) senior management are surveyed annually every April. In 2019/20, senior managers will be required to respond to the survey by 24 April. For the purposes of this statutory survey, the officers identified on the published leadership structure chart (primarily Directors and Executive Directors) are considered to be the senior managers of the organisation.
- **Employee Benefits** a personnel data spreadsheet is provided by Capita (HR Management Information) by 30 April. This is captured on the HR reporting log. The spreadsheet is used to calculate the employee benefits accrual required under the Code of Practice.
- Collection Funds as part of the preparation of the accounts, an adjustment is posted which impacts on the Movement in Reserves Statement, Balance Sheet, Comprehensive Income & Expenditure Statement, and multiple disclosure notes. Billing authorities provide balance sheets for their collection funds, which are then analysed to calculate the required adjustments. WSCC is requesting that all returns are received by 1 May this year (date subject to confirmation by billing authorities). Data on the non-domestic rates collection fund will be requested alongside the council tax collection fund. In addition, billing authorities will again be required to provide details of provisions raised in respect of appeals against rateable values.
- P11D this details the value of Benefits in Kind received by employees, and is required for two remuneration disclosure notes in the accounts. Whilst the report is ultimately provided by Capita IT, a number of teams are involved in the data compilation process, including Capita HR & Payroll, Transport Co-ordination and the Fire & Rescue Service. It is anticipated that the 2019/20 P11d report will be available by 1 May.

4. Roles & Responsibilities and Project Organisation

- Katharine Eberhart (Director of Finance and Support Services), as s151 officer, will be the **project owner** who will certify the accounts presented to the Regulation, Audit and Accounts Committee. Katharine will be responsible and accountable for ensuring the project is resourced and prioritised in order to achieve the success criteria as defined in Section 2 above.
- Vicky Chuter, as Financial Reporting Manager, will be the **project manager** and will oversee the preparation of the WSCC accounts on behalf of the project owner. Vicky will be responsible for delivering the accounts and monitoring the progress of the project team against the agreed project plan.

Other key personnel in the **project team** include:

 Sean McEwan, Finance Manager (Accounting, Systems and Control), will be responsible for managing the project team with responsibility for day-to-day project control and ensuring technical compliance with CIPFA's Code of Practice.

5. Project Plan Milestones

Corporate Finance has prepared a detailed Project Plan, which details in excess of 400 component tasks of preparing the Statement of Accounts. Each task has a responsible officer, due date, and identified dependencies. This project plan is the primary control document for the closedown process, and progress against the plan will be reviewed on a weekly basis by the Project Manager. The key milestones from this project plan are identified in the table below.

Task	Due date	Lead
Corporate Project Plan issued	2 September 2019	SMc
Letter of instruction issued to property valuers	4 October 2019	SMc
EY commence 3-week 'Planning Visit'	6 January 2020	EY
Montagu Evans provide draft non-current asset valuation	3 February 2020	CAM
certificates for Corporate Finance review	3 1 051 441 / 2020	0,
Working paper requirements agreed with EY	7 February 2020	SMc
EY commence 5-week 'Interim Audit'	24 February 2020	EY
Issue closedown timetable and guidance notes to	6 March 2020	VC
practitioners	0 March 2020	VC
RAAC considers accounting policies and handbook	23 March 2020	DEM
Service monitors submitted for outturn TPM	16 April 2020	SFBP
Anticipated receipt of IAS19 pensions actuary reports	17 April 2020	CAP
Outturn management accounts finalised	20 April 2020	VC
Member & Senior Officer Related Party survey deadline	24 April 2020	DEM
Montagu Evans provide final valuation report	24 April 2020 24 April 2020	CAM
Executive Leadership Team considers outturn TPM	29 April 2020	VC
Anticipated receipt of HR establishment report	30 April 2020	CAP
Council Tax and Business Rates outturn collection funds	1 May 2020	VC
due from billing authorities	1 May 2020	VC
Anticipated receipt of P11d data (Benefits in Kind)	1 May 2020	CAP
Cabinet Briefing considers outturn TPM	5 May 2020	DEM
Complete draft Statement of Accounts (SoA) available	22 May 2020	SMc
for senior management QA	22 May 2020	Sinc
CFO certifies draft SoA for publication on WSCC website	29 May 2020	KE
& submission to EY		
Start of accounts inspection period	1 June 2020	VC
EY commence on-site audit	1 June 2020	EY
Finalisation of audit working paper file	5 June 2020	SMc
RAAC Member Briefing – walkthrough draft statements	25 June 2020	DEM
End of accounts inspection period	10 July 2020	VC
Schedule of audit amendments agreed; EY to provide	10 July 2020 (TBC)	EY
draft Audit Results Report for comment	, , ,	
Complete audited SoA available for management QA	13 July 2020	SMc
CFO authorises audited SoA for RAAC despatch	14 July 2020	KE
EY despatches final Audit Results Report to RAAC	14 July 2020	EY
Scheduled conclusion of on-site audit	17 July 2020	EY
RAAC approves audited SoA	23 July 2020	DEM
EY provides opinion on financial statements	24 July 2020 (TBC)	EY
Audited SoA published on website	31 July 2020	SMc
EY provides signed WGA Assurance Statement and audit	21 August 2020	EY
certificate	(TBC)	
Deadline for submission of audited Whole of Government	28 August 2020	VC
Accounts to Treasury Leads: CAM Capital & Asset Management: CAP CAPITA: DEM Democratic	(TBC)	

Leads: CAM Capital & Asset Management; CAP CAPITA; DEM Democratic Services; EY External Auditors; KE Katharine Eberhart; SFBP Strategic Finance Business Partners; SMc Sean McEwan; VC Vicky Chuter

6. Human Resource Requirements

Within Corporate Finance, the Accounting Team, working alongside the Finance Manager (Accounting, Systems and Control), will effectively be working full-time on the preparation of the Statement of Accounts throughout March, April and May. Operating at a combined 4fte, this equates to approximately 1,924 hours for the 13 week period. However, the total resource requirement is likely to be far in excess of this figure. Within Corporate Finance, there are significant inputs outside of the Accounting, Systems and Control Team, particularly from the Treasury Management, Capital Accounting and Accounts Receivable functions. There is also significant input from the Financial Reporting Manager as Project Manager. Strategic Finance also has a fundamental role in the process, particularly during April when accounts are closed and subsequently in the provision of supporting working papers. There is also a substantial requirement from all the above teams throughout the audit period during June and July. Finally, there are numerous inputs from outside the Finance function, as illustrated by the dependencies identified in section 3.

7. Other Budget Requirements

The audit scale fee, as agreed nationally by Public Sector Audit Appointments Ltd (PSAA), has been notified as £90,561 for 2019/20.

However, EY have advised that additional fees are likely to be chargeable. This relates to additional work required to address risks identified by EY in their Audit Plan, which includes some of those recognised in section 10 below, and also those arising from the inspection findings for the Children's and Fire services in 2018/19 and the associated 'Value for Money' audit qualification. EY have estimated these additional fees (which will be subject to agreement by the PSAA) to be £25,000.

The Authority adopts a rolling approach to its valuation of non-current assets. As part of this on-going programme, approximately 500 valuations are expected to be commissioned from our external valuers, Montagu Evans, during the 2019/20 closedown process. The cost of this exercise is estimated at £25,000.

Costs of approximately £6,000 are expected to be incurred for the provision of LGPS and Firefighters' Pension Scheme IAS19 reports by the pensions actuary.

8. Project Control & Quality Assurance

A number of controls will be put in place to ensure that the project is completed to deadline and to a high quality:

- Weekly monitoring of progress against the project plan by the Project Manager
- Project Manager to feed back to Project Owner on an ad-hoc basis (minimum fortnightly), with focus on milestones as identified in section 5 and risks as identified in section 10 and Annex A
- Draft accounts to be finalised by 22 May to enable technical review of statements by Project Manager and other senior officers. This will be in addition to the review of individual components of the accounts as they are prepared
- Electronic working papers to be produced in accordance with the protocol as agreed with EY
- All balances to be reconciled against SAP.

9. Communications Plan

A Communications Plan has been established to liaise with two key stakeholders, RAAC and EY, throughout the closedown process:

With RAAC

- March sign-off Accounting Policies and Project Management Handbook
- June briefing session (walkthrough draft statements)
- July meet to approve audited Statement of Accounts and consider Audit Results Report.

With EY

- Pre-audit work during planning visit (January) and interim visit (February/March)
- Weekly liaison meeting throughout on-site audit (June/July)
- EY to report Audit Plan to RAAC in March and Audit Results to RAAC in July.

10. Risk Analysis

A number of risks to the achievement of the success criteria as specified in section 2 have been identified:

- The new legislative deadlines introduced by the Accounts and Audit Regulations require draft accounts to be certified no later than 31st May. This is an extremely challenging timetable and requires the core project team to be operating at maximum capacity throughout the accounts preparation period. Any staff unavailability risks the ability to issue draft accounts by the deadline, which could delay the commencement of the audit and incur financial and reputational damage. The likelihood of this risk materialising has been increased to reflect the potential impact of the Coronavirus on the wider workforce, the height of which is projected to coincide with the accounts preparation period.
- As identified in section 3, the Authority is dependent on external experts for the provision of some estimates which feature in the accounts, such as the pension fund actuary (Hymans Robertson) and property valuers (Montagu Evans). Property and pension fund valuations represent highly material values on the Authority's balance sheet, and impact on many areas of the financial statements. Any delay in the provision of this information by the external experts therefore risks the finalisation of draft accounts by the May deadline.
- There have been a number of developments during the year for which there are accounting implications in the 2019/20 financial statements. This includes the various changes to the cabinet member portfolio restructure (which require the restatement of prior year comparators in the Comprehensive Income and Expenditure Statement), the contract variation on the Recycling and Waste PFI entered into in May 2019, the potential deficit on the DSG Reserve arising in-year, and the forthcoming introduction of the new accounting standard for leases (IFRS 16). Each of these requires consideration as part of the accounts preparation process so that an appropriate accounting treatment and/or disclosure can be determined. In some instances (such as for the treatment of negative DSG balances), this will require consideration of yet-to-be-published guidance from CIPFA. The prompt resolution of these issues is a further risk to the timely submission of draft accounts for audit.

- The new legislative deadlines introduced by the Accounts and Audit Regulations require audited accounts to be published by 31st July. This creates significant pressure on audit firms to resource multiple local authority clients in a condensed audit window. The PSAA reported that more than 40% of audits were not concluded by the end of July in 2019, citing a shortage of appropriately skilled and experienced auditors in some cases. Whilst WSCC and its auditors did achieve this deadline last year, there is a risk that it may not be met in future, be it due to resourcing issues at EY or other factors such as delays to the start of the audit caused by the late submission of draft accounts, incomplete working papers or the failure to resolve audit queries promptly.
- EY have advised that a lower 'planning materiality' of £13m will apply to their 2019/20 audit. This is due to a lower risk tolerance, arising from the Council's current high public profile attributable in part to adverse inspection findings and senior officer turnover. This reduced materiality threshold will increase sample sizes during substantive testing, for example of income, expenditure and accruals. It will also reduce the level of flexibility should any variations in estimates arise between the Authority and its external experts and the auditors during their work, for example in relation to property valuations and the net pension liability. Both factors risk the timely conclusion of the audit by the 31st July statutory deadline.
- County Council approved the Authority's inaugural 'Flexible Use of Capital Receipts' Strategy in October 2019. This takes advantage of a MHCLG Direction which allows Councils to capitalise expenditure on transformation activity which reduces demand or produces ongoing revenue savings. Furthermore, the Authority has incurred expenditure during the year in relation to its IT equipment and infrastructure which it intends to capitalise as finance leases. EY have highlighted the risk of inappropriate capitalisation in their audit plan, and will undertake additional work to ensure the Council has properly adhered to the requirements of the accounting Code and associated legislation (for which additional audit fees are proposed see section 7 above). This satisfactory completion of this additional work is therefore a further risk to the timely conclusion of the audit.

These are explored more fully in the Risk Register attached at Annex A, with an assessment of risk based on likelihood and impact. Officers responsible for taking specified mitigating actions are also identified.

Annex A

West Sussex County Council: Closedown Risk Register

Key: Risk (R): Impact x Likelihood

Impact (I): 1 = insignificant, 2 = minor, 3 = moderate, 4 = significant, 5 = catastrophic Likelihood (L): 1 = rare, 2 = unlikely, 3 = possible, 4 = likely, 5 = certain

Risk	Potential Impact	Tr	nitial I	Risk	Mitigation	Who	Time
NISK	rotentiai Impact	Initial Risk (I – Impact L-Likelihood		pact	Militgation	***************************************	scal e
		R- Risk)		k)			
		I	L	R			
Audit planning materiality	The lower audit materiality threshold is likely to result in increased sample sizes for substantive testing and reduced flexibility for variations in estimates, potentially delaying the conclusion of the audit.	3	4	12 (A)	Early dialogue with EY on issues likely to cause discrepancy. Month 10 substantive testing undertaken at interim audit visit to reduce burden of increased sample size at year end.	Sean McEwan	January to July 2020
Change in Public Health advice relating to Covid-19	Isolation of staff, staff unavailable due to illness, impact on third party providers being able to support closure of accounts.	4	3	12 (A)	Adhere to public health advice and engage with third parties around business continuity plans.	Vicky Chuter	March to July 2020
Submission of draft accounts by 31 May deadline	Risk to certification of draft accounts on May 31st for publication on website in accordance with legislation. Consequential implications for commencement of audit and further legislative requirements for approval of audited accounts.	3	3	9 (A)	Development of detailed project plan detailing component tasks, dependencies etc. Restrictions on team leave/study during peak period to ensure sufficient capacity.	Vicky Chuter	March to May 2020
Inappropriate capitalisation	Inappropriate capitalisation (through application of flexible use of capital receipts strategy or treatment of IT equipment/infrastructure) could cause the outturn position to be misstated and delay audit sign-off.	4	2	8 (A)	Reference to CLG guidance to confirm transformation spend capitalisable through flexibility. Early engagement with EY on proposed accounting for IT equipment/infrastructure.	Financial Planning Manager	January to July 2020
Dependency on external suppliers (pensions actuary / non- current asset valuations)	Provision of reports for capital and pension accounting purposes is on the `critical path' for the preparation of the accounts. Reliance on experts provides assurance over extremely material balances in the Authority's core financial statements.	4	2	8 (A)	Early engagement with suppliers and agreement to defined timetable. Internal data dependencies identified (Capita Pensions Administration, Capital & Asset Management) and requirements shared.	Sean McEwan	October 2019 - May 2020
Publication of audited accounts by 31 July deadline	Potential for EY resourcing issues, or inability of WSCC to provide complete working papers or respond promptly to audit queries, to risk publication of audited accounts by 31st July legislative deadline. Potential for reputational risk and increased audit fees, plus impact on work programme post-July 2020.	2	3	6 (A)	Early audit work, including substantive testing and systems walkthroughs, during planning and interim visits. Recruitment and training of additional audit staff by EY. Early agreement of working papers and additional guidance for staff to ensure prompt turnaround of queries.	Vicky Chuter	January to July 2020

Risk	Potential Impact	(I L-	nitial I – Im Likelil R- Ris	pact nood	Mitigation	Who	Time scal e
		I	L	R			
Accounting developments (portfolio restatement, PFI, DSG, IFRS 16 Leases)	Uncertainty over intended accounting treatment could cause delay to the submission of draft accounts for audit. Failure to make sound judgements is a risk to the subsequent publication of audited accounts.	3	2	6 (A)	Proposed treatment is agreed prior to closedown wherever possible, with revised statements and disclosures shared with EY as part of planning and interim work.	Sean McEwan	October 2019 - May 2020

2019/20 Final Accounts Closedown West Sussex Pension Fund (WSPF)

Project Management Handbook

Background & Overview

- 1. We have produced a Project Management Handbook recognising the importance of achieving an unqualified set of final accounts for the organisation, for the assurance it gives in:
 - Providing a reliable foundation for decision-making and planning
 - Ensuring that the reputation of the public organisation is not brought into disrepute
 - Ensuring key processes are identified and adhered to

Key Milestones, Project Controls and Quality Controls

2. The following are considered to be key milestones for a successful final accounts project – reflecting key project and quality controls. The dates provided within this document may be subject to change in order to ensure alignment with the County Council timescales.

Verification of information provided by fund managers, custodian and pension services team and reconciliation against SAP to enable full technical review of draft (Statement of Accounts) SoA by lead reviewer.	24 May 2020
Completed internal quality assurance (QA) of SoA	28 May 2020
Submission of draft SoA to Ernst & Young (EY)	29 May 2020
Ensure that individual electronic working papers are provided in accordance with the agreed protocol with EY, signed off by the lead reviewer.	1 June 2020
Despatch Audit Results Report to Regulation, Audit & Accounts Committee (RAAC)	14 July 2020
Completion of EY audit work within advised fee scale	17 July 2020
Consideration of draft SoA and Pension Fund Annual Report by Pensions Panel	22 July 2020
Consideration of final SoA by RAAC	23 July 2020
Publication of audited SoA on website	31 July 2020
Provision of an unqualified audit certificate following meeting of RAAC	21 August 2020

3. A more detailed task list, setting out due dates, task owners and reviewers has been prepared for officers involved in the process and is included in Annexe 1.

Roles & Responsibilities

Project organisation

- 4. Katharine Eberhart, Director of Finance & Support Services, as s151 officer, will be the project owner who will sign off the accounts presented to the Regulation, Audit and Accounts Committee (RAAC). The Director will be responsible and accountable for ensuring the accounts work remains focused and on course to meet the key deliverables as set out in the Key Milestones (above).
- 5. Rachel Wood, Pension Fund Strategist, will oversee the preparation, review and delivery and provide the final quality assurance (Lead Reviewer) of the SoA on behalf of the project owner and will monitor the progress of the team against the agreed project plan.
- 6. Dara Quaid, Finance Manager, is responsible for managing the team with responsibility for day to day project control, keeping the detailed project plan under close review and ensuring technical compliance to CIPFA Code of Practice. The Finance Manager will facilitate weekly project team meetings on progress against milestones and risks and monthly meeting between the project team.
- 7. In preparation for the delivery of the accounts, considerable resources have been committed throughout the year. During March, April and May the majority of the Pensions team will effectively be working full-time to deliver the Project Plan. There is a substantial resource requirement throughout the audit period in June and July. The Pensions accounting team comprises 3.6 FTE which equates to approximately 1,742 hours for the 13 week period.

Other Stakeholders

8. The interdependencies of individual tasks are identified in the project plan. In addition, a number of tasks within this project plan require input from individuals outside of the immediate Pensions team including fund managers, administration service providers, custodian and professional bodies. These are covered in more detail in Annexe 2.

Key Risks

- 9. The following are considered to be key risks to the delivery of the Project. These are covered in more detail in Annex 3.
 - Reduction in available resource due to overall reduction in team working hours
 - New staff in key roles/ "single point of failure"
 - Delay in information supplied by third party providers including Private Equity
 - Change to payroll and pension administration provider to Hampshire County Council from 4th March 2019
 - Late additional technical requirements

Other budget requirements

10. To assist with the preparation of the SoA the following additional expenditure is required:

Requirement	
Accounting package from Custodian	£10,000
Provision of IAS 26 report and actuarial statement	£675
Financial Instrument information (Sensitivity analysis)	£675

Annex 1 - Milestones

Task	End date	Lead
'Planning Visit' Commences	6 Jan 2020	EY
Consideration of the accounting policies and project	23 March 2020	DEM
management handbook & audit planning report by		
Regulation, Audit & Accounts Committee (RAAC)		
'Interim Audit'	30 March 2020	EY
Data collection from Pension Service	6 April 2020	FM
Contributions and benefits reconciliation complete	13 May 2020	FM
Investments are reconciled with the fund managers and custodian	15 May 2020	FM
Verification of information provided by fund	24 May 2020	PFS
managers, custodian and pension services team	24 May 2020	PFS
and reconciliation against SAP to enable full		
technical review of draft (Statement of Accounts)		
SoA by lead reviewer.		
Draft SoA for QA	26 May 2020	FM
Completed internal quality assurance (QA) of SoA	28 May 2020	PFS
Submission of draft SoA to Ernst & Young (EY)	29 May 2020	FM
On site Audit	1 June 2020	EY
Accounts inspection period commences	1 June 2020	FM
Ensure that the individual electronic working papers	1 June 2020	PFS
are provided in accordance with the agreed		
protocol with EY, signed off by the lead reviewer.		
Member Briefing with RAAC, Pensions Panel and	25 June 2020	DEM
Pension Advisory Board		
Draft Audit Results Report available for comment	10 July 2020 (TBC)	EY
End of accounts inspection period	10 July 2020	FM
EY despatches final Audit Results Report to RAAC	14 July 2020	
		EY
Completion of EY audit work within advised fee	17 July 2020	
scale		EY
Consideration of draft SoA and Pension Fund	22 July 2020	Panel
Annual Report by Pensions Panel		
Consideration of final SoA by RAAC	23 July 2020	
		DEM
Sign off audited Financial Statements by RAAC	23 July 2020	RAAC
Opinion on financial statements provided	24 July 2020	EY
Provision of signed audit certificate	21 August 2020	EY
Deadline for submission of audited Whole of	28 August 2020	FM
Government Accounts to Treasury	(TBC)	<u> </u>

Leads: **FMA** Finance Manager Accounting; **PFS** Pension Fund Strategist; **DEM** Democratic Services; **EY** External Auditors;

Annex 2 – Other Stakeholders

Resource	Tasks / Reliance
Non-Pensions Team	
Financial Reporting Manager	Working Cash Balances; bank statements; treasury management information; working papers
Legal Services	Land registry records to support working papers
Third Party Provider	
Pension Services (Hampshire CC)	Contributing Bodies; transfers; strain costs, other employee information, system, reconciliations; working papers; testing
Savills	Independent Property Valuation
Aberdeen Standard	Property Income and Expenditure; rental reconciliation
Baillie Gifford	Investment Income; Financial Instruments; portfolio holdings; portfolio transactions; market value reconciliation
UBS	Investment Income; Financial Instruments; portfolio holdings; portfolio transactions; market value reconciliation
Pantheon	Private Equity values; Payment and distribution reconciliation
Partners Group	Private Equity values; Payment and distribution reconciliation
Northern Trust (Custodian)	Investment Income; Financial Instruments; portfolio holdings; portfolio transactions; market value reconciliation; performance data
Hymans Robertson	Sensitivity Analysis; IAS26 reporting
External	
CIPFA	Production of example accounts and guidance
EY	Meet compliance requirements

Annex 3 - West Sussex Pension Fund closedown - Risk Register

Key: Risk (R): Impact x Likelihood

Impact (I): 1 = insignificant, 2 = minor, 3 = moderate, 4 = significant, 5 =

catastrophic

Likelihood (L): 1 = rare, 2 = unlikely, 3 = possible, 4 = likely, 5 = certain

Risk	Potential Impact	Initial Risk (I – Impact L-Likelihood R- Risk)		npact lihood isk)	Mitigation	Who	Time scale
		Ι	L	R			
Change in Public Health advice relating to Covid-19	Isolation of staff, staff unavailable due to illness, impact on third party providers being able to support closure of accounts	4	3	12 (A)	Adhere to public health advice and engage with third parties around business continuity plans	PFS	July 2020
Resource availability reduction	Delays to timetable and inability to complete technical accounting tasks	2	5	10 (A)	Utilisation of resources across the wider Pensions team	PFS	July 2020
New staff in key accounting roles for 2019/20	Delays to timetable and inability to complete technical accounting tasks	4	2	8 (A)	Transfer of knowledge within team.	PFS	July 2020
Delay in information supplied by third party providers (including Private Equity)	Prevents completion of statements and delays time available for QA	2	4	8 (A)	Requesting information early. Estimates to be calculated for Private Equity.	FMA	May 2020
New pension administration provider (Hampshire County Council) in place from 4 March 2019 resulting in different systems and processes	Different systems and processes in place.	2	3	6 (A)	Due diligence during course of transfer	PFS	July 2020
Failure to provide information to EY on time and in compliant form	Delays in audit, causing additional audit fees	3	2	6 (A)	Early liaison with EY over format of working papers	PFS	July 2020
Late additional technical requirements	Delays to timetable	2	2	4 (A)	Professional networking, liaison with CIPFA and attendance at year-end events/conferences	FMA	June 2020



West Sussex County Council Accounting Policies 2019/20

(i) General Principles

The Statement of Accounts summarises the Authority's transactions for the financial year and its position at the end of the reporting period. The Authority is required by the Accounts and Audit Regulations 2015 to prepare an annual Statement of Accounts in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom ('the Code') for the relevant reporting period, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

(ii) Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority, that the cost of the item can be measured reliably, and that it exceeds the Authority's de minimis threshold. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

The Authority applies a de minimis level of £10,000 for the capitalisation of expenditure on Property, Plant and Equipment. Items of expenditure below this de minimis level are charged to the relevant service within the Comprehensive Income and Expenditure Statement in the reporting period it is incurred. A lower de minimis of £2,000 applies to expenditure funded by the Devolved Formula Capital Grant, as per the West Sussex Scheme for Financing Schools.

Recognition - Schools

The Code confirms that local authority maintained schools (and the governing bodies thereof) are to be treated as entities for control purposes, and that the transactions of said schools shall be consolidated into the local authority single entity financial statements.

Non-current assets attributed to schools are therefore recognised in the Authority's balance sheet, subject to the Authority (or the school's governing body) having control over the asset and it being probable that future service potential will flow to the Authority (or to the school).

The Authority's policy is therefore to recognise the non-current assets of its maintained community and voluntary controlled schools on its balance sheet. The balance of control and service potential is considered to reside with independent trustees for foundation and voluntary aided schools, and so these assets are not consolidated into the Authority's balance sheet (the Council retains the statutory responsibility for land at voluntary aided schools, so this is recognised as an asset of the Authority).

A number of schools in the County now hold academy status. Academies are managed completely independently of the Authority, and funding is provided directly by central government. Whilst the Authority retains the freehold of the land, premises are leased to the academy on a finance-lease basis (typically for a 125 year term). Therefore academy buildings are derecognised from the Authority's balance sheet, and land is retained at a nominal value reflecting its restricted use.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Authority does not capitalise borrowing costs.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account via the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure and short-lived assets such as vehicles, plant and equipment depreciated historical cost
- Assets under construction historical cost
- Surplus assets fair value, estimated at the highest and best use from a market participant's perspective
- All other assets current value, determined as the amount that would be paid for the asset in its existing use.

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value.

The Code requires that assets included in the Balance Sheet at current value are revalued with sufficient regularity to ensure that their carrying amount does not materially differ from their current value at year-end, but as a minimum every five years. The Authority undertook a full revaluation of all its non-current assets at 1 April 2013, and has subsequently adopted a rolling approach to revaluations to ensure that all assets are subject to revaluation at least once every five years. Assets not subject to revaluation in any given year are tested for indexation to ensure that the carrying value does not become materially misstated between formal valuations.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to that Statement).

Where decreases in value are identified, they are accounted for as follows:

 Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains) • Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets. An exception is made for assets without a determinable finite useful life (i.e. freehold land and heritage assets) and assets that are not yet available for use (i.e. assets under construction). New assets are depreciated from 1 April of the year that follows the date of initial recognition. Depreciation is calculated on the following bases:

- Buildings on a straight line basis over the remaining useful life of the property as estimated by the external valuer (initially 60 years)
- Vehicles, plant, furniture and equipment individual useful life on a straight line basis as estimated by a suitably qualified officer
- Infrastructure straight line basis over a period of 25 years for major road developments and 15 years for structural maintenance of carriageways and bridges (useful lives for other infrastructure assets to be estimated by a suitably qualified officer).

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

Where a Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Componentisation of an asset is not required where depreciating the item would not result in a material misstatement of either the depreciation charges or carrying amount of the asset. As a result the Authority has determined that assets with a gross carrying value below a de minimis of £10m shall not be considered for componentisation.

For assets which are subject to componentisation, the valuer has estimated remaining useful lives for the following significant components for depreciation purposes:

- Building Structure (initial 60 year useful life)
- Building Roof and Externals (initial 50 year useful life)
- Building Mechanicals and Electricals (initial 25 year useful life)

At the point of componentisation, any accumulated revaluation gains (held in the Revaluation Reserve) or impairment losses (held in the Capital Adjustment Account) associated with componentised assets are attributed to the building's host structure component, as it is considered unlikely that the roof/externals and mechanicals/electricals will have given rise to revaluation gains and losses independently of the structure of the building.

Subsequent valuations obtained under the Authority's rolling revaluation programme shall be applied separately to the building components in accordance with the certificates provided by the external valuers, with gains and losses being recognised in the Revaluation Reserve and Capital Adjustment Account in accordance with the requirements of the Code.

Disposals and Non-Current Assets Held for Sale

Surplus assets are subject to formal reporting requirements declaring the asset surplus and a surplus declaration date of 1 April is applied irrespective of the date of the actual report. An asset will be subsequently classified as held for sale at the end of the financial year provided it has been officially declared surplus through cabinet member decision and it complies with the following qualification criteria outlined within IFRS 5:

- The asset is available for immediate sale
- Sale of the asset is highly probable
- The sale is actively marketed
- The sale is expected to be completed within one year of classification.

The asset will be revalued immediately before being reclassified as an Asset Held for Sale and then carried at the lower of this amount and fair value less costs of sale. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on Assets Held for Sale.

Should the period required to complete the sale extend beyond one year, the asset will continue to be classed as an Asset Held for Sale provided the asset is still being actively marketed and the delay in completion is due to circumstances beyond the control of the Authority, for example:

- Economic downturn
- Buyer/Third party conditions of sale.

If an asset no longer meets the criteria to be classified as an Asset Held for Sale, it is reclassified back to non-current assets and valued at the lower of the carrying amount before it was classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had it not been classified as held for sale, and the recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts, while amounts below this are credited to revenue. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment (or set aside to reduce the Authority's underlying need to borrow i.e. the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

Statutory arrangements allow costs of disposals to be financed by capital receipts, capped to 4% of the capital receipt. Costs incurred prior to the sale are carried forward and offset in the year of disposal.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance via the Movement in Reserves Statement.

A direction provided by the Secretary of State for Housing, Communities and Local Government under the Local Government Act 2003 provides for additional flexibility on the use of capital receipts until March 2022. Under this direction, authorities may apply capital receipts received in the years to which the direction applies to meet the revenue costs of transformation projects which deliver ongoing savings. The Authority's Flexible Use of Capital Receipts Strategy is subject to annual approval by full Council. Where this flexibility is applied, capital receipts are transferred out of the Capital Receipts Reserve to finance qualifying expenditure in accordance with the Code's requirements for the accounting of Revenue Expenditure Funded from Capital Under Statute (REFCUS).

(iii) Investment Property

Investment Properties are assets that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment Properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, Investment Properties are valued at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains or losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Rentals received in relation to Investment Properties are credited to the Financing and Investment income line and result in a gain for the General Fund balance.

(iv) Charges to Revenue for Non-Current Assets

Services are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. These transactions are therefore reversed out from the General Fund Balance via the Movement in Reserves Statement to the Capital Adjustment Account.

The Authority is however required by the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended in 2008) to make a prudent annual contribution from revenue towards the reduction in its overall borrowing requirement, the CFR (Capital Financing Requirement). This contribution is referred to as the Minimum Revenue Provision (MRP).

In accordance with statutory guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG), the Authority adopts separate calculations for borrowing that was supported by central government and for unsupported, "self-financed" borrowing. The respective methodologies are as follows:

Supported Borrowing

The Authority adopted a revised MRP calculation for its supported borrowing (including pre-April 2008 unsupported borrowing) effective 1 April 2016. MRP is made on all such outstanding borrowing as at 31 March 2016 on a 2% annuity basis over a repayment period of 40 years from that date.

Unsupported Borrowing

The Authority has adopted the Asset Life (Annuity) Method (MHCLG guidance option 3b) for the repayment of unsupported borrowing undertaken since 1 April 2008. This method provides MRP on an annuity basis over a repayment period equal to the estimated life of the asset for which the borrowing was undertaken, up to a maximum of 50 years. The annuity rates applied are based upon the average Public Works Loan Board rates (for a loan duration equal to the asset life) in the year the borrowing was undertaken.

MRP - Finance Lease and PFI

In line with MHCLG regulations to mitigate the impact of the move to IFRS on the Council's revenue account, it is the policy of West Sussex County Council to make an annual MRP charge equal to the portion of the payment taken to the Balance Sheet to reduce the liability. However, where a lease premium is made (and immediately taken to write down the Balance Sheet liability), the Council shall spread the MRP charge over the useful life of the asset.

(v) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance (such as software licenses) but which are controlled by the Authority as a result of past events is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Intangible assets are measured initially at cost, and amortised over their useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. Under statute, amortisation is not permitted to impact on the General Fund balance, and therefore this charge is reversed out through the Movement in Reserves Statement and posted to the Capital Adjustment Account.

(vi) Government Grants and Contributions

Government grants and third party contributions and donations are recognised as due to the Authority where there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors (receipts in advance). When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Grants Unapplied Account via the Movement in Reserves Statement. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have applied to fund capital expenditure.

(vii) Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.

Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

(viii) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the Property, Plant or Equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

The Authority as Lessee

Finance Leases

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the beginning of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower).

The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the Property, Plant or Equipment applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased Property, Plant or Equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Authority leases an asset out on a finance lease, the existing asset of Property, Plant or Equipment is written out of the Balance Sheet as a disposal and a long-term debtor representing the Authority's net investment in the lease is recognised instead.

As a disposal, the writing out of the asset and the recognition of the long-term debtor is accounted for as part of the gain or loss on disposal of non-current assets in the Comprehensive Income and Expenditure Statement with the debtor representing the sale proceeds.

Under statute, the gain or loss recognised in the Comprehensive Income and Expenditure Statement is reversed out of the General Fund balance and posted to the Deferred Capital Receipts Reserve (proceeds) and Capital Adjustment Account (disposal) via the Movement in Reserves Statement. Deferred capital receipts are released to the Capital Receipts Reserve as the lease debtor is settled.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet and rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

IFRS Transitional Rules

In accordance with regulations issued upon the implementation of IFRS, amounts receivable under leases that changed from operating leases to finance leases (or vice versa) are accounted for as if the status of the lease had not changed, in that:

- Amounts receivable under operating leases that became finance leases on transition to IFRS continue to be credited to the General Fund balance as revenue income
- Amounts receivable for principal payments under finance leases that became operating leases on transition to IFRS continue to be treated as capital receipts.

In both cases, the leases are accounted for in accordance with the current provisions of the Code, with adjustments to the General Fund balance being made in the Movement in Reserves Statement.

(ix) Private Finance Initiatives (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the PFI contractor.

As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the Property, Plant and Equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. The Authority has three PFI schemes on its Balance Sheet - Crawley Schools, Recycling and Waste Handling and Street Lighting.

The original recognition of these assets at fair value was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Authority. The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year debited to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance cost an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Contingent rent increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payments towards liability applied to write down the Balance Sheet liability towards the PFI operator
- Lifecycle replacement costs proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

(x) Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract
- Supplies are recorded as expenditure when they are consumed where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where income or expenditure is to be recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. The Council has applied a de minimis threshold of £10,000 for all manual accruals of income and expenditure.

Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. An examination of debtors outstanding at 31 March has been undertaken and an allowance for doubtful debts has been made.

Under local management arrangements, school accounts have been closed shortly before the end of the reporting period. Consequently, school income, expenditure, debtors and creditors are shown on an estimated basis.

(xi) Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Authority's arrangements for accountability and financial performance.

(xii) Reserves

The County Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund balance in the Movement in Reserves Statement.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund via the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

(xiii) Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority recognises the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settling the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

(xiv) Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

(xv) Financial Instruments

a) Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

b) Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI) the Authority has currently not designated any financial asset into this category.

The Authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost:

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument, and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For most of the financial assets held by the Authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The Code includes a number of provisions for the accounting of soft loans (loans made to voluntary organisations at below market rates), primarily relating to the recognition of foregone interest. The Authority's policy is to apply the materiality concept of the Code, and so has decided not to adopt any of these provisions for soft loans below £500,000. Any such loans are therefore accounted for as per other assets measured at amortised cost as set out in the previous paragraph.

Expected Credit Loss Model:

The Authority recognises expected credit losses on all of its financial assets held at amortised cost (or FVOCI when applicable), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables held by the Authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. No loss allowance is recognised for assets where the counterparty is central government or a local authority whereby relevant statutory provisions prevent default.

In addition to financial investments, whereby risk is mitigated through the creditworthiness policy contained within the annually approved Treasury Management Strategy, the Authority may agree loans to third parties (organisations or individuals) when considered to be of an economic or social benefit to the local area. The Authority will assess the expected credit loss by loan (or group of loans where considered to be of similar nature) on a 12-month or lifetime loss model dependent on the risk level applied to the loan(s).

Financial Assets Measured at Fair Value through Profit or Loss:

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument, and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services.

In November 2018 the Ministry of Housing, Communities and Local Government announced a statutory override applicable to English Local Authorities regarding fair value movements on pooled investments funds, covering a five year period commencing 1 April 2018. During the period of the statutory override, the Authority will transfer all fair value movements recognised in the Surplus or Deficit on the Provision of Services relating to pooled investment funds to the unusable Financial Instruments Revaluation Reserve (or, for equity investments, to the Capital Adjustment Account).

Fair Value Measurements of Financial Assets:

The fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the Authority's financial assets are based on the following techniques:

- Instruments with quoted market prices the market price
- Other instruments with fixed and determinable payments discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs quoted prices (unadjusted) in active markets for identical assets that the Authority can access at the measurement date
- Level 2 inputs inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly
- Level 3 inputs unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

(xvi) Cash and Cash Equivalents

Cash and Cash Equivalents represents cash in hand and cash equivalents, defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are not held for the purposes of an investment gain, but rather are retained so that the Authority has monies available to settle its liabilities. The Authority therefore recognises as cash equivalents only those deposits held for the purposes of cash management and repayable without penalty on notice of not more than 24 hours.

Deposits made for the purposes of securing an investment gain are classified as Short Term Investments.

Bank overdrafts form an integral part of the Authority's cash management and are therefore consolidated within net Cash and Cash Equivalents as presented in the Authority's core financial statements.

(xvii) Schools

The Code confirms that the balance of control for local authority maintained schools (as identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. Therefore schools' transactions, cash flows and balances are recognised in the single entity financial statements of the Authority as if they were the transactions, cash flows and balances of the Authority.

(xviii) Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

(xix) Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

(xx) Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year.

The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy, and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

(xxi) Post-employment Benefits

Employees of the council may be members of four separate pension schemes:

- the Local Government Pension Scheme, administered by West Sussex County Council;
- the Firefighters' Pension Scheme, administered by West Sussex County Council;
- the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE);
- the National Health Service (NHS) Pension Scheme, administered by the NHS.

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

However, the arrangements for the Teachers' and NHS Pension Schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The schemes are therefore accounted for as if they were defined contribution schemes, and therefore no liability for future payments of benefits is recognised in the Balance Sheet. The employer contributions payable to the respective scheme administrators is recognised as an in-year expense against the appropriate service line in the Comprehensive Income and Expenditure Statement.

The Local Government Pension Scheme and The Firefighters' Pension Scheme

The Local Government and Firefighters' Pension Schemes are accounted for as defined benefit schemes:

- The liabilities of the respective schemes attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method (i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees).
- Liabilities are discounted to their value at current prices, using an appropriate discount rate.

The assets of the Local Government Pension Scheme attributable to the Authority are included in the Balance Sheet at their fair value:

- Quoted securities current bid price
- Unquoted securities professional estimate
- Unitised securities current bid price
- Property market value

The change in the net pensions liability is analysed into the following components:

Service cost, comprising:

- Current service cost the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- Past service cost the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

Remeasurements, comprising:

- The return on plan assets excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Actuarial gains and losses changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows, rather than as benefits earned by employees.

(xxii) Early Retirement Costs

The County Council's policy is to charge the full costs of early retirement to the relevant service at the earliest date. The Local Government Pension Scheme allows authorities to spread these costs over three years, but in keeping with the policy aim, these are recognised in full in the year they are incurred. This discretion does not exist for the Firefighters' Pension Scheme, where regulation requires that the costs are spread over three years to smooth the volatility of variable numbers of ill-health retirements.

(xxiii) Senior Officer Remuneration

The Code contains requirements for the disclosure of the remuneration of higher paid officers. However, these requirements are derived from (and supplemented by) the overarching requirements of the Accounts and Audit Regulations:

• For England – regulation 7 of the Accounts and Audit Regulations 2015 (as specified in Schedule 1 SI 2015/234)

There are two related disclosures required by the regulations:

- Figures for the number of officers whose remuneration was £50,000 or more, grouped in £5,000 bands (starting at £50,000)
- The individual remuneration of senior employees.

Disclosure of senior officers' remuneration in made on an accruals (rather than cash) basis in line with the definition of remuneration provided by the regulations, which states that remuneration is to include "all amounts paid to or receivable by a person..."

The regulations dictate that the disclosure of remuneration by category must be made by reference to individuals, with the following proviso:

- Where the senior employee or relevant police officer's salary is £150,000 or more per year, they must be identified by name and job title
- Where the senior employee's salary is less than £150,000, only their job title must be disclosed.

(xxiv) Prior Period Adjustments and Changes in Accounting Estimates

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change, and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

(xxv) Fair Value Measurement of Non-Financial Assets

The Authority measures some of its non-financial assets (such as surplus assets and investment properties) and some of its financial instruments (such as equity shareholdings) at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date
- Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 unobservable inputs for the asset or liability.

(xxvi) Joint Operations and Other Pooled Budgets

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly

In April 2015 the West Sussex Better Care Fund was established. This is a joint operation between the Authority and three NHS Clinical Commissioning Groups to provide integrated health and social care support within the area. West Sussex County Council acts as host in the arrangement, but shares control with each partner and as such accounts only for its share of the Fund's income, expenditure, assets and liabilities in its accounts.

The Authority is also part of three other pooled budget arrangements with NHS bodies to provide services in the local area. In two of these partnerships, established for the provision of services relating to Learning Disabilities and Telecare, the Authority acts as lead commissioner, and has control of the decisions of how the pooled funds are applied. As such, the Authority accounts for all of the expenditure of these funds in its financial statements. Funding contributed by partners is recognised as revenue in the Authority's accounts. The third agreement, for the provision of Mental Health services, is hosted by the NHS, and as such the Authority accounts only for its contribution to the pooled budget.

(xxvii) Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period the Statement
 of Accounts is not adjusted to reflect such events, but where a category of events would
 have a material effect, disclosure is made in the notes of the nature of the events and their
 estimated financial effect

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

(xxviii) Local Enterprise Partnership

Until 30 September 2018, the Authority acted as Accountable Body to the Coast to Capital Local Enterprise Partnership (LEP), a company limited by guarantee which aims to influence local economic priorities and lead economic growth and job creation through partnership working across the public and private sectors. As part of its duties as Accountable Body, the Authority had responsibility for ensuring that all decisions and activities undertaken by the LEP complied with all relevant laws and funding conditions.

The financial and operating policy decisions of the LEP are taken by its Board of Members, as delegated through the LEP's Assurance Framework. During its time as Accountable Body the Authority received income and incurred expenditure on behalf of the LEP, but did so acting merely as an intermediary, and therefore it has accounted for the LEP as an agency arrangement. As such, transactions incurred by the LEP are excluded from the single entity financial statements, and the Authority accounts only for the grant awarded to it by the LEP and the associated expenditure.



West Sussex Pension Fund

Summary of significant accounting policies

Fund Account – revenue recognition

a. Contribution income

Normal contributions, both from members and employers, are accounted for on an accruals basis. Member contributions are accrued at the percentage rate in accordance with the LGPS Regulations 2013. Employer contributions are accrued at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

Employer secondary contributions are accounted for on an accruals basis.

Employers' augmentation contributions and pensions strain contributions are accounted for in line with the payment schedule. Any amount due in year but unpaid will be classed as a current financial asset.

b. Transfers to and from other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the reporting period and are calculated in accordance with the Local Government Pension Scheme regulations.

Individual transfers in/out are accounted for when received/paid which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase Scheme benefits are accounted for on a receipts basis and are included in transfers in.

Bulk (group) transfers, where relevant are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c. Investment income

i. Interest income

Interest income is recognised by the Fund as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii. Dividend income

Dividend income is recorded on the date that the shares are quoted as ex-dividend. Any amount not received at the end of the reporting period is disclosed in the Net Asset Statement as an investment asset.

iii. Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received at the end of the reporting period is disclosed in the Net Asset Statement as an investment asset.

iv. Property-related income

Property income consists primarily of rental income and is accounted for on an accruals basis

v. Movement in the net market value of investments

Changes to the net market value of investments (including investment properties) are recognised as income or expense and comprise all realised and unrealised profit/loss during the year.

Fund Account - Expense items

d. Benefits payable

Pensions and lump sum benefits payable include all amounts known to be due at the end of the reporting period. Any amounts due but unpaid are disclosed in the Net Asset Statement as current liabilities.

e. Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as an expense as it arises.

f. Management expenses

The Code does not require any breakdown of Pension Fund administration expenses. However in the interests of greater transparency, the Fund discloses its Pension Fund management expenses in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016)

Administrative expenses

All administrative expenses are accounted for on an accruals basis representing the annual charge relating to the Capita Pensions Administration, staff costs for officers related to interaction with employers and associated management, accommodation and other overheads relating to those officers.

Oversight and governance costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are recharged. Associated management, accommodation and other overheads are apportioned to this activity. The Fund's external advisor fees are also included in oversight and governance costs.

Investment management expenses

All management expenses are accounted for on an accruals basis.

Fees of the external managers and custodian are agreed in the respective mandates governing their appointment and are mainly based on the market value of the investments under management and therefore increase or reduce as the value of these investments change.

In addition the Fund has negotiated that an element of Baillie Gifford's fee is performance related. Baillie Gifford's performance related fees were £5.7m in 2018/19 (2017/18 - £5.4m).

The cost of the County Council's in-house treasury management team is charged to the Fund based on a proportion of time spent by officers on treasury management. This is included in investment management costs.

Net Asset Statement

g. Financial assets

Investments are shown on a fair value basis as at the reporting date. A financial asset is recognised in the Net Asset Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised. The values of investments have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures* (PRAG/Investment Association, 2016).

h. Freehold and leasehold properties

Properties have been valued at the reporting date by independent external valuers, on the basis of fair value as required by the International Financial Reporting Standards (IFRS). See Note 16 for more details.

i. Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currency have been recorded at the spot exchange rate and translated into sterling at the rate ruling at the date of the transaction.

End of year spot market exchange rates are used to value cash balances in foreign currency, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

j. Derivatives

The Fund does not invest directly in derivatives. However, the Fund may use derivatives to assist with the efficient transition of portfolio assets during a portfolio restructure or fund manager change.

k. Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of change in value.

The day-to-day activity of the fund managers includes forward dated trades which means that assets and liabilities can be generated with a settlement date falling outside the accounting period. This is reflected in the accrued values for investments shown in the statements.

I. Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Asset Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in fair value of the liabilities are recognised by the Fund.

m. Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Scheme actuary. As permitted under IAS26 the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Asset Statement (Note 20).

n. Additional voluntary contributions

Some members of the Scheme have made additional voluntary contributions (AVC) to boost the value of their pensions. These have been invested separately with Standard Life Assurance and Equitable Life Assurance Society and are not included in the Pension Fund accounts but are disclosed as a note (Note 23).

o. Contingent assets and contingent liabilities

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent assets and liabilities are not recognised in the Net Asset Statement but are disclosed by way of narrative in the notes (Note 25 & 26).

Regulation, Audit and Accounts Committee

23 March 2020

Draft Annual Governance Statement 2019/20

Report by Director of Law and Assurance

Executive Summary

This report presents a draft Annual Governance Statement 2019-20. The Committee's views are sought on the current draft ahead of its finalisation for the next meeting.

Recommendation

The Committee is asked to comment on the draft Annual Governance Statement for 2019-20.

1. Background

- 1.1 The County Council is required pursuant to the Accounts and Audit (England) Regulations 2015 to produce a broad based Annual Governance Statement.
- 1.2 The Annual Governance Statement is an important and integral part of the County Council's Corporate Governance regime, providing a review of the effectiveness of the County Council's internal control systems and gives assurances about how effectively they operate.
- 1.3 The first draft of the Annual Governance Statement 2019-20 is included at Appendix A.

2. Draft 2019/20 Governance Statement

- 2.1 The draft annual governance statement for 2019/20 addresses in more detail the requirements arising from the Children's Commissioner's report published in December 2019 in so far as they affect the areas of assurance the Statement needs to address.
- 2.2 The Statement for 2019/20 must be approved alongside the publication of the accounts by the end of July 2020 and a draft Statement must be available prior to the start of the period of inspection of the Council's accounts (i.e.no later than 1 June). The final report will therefore be brought to the Committee for approval at its meeting in July 2020.
- 2.3 The outcome of the previous year's action plan will be reported in July and the directors' assurance statements will be collected in April/May, so both sources will be used to inform the new action plan, which will be also presented in July.

3. Resource Implications and Value for Money

3.1 None arising directly from this report.

4. Equality Duty

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

5. Risk Management Implications

5.1 There are risks associated with services not addressing key recommendations arising from the Annual Governance Statement. As key initiatives within the AGS feature of the Strategic Risk Register each are monitored and assessed through the council's risk management processes.

Tony Kershaw

Director of Law and Assurance

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Appendices

Appendix A- Draft Annual Governance Statement 2019/20

Background Papers

None

Annual Governance Statement 2019/20

Executive Summary

The Annual Governance Statement (AGS) explains the processes and systems which are intended to give assurance for the effectiveness of the County Council's discharge of its responsibilities. It covers the period 1 April 2019 to 31 March 2020.

A summary of assurance is given for each of the seven principles on which the Statement is based.

Set out at the end of each of the Corporate Governance principles are the actions to address the issues which have been identified within the year which will further strengthen the governance arrangements for the County Council.

Responsibility for Assurance and Approach

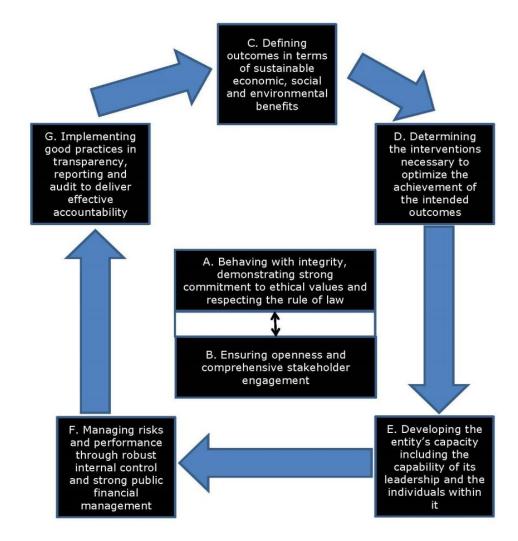
- 1. The County Council must ensure it functions in accordance with the law and proper standards and that public money is safeguarded, correctly accounted for and used economically and efficiently. It must ensure the proper governance of its affairs (including as pensions administrator), the effective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

The Purpose of the Governance Framework

3. The governance framework comprises the rules, procedures, systems and processes by which the Council is managed and controlled. The quality of the framework underpins the level of trust in public services. It enables the Council to show how it discharges its responsibilities for members, partners, stakeholders and residents. The AGS provides an opportunity for the County Council to examine that framework in order to assure itself that the arrangements for its governance are sufficiently robust.

The Governance Assurance Framework Principles

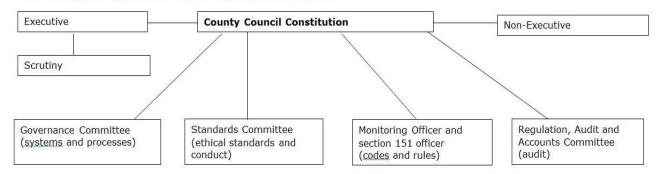
4. There are seven principles and sub-principles of Corporate Governance adopted by the Governance Committee from the framework and set out below. Assurance for how they are met is provided in the text below each principle. Further work to be done is also highlighted and set out in the table in the appendix.



The County Council's Governance Framework

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

The Governance Framework at West Sussex County Council



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

Assured (in part)

The County Council has adopted high standards for sound governance as set by statute and regulation, government guidance and the courts. It promotes a culture of compliance.

The Council's codes of conduct set out expectations and requirements for behaving with integrity for both members and officers. Certain of the key elements of these arrangements require further action to provide assurance that they are implemented fully and correctly.

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

and effectiveness of that policy is overseen by the Standards Committee. Its effectiveness and visibility for staff are not sufficiently clear and action is being taken to refresh and ensure visibility of the policy. This has involved the engagement of an external specialist resource to provide independent assurance and benchmarking for the Council's arrangements.

- 12. Officer interests, including gifts and hospitality, should be published on the County Council's website annually. This has not happened for some time. Mechanisms for recording officer interests, gifts and hospitality were last reviewed in June 2018 and endorsed by the Standards Committee. A new system for recording gifts, hospitality and officer interests has been implemented through an internal sharepoint site. It requires regular action by Directors to ensure consistency and to facilitate publication as currently this is not consistent across the organisation. Action is taken each year as part of the AGS preparation to reinforce the importance of recording officer interests fully and consistently.
- 13. The Council's Standing Orders on Contracts and Procurement and the Financial Regulations and Procedures provide rules for lawful and sound processes for entering contracts and making financial commitments. These are enforced, managed and reviewed by the Monitoring Officer and Chief Financial Officer in consultation with the Regulation Audit and Accounts Committee and supported by the Procurement Board (a group of senior officers including the two statutory officers). This provides a single process for overseeing procurement planning, compliance with due process and consistency of procurement best practice. The appointment of a new chief executive in January 2020 and a commissioned external governance review starting in February provides an opportunity to review these areas of strategic governance and a review of options for restructuring of the Corporate Leadership Team.
- 14. The Officer Scheme of Delegation is held under regular review by the Chief Executive and the Monitoring Officer, with any new delegations being for agreement of the Governance Committee. Of greatest significance for the last period has been the re-establishment of the statutory director of children's services as an executive leadership role, reporting to the Chief Executive and accountable for the full extent of Children's Services.

Principle A (integrity and compliance)

i. To complete the refresh of the whistleblowing procedures	Director L&A
ii. To ensure full implementation of gifts and hospitality	Director L&A
recording	
iii. To embed the role of the statutory director of children's	Director L&A
services in the Executive leadership team	
iv. To review the scheme of delegation as part of the external	Director L&A
council governance review.	

SECTION B: Ensuring openness and comprehensive stakeholder engagement

Assured (in part)

The County Council exists to serve its residents and is dependent on a wide range of stakeholders for working effectively in partnership. Consultation and engagement mechanisms are in place.

The County Council has clear decision-making processes and rules and procedures to enforce them which emphasise openness and transparency. The means of ensuring compliance requires further attention.

Recent changes to improve the scope and focus of partnership working in specified areas, most significantly in relation to services for children in need and at risk of harm and the responsibilities of the Council as corporate parents for children in care will continue to be reinforced. Additional areas which will benefit from a more coherent partnership approach are set out below.

Decision-making and Scrutiny

- 15. The **County Council** is the ultimate decision-making body and the principal forum for political debate. All County Council meetings take place in public and are webcast. The County Council sets the strategic aims that form the Policy Framework. It also determines the Council's budget following a well-developed process of member engagement and scrutiny. The form and timing of member engagement in the budget planning process for the 19/20 was widely welcomed by members.
- 16. The **Executive** takes decisions on most matters of Council policy and service delivery. For the Cabinet, a new way of working was established in 2019/20, with many executive decisions being taken collectively rather than individually. The non-executive responsibilities of the council are discharged through its non-executive committees as described in the Scheme of Delegation. The County Council appoints members to **scrutiny committees**, by which the Executive is held to account through member overview and scrutiny. From 2020/1, a fifth scrutiny committee, dedicated to scrutiny of the Fire and Rescue Service, has been established. Scrutiny committees are politically proportionate. Chairmen and vice-chairmen are mainly from the majority group, appointed by the relevant committee from April 2020. The Council has a proactive approach to effective scrutiny by enabling members to identify significant decisions or proposals to be previewed rather than called in for questions after the decisions have been proposed in final form. All Scrutiny meetings take place in public are webcast. Webcasts are available for up to six months of the County Council meetings and of Cabinet, Scrutiny and Planning Committee meetings. A comprehensive review of scrutiny was carried out in 19/20 informed by two external advice bodies – one focused specifically on Fire and Rescue in light of the recent HMI Inspection.

- 17. **The Forward Plan** describes all significant (key) decisions planned to be taken in the following four months and is published and updated at least monthly. The Forward Plan has been revised to provide a clearer format in line with corporate priorities. The Forward Plan is used by Scrutiny Committees to help plan business. Revisions have also been made to the decision report format, to enhance the financial context and to highlight links to corporate priorities and to comply with rules on accessibility. As decisions become more significant in terms of service changes and savings proposals there is a greater need to ensure early awareness by and engagement for all members, but especially those on the relevant Scrutiny Committee. Further work will be done to enhance the profile of the Forward Plan so that proposals, timings and recommendations are clearly set out.
- 18. Decision-making operates with a presumption of openness. Cabinet and Committees are held in public and any individual executive decisions are published on a daily basis on the County Council's website. The Council uses an electronic notification system to automatically notify subscribers to meetings or actions by the Council in which they have expressed an interest. Agendas and reports for Cabinet and committee meetings are published at least five clear working days in advance exceptions are explained in public documents. The use of powers to exempt information from publication or allow a committee to meet in private is minimised, being used when necessary and only after senior officer authorisation. The Cabinet now meets on a monthly basis to take collective decisions in public.
- 19. Decisions and agendas are held on the website for six years. The content management system, Modern.Gov, is the principal method of publishing the Forward Plan, decisions, agendas and minutes. Members and staff now have portable devices which can easily access Modern.gov information. The Constitution also prescribes the rules and constraints around urgent decisions (including those not notified in the Forward Plan) and the form and content of decision reports. This system is not conducive to openness and transparency and its use is kept to a minimum and reported to the next County Council meeting.
- 20. **Communication to the public** is via the Council's website, in public meetings and through social media. The Council's website was last revised in April 2015 and a drive for 'digital by design' (i.e. online services for residents) is being pursued as part of plans for service transformation and re-design to support residents' needs. Public consultation on proposals is addressed below. The extent of progress in the digitization of customer and resident engagement with the Council will need to be monitored.

Stakeholders and Partnership

21. The County Council works with a range of stakeholders. This includes a range of public bodies, local authorities, the NHS and Sussex Police. Other tiers of local government are important partners in many areas of service delivery, strategic planning and community development. There are both formal and informal forums in place for regular liaison with elected

members and senior officers in the district and borough councils, including regular meetings of all of the leaders of the councils (West Sussex Leaders' Board), to discuss issues of common interest and regular meetings of all chief executives (West Sussex Chief Executives Board). Public awareness of the output from such partnerships is through the 'District Deals' which are the formal partnership plans for each district or borough area. A particular council partnership to manage and deliver the retained business rate pool has specific joint governance arrangements for which joint scrutiny will need to be better defined and planned.

- 22. Regular meetings with other **partners**, most notably the Clinical Commissioning Group of the NHS, are held at various levels and between Members and officers on operational, commissioning and service planning. For a number of years the Council has operated a joint service commissioning and pooled budget agreement with the NHS to cover a range of social care and NHS services. The terms of reference and membership of the **Health and Wellbeing Board**, the principal forum for health and social care liaison and partnership, have been revised to enhance this key partnership. In addition, a Joint Health and Wellbeing Strategy was developed to set out the Board's vision and this is being promoted and disseminated within the Council and through its various corporate and partnership initiatives.
- 23. In the area of **Children's Services** the partnership arrangements were noted last year as inadequate and the areas of focus for partnership working largely limited to operational practice. As part of the action arising from the Ofsted Report and subsequent Children's Commissioner Report reviews of children's services from early years to permanence planning are receiving a more effective focus on partnership and joint working. Significant work has been identified and plans for improvement implemented in response to these recent external requirements which reports to an independent Improvement Board chaired by the Children's Commissioner. A comprehensive improvement plan is in place for delivery. This is now extended to areas of strategic and service planning to support work on improvement for areas of children's services considered inadequate and for the establishment of an independent children's trust in accordance with the Direction from the Department for Education issued in November 2019.
- 24. **County Local Committees** are an important forum for local decisions and for elected members to discuss local matters with residents and stakeholders. The eleven CLCs have executive decision-making powers delegated to them mostly around highways matters and allocation of grant funding. Some minor changes were implemented following a review in the last year. As locally based evening public meetings, meeting three times a year, they are an important forum for community engagement.
- The County Council has set out its commitment to working in partnership with residents, businesses, communities, the voluntary and community sector and local authority partners through a number of initiatives. It has a set of Partnership principles with the voluntary sector for the

commitment to more effective ways of working together, building stronger alliances and empowering joint action.

Consultation and engagement in West Sussex

- 26. The County Council wants to work with residents, businesses, communities, service users and partners to help prioritise what it does, to have a say over the approach and to get involved in delivery and change. This requires sound arrangements for engagement and consultation. A regular survey is carried out to inform the County Council of residents' priorities at a relatively high level, more focused engagement being through service led consultation.
- 27. The Council uses a variety of ways to engage residents and other stakeholders publications (printed and digital), press releases or social media to keep people informed of plans or decisions. The Council uses various methods to seek people's views: questionnaires, public events, workshops, focus groups, satisfaction surveys, and feedback forms.
- 28. **Consultation and Engagement Quality Assurance** is a set of processes to ensure services are supported to plan and implement projects which are robust and produce reliable and valid data upon which decisions can be made. It includes methodological and ethical requirements and, before projects go live, services must seek advice to ensure they have assurance for consultation and engagement. An audit of compliance with and effectiveness of the assurance framework will be regularly undertaken.

Formal consultation

- 29. Formal consultation will generally only be undertaken where there is a statutory duty or legitimate expectation, and where there is a service or policy need to do so. Consultations are carried out in accordance with current national Consultation Principles guidance, the Council's Statement of Community Involvement, which was reviewed in 2018. Individual services are required to maintain open channels of communications with relevant stakeholder groups and representative bodies where relevant to service planning.
- 30. All formal public consultations are made accessible online using the 'Have Your say' consultation hub software which meets externally set ratings. They are also published on the County Council's News and Press Release webpages. Consultation materials are made available in different formats upon request to meet individual communication needs. The Council ensures compliance with the public sector equality duty through the arrangements for processing and securing formal key decisions although consistency and appropriateness of use requires further attention for compliance. Additional work is also required to ensure compliance with the public sector equality duty in other areas of Council decisions and policy planning.

- 31. The information gathered is analysed and considered as part of the decision-making process, the protocol for which can be found in the Constitution here. Analysis reports and decisions are made available on the Have Your Say Consultation webpage here as a means of closing the 'feedback loop' and increasing trust in decision-making processes.
- 32. Action was taken to increase the effectiveness and impact of the Quality Assurance process include:
 - Increasing awareness of the Quality Assurance Process.
 - Incorporating a Data Protection Impact Assessment
 - Raising awareness of the need to comply with new online accessibility legislation
 - Identifying areas of sensitivity for greater attention.
 - Raising awareness of the benefits of pre-engagement before consultation.
 - Performance targets and evaluations of consultation and engagement
 - Improving skills in different methods of engagement and analysis.
 - An online Quality Assurance application process for external organisations
 - Work has been undertaken to improve both understanding of, and compliance with, the public sector equalities duty. Further work will be undertaken during the coming year.

These will be reviewed to assess the effectiveness of the measures.

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

Governance Review and issues for Assurance

34. In light of the recommendations from the Children's Commissioner's report of December 2019 and subsequent discussions with the Ministry of Housing, Communities and Local Government a review of the Council's governance, leadership and culture has been commissioned. This will take stock of a number of areas of concern raised by the Commissioner and which have implications for the County Council's improvement plans in critical areas of service, including those raised in the inspection report from Her Majesty's Inspectorate of Constabularies and Fire and Rescue Services (HMICFRS). The review will also review the recommendations from and action arising from the 2018 Peer Review.

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

Principle B (openness and engagement)

i.	Implement actions arising fron	n the Governance Review	TBA
ii.	Implement actions from Impro	vement Plan for FRS	CFO/CEx

iii.	Identify and implement actions related to planning for	CEx
	Children's Trust	
iv.		
٧.		
vi.		
vii.		
viii.		
ix.		
Χ.		

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

Assured (in part)

The County Council has settled arrangements to define outcomes and monitor performance against agreed measures.

In setting policies and strategies, the County Council takes a long term view of outcomes, taking into account sustainable economic, social and environmental aims and has effective, comprehensive performance monitoring in place.

The West Sussex Plan was prepared and adopted during 2017/18 to the period 2021/22 and reports progress to the Full Council (July) meeting on an annual basis in the form of an Annual Report.

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

- 35. The West Sussex Plan 2017-2022 outlines the priorities for the County Council and how they are to be assessed in terms of delivery measures. It was confirmed by the County Council in October 2017 and is subject of an Annual Report to full Council in July 2018 and is reported to full Council each subsequent July meeting. The Plan was developed by the Cabinet with the engagement of elected members and staff at all levels. Measures and targets were developed in liaison with the Performance and Finance Scrutiny Committee and are published on-line.
- 36. The West Sussex Plan is implemented through the Directorate Business Planning process and arrangements for regular reports to Cabinet Members, scrutiny committees and the Executive Leadership Team. Performance monitoring is undertaken principally through the report called the Total Performance Monitor. West Sussex Plan key performance indicators are published online on a regularly basis.
- 37. **Total Performance Monitor** Detail of its use and the data monitoring and analysis undertaken by the Council are shown in section D. Active

monitoring of performance is undertaken through regular reviews of business plans and with all staff through the individual staff appraisal process. The appraisal arrangements link to performance and regular reviews of business plans. Cabinet Members review monthly the Total Performance Monitor and it is scrutinised quarterly by the Performance and Finance Scrutiny Committee in addition to being available for review by the service focused overview and scrutiny committees. (See also paragraphs 46-47).

- 38. A review of the effectiveness of scrutiny by members, executive and at Scrutiny Committees will be undertaken so as to ensure members have the tools, skills and support to undertake effective performance monitoring and the verification of performance reports and other sources of assurance in the context of agreed priorities and outcomes.
- 39. West Sussex County Council is committed to championing the economy of the area. One of its priorities is to ensure West Sussex is a prosperous place, and for the county to continue to thrive the Council aims to support businesses. The **Economic Growth Plan**, agreed in June 2018, sets out the County Council's priorities in driving economic growth to support a prosperous place. The Plan covers the period 2018/19 to 2022/23 but, in determining which activities and investments to prioritise over the period, a longer-term view of opportunities and challenges is taken.
- 40. Partners and stakeholders have contributed to the development of the Economic Growth Plan, including the district and borough councils, the Coast to Capital Local Enterprise Partnership, the South Downs National Park Authority, further and higher education institutions, and business representative organisations. Working with these partners is crucial in the Council's determination to support the business community and ensure growth for the West Sussex economy and requires further attention to the partnership areas of focus referenced in Section B above.
- 41. The County Council's **Sustainability Strategy** was adopted in December 2015 as the Council's commitment to help achieve sustainable outcomes. The Strategy recognises the value of the environment of West Sussex, and the social and economic benefits that enhancing the environment can bring. It also acknowledges that resources are limited, and that it needs to do all it can to deliver its services in an efficient and effective way to ensure value for money.
- 42. Following the County Council's Notice of Motion on <u>climate change</u> adopted in April 2019, the Cabinet Member agreed to work starting to research and prepare an environment and climate change strategy. A high level gap analysis showed opportunity to strengthen work on the natural environment. the analysis identified there are three key priority areas: 1. Climate Change; 2. Sustainable Resources and 3. Natural Capital. In addition several core principles have been formulated to underpin the delivery of the plan.
- 43. The priority of embedding sustainability within the County Council is critical for the achievement of the West Sussex Plan objectives. This was

- reviewed for effectiveness during 2019 and the emerging strategy and identified principles will continue to deliver on this process.
- 44. The Council has a **Social Value Policy** which identifies and explains the benefits of ensuring that policies, business plans and service decisions and procurements consider and address their impact upon local communities, the local economy, the lives of residents and the places of the County. The policy was first developed in 2015 but was never fully finalised or adopted into procurement practice or processes. The policy is currently undertaking a refresh which should be completed in the first half of 2019.

Principle C (defining outcomes and benefits)				

SECTION D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Assured (in part)

Sections D and E should be read together with particular reference to the governance challenges raised by the various reviews and external service inspection reports during 2018/19.

Interventions for improvement in relation to Children's Services and the Fire and Rescue Service have been a particular focus aligned with the challenge to address capacity and capability in these service areas and in other critical areas of the County Council.

The County Council takes decisions on interventions based on its published West Sussex Plan setting outcomes for services and defining actions and targets for achieving them within budget constraints. These include service improvements and the corporate transformation plans. Proposed interventions are recorded through Directorate Business Plans to plan timely outcome delivery. These are overseen by the Improvement Boards. In areas identified for improvement to achieve commitments to levels of quality and outcomes in areas of service judged to require specific and urgent attention systems for governance, oversight and scrutiny of interventions will be given particular focus. These include the Improvement Plan for Children's Services and also for the Fire and Rescue Service and associated governance.

- 45. All Directorates prepare and monitor Business Plans which set out the actions required to meet the outcomes set in the West Sussex Plan and the targets measures and milestones used to monitor their delivery. These are reviewed on an annual basis.
- 46. The public facing **Performance Dashboard** provides details on progress on the key indicators of the West Sussex Plan. This is underpinned by the business assurance framework which, together with the corporate performance dashboard provide assurance that the Council's priorities are implemented in practice. The Cabinet reviews the performance dashboard as part of the Total Performance Monitor on a monthly basis prior to the TPM being scrutinised by the P&F Scrutiny Committee.
- 47. The **Total Performance Monitor** provides a regular overview of performance against the agreed priorities within the West Sussex Plan and tracks financial performance, to ensure that intended outcomes are kept in focus and expenditure controlled. The TPM focuses on the delivery of the following:
 - West Sussex Plan and Performance Measures
 - Medium Financial Term Strategy and in-year budget
 - Culture and Workforce
 - Transformation & Whole Council Design
 - Risks

- 48. A review of the levels of member satisfaction with the Monitor will be undertaken in the second quarter of 2019.
- 49. Executive (member or officer) **decision reports** provide the public record of all significant decisions to implement service plans and spend. They are required to show the intended outcomes, the rationale for the proposal, implications for Council resources, other options considered, advice received and consultation undertaken. They show how the proposal will achieve intended outcomes within available resources and within the risk management and policy framework requirements. They also record the legal and constitutional requirements for the Council's spending and service commitments. A revised report template was adopted in 2018, to better show financial context and alignment with corporate priorities. Further work was undertaken in 2019 following the output from the Children's Commissioner's report's comments on corporate governance and to take account of regulations on accessibility. This should provide a simpler format for authors and readers alike.
- 50. The Executive is supported by a number of officer boards chaired by senior officers to ensure oversight of strategic areas of Council business on behalf of the Executive Leadership Team. These boards co-ordinate strategic aims and the resources which support them as well as overseeing arrangements for the delivery of priorities at an officer level prior to member consideration. They comprise Boards to oversee capital programme planning and strategic procurement. Clearly described governance for delivering the capital programme and oversee individual schemes is also well established.
- 51. Additional action will be taken to clarify the governance of these Boards and their fit within the Scheme of Delegation and how they interact so as to provide greater understanding of their purpose and output for both officers and members and to ensure their effectiveness in delivering corporate aims in a timely and transparent way. This is consequent on the recently commissioned governance review.
- 52. Ofsted carried out an **inspection of Children's Services** in early 2019. Its report was issued in May 2019 and gave an inadequate rating to the overall effectiveness of the Service. Due to an earlier similar rating the Department of Education issued a statutory Direction to the County Council in relation to the service and appointed a Commissioner to report on the County Council's capacity and capability to improve. The Commissioner's report was published on 17 December 2019 and expressed concerns both about children's services and the County Council's corporate capacity to improve. The County Council has accepted the findings and is striving to improve services in liaison with the Commissioner and the Improvement Board he chairs. A new Leader was appointed in October 2019 and a new Chief Executive, a joint appointment with East Sussex County Council, was appointed in December 2019.
- 53. The County Council receives an update at each meeting during the implementation of the improvement plan. New chairs of the Children and

Young People's Services Select Committee and the Corporate Parenting Panel have been appointed, with the latter also undergoing a change of membership and approach to its work to ensure greater partner and stakeholder involvement. Across a range of related Council governance arrangements there will need to be a renewed focus on listening to the voice of the child, engagement with corporate parenting responsibilities and undertaking robust monitoring and scrutiny and performance management of services.

In November 2018 an inspection of the Council's Fire and Rescue Service was undertaken by Her Majesty's Inspector of Constabulary and Fire and Rescue Services. The report was published on 20th June 2019 and rates the service as requiring improvement in areas of service effectiveness and efficiency and as inadequate in relation to supporting its people. An Improvement Board chaired by the Chief Executive has been established and an Improvement Plan and Resource Plan has been approved. An inspection in February 2020 has found that the County Council is making encouraging progress to address the weaknesses identified in the 2018 inspection.

Principle D (interventions for outcomes)					
i.					

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

Assured (in part)

There have been actions taken in 2019/20, of most significance in areas related to service improvement in Fire and Rescue Service and Children's Services and the overall assurance for corporate capability and capacity to improve. This has included the appointment of a new Chief Executive, an experienced officer who has also continued in role as Chief Executive of East Sussex County Council.

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

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

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

- 55. Arrangements for the County Council's member appointments to specific roles are open and set out in the Constitution. The Council elects the Leader who decides the composition and responsibilities of the Cabinet. The Council makes appointments to all committees. Changes can be made at each Council meeting. All terms of reference are published. There is a system for reviewing and refreshing all constitutional terms of reference for committees and boards which transact Council business.
- 56. **Member roles** Executive and non-executive roles are defined and published within the constitution and as part of the Members' Information Network database (the Mine). The member induction and training programmes cover these. All member development sessions have attendance and feedback recorded. Materials from the session such as presentation slides are made available to all members on the Mine.

- 57. The knowledge and development needs of members are identified and addressed through a cross-party **Member Development Group**. This group reports to the Governance Committee and oversees the delivery of a planned programme of development sessions to meet identified member training needs, taking into account members' views on priorities through surveys and feedback. It reviews the impact of member development day sessions and identifies areas for improvement. Its reports and proposals are published as part of the Governance Committee's business.
- 58. A full induction programme was designed and implemented after the May 2017 elections. This covered members' strategic and local community roles, scrutiny skills, as well as specific training on the Code of Conduct, safeguarding and corporate parenting. More tailored induction is provided for members in specialist roles, including new members of the Executive and of Planning Committee, Pensions Panel and the Staff Appeals Panel.
- 59. Specialist training is given to members according to the roles they carry out. This includes training for Cabinet Members (the executive), scrutiny, members of the Regulation, Audit and Accounts Committee, Planning Committee, Rights of Way Committee and the Pensions Panel and Staff Appeals Panel. Disclosure and Barring Checks have been carried out on all members since the May 2017 election. Enhanced DBS checks are carried out for members in adults and children's services related roles. Training on adults and children's safeguarding is being provided for all members, with an online training module also available. Training was also provided to ensure awareness of data protection responsibilities.
- 60. In 2019/20, support and advice has been provided to members to ensure more measurable impact of service performance oversight and purposeful scrutiny. This has been in light of the work planned to address improvements in Children's Services and in Fire and Rescue Services. The work on addressing the role of elected members as corporate parents for children looked after by the Council has also been an area of particular focus.

Officers

61. Statutory roles include the designation of the Chief Executive as Head of Paid Service, the Director of Law and Assurance as the Monitoring Officer, and the Director of Finance and Support Services as Chief Financial Officer. Other critical statutory and leadership roles and their responsibilities are described in the Council's scheme of delegation. These include the Executive Director of Children, Young People and Learning and the Executive Director of People Services. All Directors and Executive Directors are required formally each year to give assurance as to their compliance and that of their Service with a range of requirements and expectations of them as senior leaders within the Council. These Statements of Assurance are integrated with the operation of this Annual Governance Statement and incorporate action plans for areas of intervention referred to in this Statement.

- 62. There have also been changes to post holders in some of the more significant posts during the year (notably the Chief Executive, the Chief Fire Officer, the newly created Executive Director of Children, Young People and Learning, with a permanent postholder starting in April 2020 and changes to the scope of the functions of the Executive Director Health and Social Care. The Monitoring Officer and Chief Financial Officer have a place on the Executive Leadership Team, which also comprises the three executive directors in addition to the Chief Executive and the Director of HR and Organisational Change. The Director of Public Health who reports to the Chief Executive regularly attends the ELT to ensure that public health is embedded across the County Council and its partnerships.
- 63. All levels of management within the Council have a designated role profile and these profiles are accessible via the Council's intranet (the Point). Officers are given copies of their roles on appointment and are supported through induction training, their personal development review and supervision in understanding and developing their roles. Internally published HR procedures cover all aspects of performance and procedure to support managers.
- 64. Personal development priorities are agreed through an appraisal process. There is an established programme of induction training for new staff. Training is available increasingly through an online learning system. The 'Manager Expectations' and 'Employee Expectations' documents were last used in September 2016 to set out the Council's expectations of officers. A Value Centred Leadership Programme was delivered to all senior managers. There have been subsequent changes to the plans and form of delivery of training and development for senior leaders in the Council.
- 65. Issues of capacity and service resilience to ensure service effectiveness are covered through workforce planning as part of Directorate business planning. Areas of particular risk are identified as part of risk management. Specific attention has been required over recent years to manage challenges in adults' and children's social care where both recruitment and retention have been problematic with expected adverse impact on service quality and consistency. Action to address these issues has seen improved retention during 2019/20.

Principle E (capacity and leadership)					

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

Assured (in part)

Risk management is robust overall but specific actions are required to align risk management with business planning and the corporate challenges facing the County Council.

The County Council has robust internal financial controls in place, displays strong public financial management and operates systems to manage risks and performance in the most effective manner.

Health and Safety is the focus of a recent and ongoing review to ensure improved systems and compliance.

- 66. The Constitution sets out the rules to ensure robust internal control over the Council's finances. The system and arrangements for performance management and budget monitoring demonstrate sound internal monitoring and control and have formal and well published arrangements for member and officer oversight and transparency.
- 67. The system of internal financial control is based upon a framework of comprehensive financial regulations and procedures which comply with the CIPFA "Good Practice Guide for Financial Regulations in a modern English Council". Control is maintained through regular management information, supervision, and a structure of delegation and accountability. External audit of the Council's accounts is robust and unqualified assurance has been given. The Council's financial management arrangements conform to the governance requirements of the CIPFA "Statement on the Role of the Chief Financial Officer in Local Government 2010." A continuous review is maintained. A full review of Financial Regulations and Procedures was undertaken in 2018 and a new version of Financial Regulations was approved by Regulation, Audit and Accounts Committee in July 2018.
- 68. Each Director is required to conduct a full review of internal governance systems for their area of responsibility, through an assurance mapping process. The statements made, based on the assurance mapping, are checked to identify Council-wide governance issues. Evidence of assurance given is supplemented in the Annual Assurance Statement for each directorate. These include actions for improvement. From both sources, significant governance implications are included in the Statement's action plan (this document).
- 69. The officer scheme of delegation is critical for the effectiveness of controls of spending and performance. It is kept under review by the Director of Law and Assurance. Directors are required to ensure and confirm the effectiveness of the scheme of officer onward delegation and have worked with the Director of Law and Assurance to ensure that there is shared

- understanding of the operation of delegations and the need to continually review them. Areas of action for greater clarity and assurance in relation to officer delegations are identified elsewhere in this report.
- 70. The County Council annually reviews the effectiveness of its governance framework including the system of internal control. The review is informed by the Head of Internal Audit's annual report 2019/20, by the external auditor and other agencies and inspectorates. These findings are brought together within this document and are reported annually to the Regulation, Audit and Accounts Committee. The Director of Law and Assurance is responsible for ensuring the effectiveness of the internal assurance arrangements and the implementation of actions identified by those arrangements. The Regulation, Audit and Accounts Committee undertakes the functions of an audit committee. This includes review of the work and findings of Internal Audit. The audit arrangements which support and reinforce financial controls and assurance are fully addressed in section G below.
- 71. The **Risk Management Strategy** is set out in the Constitution (Part 4 section 2) and describes the allocation of responsibilities between senior officers and elected members. It also summarises the system the Council has adopted for identifying, managing and categorising corporate risk. The operation of the scheme and concerns arising are reported quarterly to the Regulation, Audit and Accounts Committee as part of the regular reporting on the effectiveness of risk management arrangements. That Committee is responsible for reviewing the effectiveness of the Council's risk management arrangements. This also forms an essential part of the Total Performance Monitor reported to Cabinet and the Executive Leadership Team and routinely to the P&F Scrutiny Committee.
- 72. There is a separate requirement for material risks connected with proposals, policies and spending decisions to be formally identified with actions taken to manage such risks in all recorded and published decision reports (see paragraph 49 above).
- 73. Risk management is undertaken through robust directorate systems including the business planning process. The s.151 Officer who carries the operational officer responsibility for risk management. The Chief Executive is accountable to the Council for the effectiveness of the risk strategy.
- 74. The area of Health and Safety management and the corporate assurance arrangements for good Health and Safety policy and practice has been the subject of a significant review in the context of sound risk management.

Principle F (risk and performance)	
i.	

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

Assured

The County Council has transparent processes in place through publication of the Forward Plan of key decisions, of agendas and reports of its meetings and those of its committees and of its key decision reports on the website and the prominence given to reporting and enforcing of audit recommendations through the Regulation, Audit and Accounts Committee which meets in public.

The County Council has effective open data reporting arrangements to ensure the accessibility of significant spend, contractual and other data relevant to financial performance. Audit reinforces governance issues related to Children's Services and the Fire and Rescue Service.

- 75. All meetings of the Council and of the committees which discharge executive, non-executive or scrutiny functions take place in public and have their reports and minutes published on the Council's website. Cabinet Member and Committee decisions, agendas and reports are published on the website and are available to the press and public. This is driven by the publication of the Forward Plan of key decisions. A limited number of reports are considered in private session only when the subject meets the criteria. A summary of these is published and the rationale for non-disclosure made available.
- 76. The County Council has several separate bodies of which it is a part, which in 2019/20 included the LEP Joint Committee, the Local Government Pension Scheme ACCESS Joint Committee and the Sussex Police and Crime Panel. Each of these bodies abide by the Nolan principles and publish their agendas and minutes in an accessible place, which are linked from the County Council's website. This will also be ensured with any new Joint Committees, such as the recently established Waste Management Joint Committee with Mid Sussex District Council.

Review and Audit

- 77. The Regulation, Audit and Accounts Committee undertakes the functions of an audit committee. This includes review of the work and findings of Internal Audit. The Committee meets regularly and in public and holds officers to account for the timely implementation of audit recommendations.
- 78. Internal Audit provides an annual assurance opinion based on their delivery of a risk based internal audit plan. This includes adherence to established policies, procedures, laws and regulations. These are reported to the Regulation, Audit and Accounts Committee.
- 79. The Head of Internal Audit reports to the Director of Finance and Support Services. He also has direct access to the Chief Executive, Executive

Directors and other directors and has well-established reporting lines to members through the Regulation, Audit and Accounts Committee and quarterly to the Executive Leadership Team. Internal Audit is provided through an arrangement with Hampshire County Council, giving greater independence, resilience and capacity for this function.

- 80. Specific issues of performance or effectiveness in particular areas of critical service delivery or council governance have been raised during the year's internal audit work and have been summarised in the annual audit report being completed alongside this Governance Statement. This includes areas where limited or no assurance has been given. To the extent that the findings and recommendations are relevant to matters not otherwise covered in this Statement they are set out here and captured as part of the action plan to ensure alignment with the actions addressing issues of governance and internal process.
- 81. The Internal Audit annual report highlights specifically those areas where a limited assurance review has been issued, which link to areas identified in this Statement. (Those for 2019/20 will be finalised and added to the final version):
 - Xx
- 82. Any commonality with internal audit findings will be added to the final version.

Principle G (transparency audit and accountability)

Main Governance Issues for action or to note

83. In formulating this year's AGS a number of forms of evidence have been reviewed. Several of these are reported and monitored through the Regulation, Audit and Accounts Committee. Of particular note for the report are the various actions identified to address governance issues related to the findings of the Ofsted report on Children's Services and the HMI report into the Fire and Rescue Service. To avoid duplication such findings are not noted in this statement except where their implications could affect the overall effectiveness of the authority's governance procedures. The main governance issues identified are summarised at the end of each section as set out above.

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

Paul Marshall Leader of the Council July 2020 Becky Shaw Chief Executive July 2020

Annexe

Sources of Assurance and Actions

Key:

CIPFA = The Chartered Institute of Public Financing & Accounting

FSS = Finance and Support Services

HR&OC = Human Resources & Organisational Change

L&A = Law and Assurance

MDG = Member Development Group

RAAC = Regulation, Audit and Accounts Committee SOLACE = Society of Local Authority Chief Executives

Table of assurance for Principle A: Integrity and Compliance

Source of assurance	Where found	Who is responsible	Role	last review/ action planned*
Constitution	Web and Intranet	County Council and Director L&A	To provide single source of rules and procedure for lawful sound business and meeting management.	Complete review in 2018, fully revised content approved. This has simplified content and made the Constitution easier to navigate and use. No action.
Codes of Conduct	Constitution	Standards Committee & Director L&A	Define standards of behaviour and systems to enforce	Part of the Constitution review with minor changes to Member and Officer codes agreed in July 2018. Staff codes removed from the Constitution to align with all staff policies and processes. No action.
Whistleblowing (Confidential Reporting) Policy	Constitution	Standards Committee & Director L&A	Defines arrangements for any officer to report breaches of rules or standards confidentially	Last reviewed by the Standards Committee in June 2015 (minor updates agreed by Council July 2015). Refresh and awareness raising action for 2018 not completed. Priority for 2019*
Anti-fraud and corruption strategy	Constitution	RAAC & Director F&SS	Statutory obligations recorded and enforced	November 2015. Reviewed every 3 to 5 years. Need to identify timing and plan for this review.*
Anti-bribery policy	Constitution	Director L&A	Statutory obligations recorded and enforced	November 2015. Reviewed every 3 to 5 years. Need to identify timing and plan for this review.*
Register of Member Interests	Website	Director L&A	Statutory list of interests.	Scheme entries are updated on an on-going basis. Quarterly reminders to members to review entries last done in January 2020. No action.
Register of Officer Interests	Website	Director L&A	Record of financial and possible conflicting business interests	New system for record on sharepoint from March 2017. Publication arrangements need to be further reviewed early 2019* to ensure compliance.
Corporate Complaints Policy	Website	Chief Executive & Standards Committee	Describes mechanism for handling all complaints.	Part of customer experience review 2015. Complete system review completed 2017/18. A new annual report on complaints ready for Standards Committee in Summer 2020*

Source of assurance	Where found	Who is responsible	Role	last review/ action planned*
Staff Discipline policy	Intranet	Director HR&OC	Defines rules and procedures	New staff support policies to achieve single framework established in Spring 2019 following a full review. Action to roll out and embed 2019.*
Data Protection Policy	Intranet	Director F&SS	Defines rules and procedures	Revised for the new Data Protection regime in 2018. Review of practice and training to mitigate risk required*.
Freedom of Information policy	Intranet	Director L&A Director of Communities	Defines rules and procedures	January 2018. No action planned
Data Security & Accepted Use Policy	Intranet	Director F&SS	Defines rules and procedures	September 2014 Mandatory refresher training taken by staff in 2019. No current issues. No action planned
Standing Orders on Procurement and Contracts	Constitution	Director L&A	To prescribe the rules for all contracts and procurement activity	Full technical review in 2018, agreed by the Director of Law and Assurance and incorporated into the Constitution. No action planned
Procurement Board	Intranet	Director F&SS	To manage and plan strategic procurement	Procurement Pipeline in place. Contract management resources and capacity for review and action*. Move to programme management approach in preparation* Action to clarify internal governance between officer boards*.

Table of Assurance for Principle B: Openness and Stakeholders

Source of	Where	Who is	Role	last reviewed/ action planned*
assurance	found	responsible		
Scheme of Delegation	Constitution	County Council & Director L&A	To fully define who takes what decisions and how and how recorded.	December 2019. The Chief Executive has authority to alter officer delegations and structure. Revised guidance and system for onward delegation implemented April 2018. Action required to clarify officer delegations in context of senior officer boards in strategic areas (Procurement Capital, Transformation)*.
Forward Plan	Web site	Director L&A	Describes all planned key decisions for next 4 months	Revision made in 2019 to improve detail of proposals and impact greater certainty.
Protocol on decision making	Constitution	Director L&A	Describes arrangements for sound decisions.	Reviewed and incorporated in Standing Orders as part of the review of the Constitution, agreed by Council in July 2018. No action planned
Scrutiny Committee business planning	Scrutiny Committee reports	Performance and Finance Scrutiny Committee, Scrutiny Manager	Records planned scrutiny work.	Continuous with annual work programme published. Will consider as part of overall review of scrutiny capacity and approach*. Focus start on Children's services assurance arrangements*.
Openness and access to	Constitution and Website	Director L&A	Describes rules and process for ensuring	Rules in constitution revised in overall review 2018.

Source of assurance	Where found	Who is responsible	Role	last reviewed/ action planned*
meetings/ decisions.			transparency of record of business and access to meetings	Web casting of meetings increased to improve openness and accessibility. More public cabinet meetings for more key member decisions were launched in 2019.
Connections, public consultation, website, community liaison forums	'Have your Say' consultation hub, Website & Press releases	Head of Commun ications & Engagement	Communication to public	Website launched April 2015. New Consultation Hub launched October 2015. No action planned
Consultation Q&A system	Intranet	Chief Executive	Provide system and guidance for service consultation	Complete review in 2015. Review of Statement of Community Involvement in 2018. No action planned Adults and Children's Services to devise greater co-production with stakeholders in service planning*.
Partnership meetings, briefings and liaison	Some within Constitution. Records are held by relevant directorate	Relevant Director	Communication to partners	Continuous review and proposal to track external engagement plans better. Focused work to address in Children's and in Adult's and as part of overview of effectiveness of refreshed principles for partnership*.
Equality Policy	Website And decision making protocol	Relevant Director for decisions) Director of HR (for staff)	Source of guidance for ensuring compliance with public sector equality duty	Policy partly reviewed 2018. Further and fuller review required*. Action required to ensure consistency in application of equality impact assessments*
Health and Wellbeing Board arrangements	Constitution	Director of PH	Process and system for strategic joint business and service planning	Complete review of Board 2018 – leading to new H&W strategy from April 2019. Roll out and embed in next year*.
West Sussex Compact and Partnership Principles	Website	Director of Communities	Communication to partners	Partnership principles refreshed in consultation 2018. Established partnership working with district and borough councils. No action planned.

Table of Assurance for Principle C: Sustainability

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

Sources of Assurance for Principle D: Optimising Interventions

Source of	Where found	Who is	Role	last reviewed/ action
assurance		responsible		planned*
Total Performance Monitor	P&FSC agenda website	Chief Executive	Reviews financial and operational performance	A Task and Finish Group reviewed the format in 2018. No action planned
Executive Decision Database Decision Reports	Website	Director of L&A	Each decision report evidences options considered, consultation undertaken and other evidence that led to the decision taken.	Format revised to better demonstrate financial context and alignment with corporate priorities. New publication system through Modern.gov 2018.
Business Plans	Share Point	All Directors	Record of actions and objectives for delivery of West Sussex Plan	Annual. Action planned to achieve better coordination of plans between Directorates and to inform personal appraisals*.
Executive Officer Boards	Intranet	Executive Leadership Team	Manage strategic business delegated to officers	In place 2018. Action planned to clarify scope of officer delegations and ensure no conflict in discharge of functions*
Capital Programme Governance	Constitution	Executive Director Resource Services	Provide sound systems for managing and delivering capital programme	Revision approved by County Council February 2019. Action planned to ensure effective business case process and clarity in delegations within programme delivery*.
Service Improvement plan governance and assurance	Executive Decision and reports to Select Committee	Director CS & CFO	Provide plan and assurance for delivery of improvements from external inspection.	Arrangements for monitoring and scrutinising effectiveness of plan

Sources of Assurance for Principle E: Leadership Capability

Source of	Where	Who is	Role	last reviewed/action planned
assurance	found	responsible		
Scheme of delegation	Constitution	Governance Committee Chief Executive Director L&A	Formal allocation of key roles and functions, including Statutory Officer and senior officer roles	April 2019 with minor revisions in December 2019. Onward delegations April 2018. Most decision-making at officer level is now taken at director level. More Forward Plan entries for Directors. Actions identified above for clarity in relation to officer strategic boards*. Also need to ensure members fully aware of and able to access delegation arrangements*.
Budget, including medium term financial strategy	Council agenda	County Council Executive Director Resource Services & Director F&SS	To agree a sound budget and financial strategy.	February 2020 Review of arrangement for Member engagement for next budget planning process*.

Source of	Where	Who is	Role	last reviewed/action planned
Member Development Programme	Held by Director L&A Member Information Database	responsible Governance Committee & Director L&A & MDG	Plan and record all member training.	Continually by MDG (sub-group of Governance). The operation of the MDG last reviewed by the Governance Committee in March 2015. Reports regularly and uses member feedback. No action planned
Human Resources policies	Intranet	Director HR&OC	Describe all officer duties, rules and requirements.	Continually through HR arrangements and work plans. new induction programme. Those previously in the Constitution were removed to enable them to be aligned with other HR policies on the intranet HR zone.
Workforce Planning arrangements	HR policies and Directorate plans	Relevant Director	Provides rationale and scheme for ensuring resilience and capacity.	Undertaken in annual business planning. Particular focus on social care recruitment and retention ongoing*. Specific capacity for expertise in critical business areas of support services*.
Staff role profiles	Intranet	Heads of Service	Describe all officer roles	Updated as roles change.
Member Induction Programme	Intranet	Member Development Group Director L&A	To determine the content of the programme	Full induction programme implemented for May 2017 election. No action 2019/20, other than an induction programme for any new members following by-elections.
Specialist Member training	Committee business programme	Director L&A	Planning Committee, Rights of Way Committee, Treasury and Pensions management, Regulation, Audit and Accounts Committee, Appeals Panel	Completed after 2017 election and to any members newly appointed to relevant roles. Additional ad hoc training carried out as required. Scrutiny effectiveness training has been given in 2019. Corporate Parenting focus through revised Panel.
Officer Appraisal System	Intranet	Director HR&OC & all Directors for delivery	To keep records of performance and development	Review undertaken 2015. A further review has been undertaken by the Corporate Management Team in early 2019 and a new, simpler appraisal system implemented April 2019.
Performance Management Policy	Intranet	Director HR&OC	To provide a clear system for addressing poor performance	Clarification of the policy and processes made in January 2019 as part of appraisal changes. Review in light of organisational requirements*.

Sources of Assurance for Principle F: Risk and Performance

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Source of assurance	Where found	Who is responsible	Role	last reviewed/action planned
Governance Statement	RAAC agenda	RAAC Director L&A	Captures all sources of governance assurance	Annual (this document)
Assurance mapping	N/A	Director L&A Director F&SS	Internal checklist for service governance	New checklist was implemented in 2016/17. Refreshed for 2017/18
Local Code of Corporate Governance	Governance agenda	Governance Committee Director L&A	To confirm the corporate governance principles in place	September 2016, revised to take account of the new CIPFA/SOLACE framework.
Risk Management Strategy	Constitution	Chief Executive	Strategic aims and objectives for corporate risk management	Approved by RAAC 2018. No action planned
Risk Management systems	RAAC agenda	Director F&SS	Operational systems for meeting RM strategy aims	Last review 2018. The strategy, register and processes have been updated in year and Directorate systems for planning and reporting on risk management made more consistent.
Health and Safety Policy	Intranet	Director of HR &OC	Provides rules, procedures and systems for assurance in relation to health and safety at work and in relation to property risk.	Internal review of systems and compliance 2018 has led to revised governance for assurance. Needs testing for effectiveness of review*.
Audit Function	Constitution	RAAC Director F&SS	To manage and ensure the effectiveness of Audit.	Annual internal quality review. External review is required every five years. Internal Audit service re-designed and let to current provider February 2018
Total Performance Monitor	P&FSC papers on website	Chief Executive & Director F&SS	Reviews financial and operational performance	A Task and Finish Group reviewed the format in 2018. No action planned
Treasury Management Strategy	Council agenda	Director F&SS	To agree a sound strategy and thereby minimise financial risks relating to borrowings and investments.	December 2017. No action planned
Financial Regulations and Procedures	Constitution	Director of F&SS RAAC	To prescribe the rules for all financial transactions	New version agreed by RAAC on recommendation of the Governance Committee in July 2018. No action planned

Source of assurance	Where found	Who is responsible	Role	last reviewed/action planned
Resilience and	Intranet	Chief Fire	To provide safe systems and	Action plan
Emergency		Officer	procedures to manage local	implemented
arrangements			and civil emergencies	

Sources of Assurance for Principle G: Audit and Transparency

Source of assurance	Where found	Who is responsible	Role	last reviewed/action planned*
Audit Function	Constitution	RAAC Director F&SS	To manage and ensure the effectiveness of Audit.	Annual internal quality review (due 2019*) External review is required every five years (due March 2020)
External Audit of Accounts	Audit Report	RAAC and Director of F&SS	To give external assurance to the quality of the Council's accounts and accounting practice	Full assurance given to 18/19 accounts



Regulation, Audit and Accounts Committee – Work Programme 2020/21

Committee Date:-23 July 2020

Item	Lead Officer	Objectives and comments	
Financial Statements 2019/20	Vicky Chuter	• To approve the statement of accounts for the County Council and	
		Pension Fund.	
Quarterly Treasury	Vicky Chuter	Treasury Management Compliance Update - Quarterly Report on	
Management Report		compliance and performance against the Treasury Management	
		Strategy and planned parameters.	
Annual Governance	Charles Gauntlett	 To approve the Annual Governance Statement for 2020/21 and 	
Statement		agree action plan.	
Quarterly Risk Management	Fraser Pake	 To receive quarterly update report on the effectiveness of risk 	
Report		management arrangements.	
Internal Audit Annual Opinion	Neil Pitman	To provide detail of the Chief Internal Auditors overall annual	
		opinion.	
External Audit Report	External Auditor	• To review/note the Audit Results Report for County and Pensions	
Training Considerations	Adam Chisnall	• Committee to consider any training needs for the forthcoming year	

Committee Date:- 2 November 2020

Item	Lead Officer	Objectives and comments
Quarterly Treasury Management Report	Vicky Chuter	Treasury Management Compliance Update - Quarterly Report on compliance and performance against the Treasury Management Strategy and planned parameters.
Accounts Payable System Review	Vicky Chuter	To update the Committee on the outcome of the recent Accounts Payable Review
Quarterly Risk Management Report	Fraser Pake	To receive quarterly update report on the effectiveness of risk management arrangements.
Internal Audit Progress Report	Neil Pitman	 To receive a progress update against the audit plan, outstanding management actions, audit performance and any significant issues arising from internal audit reviews
External Audit Report	External Auditor	Progress report

Committee Date:- 18 January 2021

	Committee Butter 10 Junious y 2021			
Item	Lead Officer	Objectives and comments		
Annual Governance Statement Update	Charles Gauntlett	To provide an update on progress against the action plan		
Quarterly Treasury Management Report	Vicky Chuter	 Treasury Management Compliance Update - Quarterly Report on compliance and performance against the Treasury Management Strategy and planned parameters. 		
Quarterly Risk Management Report	Fraser Pake	To receive quarterly update report on the effectiveness of risk management arrangements.		
Internal Audit Progress Report	Neil Pitman	 To receive a progress update against the audit plan, outstanding management actions, audit performance and any significant issues arising from internal audit reviews 		
External Audit Report	External Auditor	Planning report		

Committee Date:- 8 March 2021

Item	Lead Officer	Objectives and comments
Financial Statements 2019/20	Vicky Chuter	• To update on progress to date for closing the 2020/21 accounts for
- Plans and Progress		West Sussex County Council and the West Sussex Pension Fund.
Financial Regulations and	Vicky Chuter	To review the processes in place.
Financial Procedures.		
Quarterly Risk Management	Fraser Pake	 To receive quarterly update report on the effectiveness of risk
Report		management arrangements.
Internal Audit Progress Report	Neil Pitman	• To receive a progress update against the audit plan, outstanding management actions, audit performance and any significant issues
		arising from internal audit reviews
Internal Audit Plan 2021/22	Neil Pitman	 To consider the Internal Audit Plan and Fraud Plan for 2021/22
Internal Audit Charter	Neil Pitman	To consider the Internal Audit Charter 2021/22
2021/22		
External Audit Report	External Auditor	Progress report
Work Programme 2020/21	Adam Chisnall	To agree the work programme for the following year.

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