

Public Document Pack

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26 February 2021

Regulation, Audit and Accounts Committee

A virtual meeting of the Committee will be held at **10.30 am** on **Monday, 8 March 2021**.

Note: In accordance with regulations in response to the current public health emergency, this meeting will be held virtually with members in remote attendance. Public access is via webcasting.

The meeting will be available to watch live via the Internet at this address:

<http://www.westsussex.public-i.tv/core/portal/home>

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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 - 12)

The Committee is asked to agree the minutes of the meeting held on 18 January 2021 (cream paper).

3. Urgent Matters

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

4. External Audit - 2019/20 Annual Audit Letter (Pages 13 - 38)

The Committee is asked to consider and note the 2019/20 Annual Audit Letter from the External Auditors EY.

5. **External Audit - VFM Conclusion Approach for 2020/21** (Pages 39 - 48)

The Committee to consider a briefing paper on the Value for Money Conclusion Approach for 2020/21 from the External Auditors EY.

6. **Internal Audit Progress Report** (Pages 49 - 72)

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.

7. **Internal Audit Plan 2021/22** (Pages 73 - 84)

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 Plan 2021-22 (Q1).

8. **Internal Audit Charter 2021/22** (Pages 85 - 96)

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 2021/22.

9. **Financial Statements 2020/21 - Plans and Progress** (Pages 97 - 140)

Report by the 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 2020/21 and approve them for application in preparing this year's accounts.

10. **Quarterly Review of the Corporate Risk Register** (Pages 141 - 154)

Report by the Director of Finance and Support Services.

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

11. **Annual Governance Statement Action Plan 2019/20 Update** (Pages 155 - 164)

Report by Director of Law and Assurance.

The Committee is asked to note the action plan update.

12. **Work Programme 2021/22** (Pages 165 - 170)

Programme by the Director of Law and Assurance.

The Committee is asked to agree the outline work programme for 2021/22 and agree any further priority items for addition to the programme.

13. **Date of Next Meeting**

The next meeting of the Committee will be held on 19 July 2021.

To all members of the Regulation, Audit and Accounts Committee

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Regulation, Audit and Accounts Committee

18 January 2021 – At a virtual meeting of the Regulation, Audit and Accounts Committee held at 10.30 am.

Present: Cllr N Dennis (Chairman)

Cllr Waight, Cllr Baldwin, Cllr J Dennis and Cllr Sparkes

Apologies were received from Cllr Bradford and Cllr Lea

Also in attendance: Cllr Hunt

Part I

ADDRESS BY THE CHAIRMAN

The Chairman advised the Committee that the addition of a co-opted member is planned. This proposal would be considered at Governance Committee on 18 January 2021 and should be approved at County Council on 12 February 2021. Timescales would mean that the post would be advertised in March 2021 with interviews planned in April 2021 ahead of the County Council elections. All being well, the co-optee would be able to join the RAAC induction following the elections and participate as a Committee member from thereon in.

29. Declarations of Interest

29.1 There were no declarations of interest made by members of the Committee.

30. Minutes of the last meeting of the Committee

30.1 Resolved – That the minutes of the meeting of the Committee held on 20 November 2020 be approved as a correct record and that they be signed by the Chairman.

31. External Audit

31.1 The Committee received a verbal report from Mrs Helen Thompson and Mr Simon Mathers of EY who provided an update on the 2019/20 West Sussex County Council and Pension Fund audits and planning for the 2020/21 audit.

31.2 Mrs Thompson and Mr Mathers advised that the 2019/20 County Council audit has been completed apart from the Whole of Government Accounts return for the submission of the Council's 2019/20 accounts information to HM Treasury. EY's work with the Council was completed to the original deadline of 14 December 2020, however, the audit could not be concluded with EY unable give assurance to the National Audit Office and issue the Audit Certificate until outstanding inaccuracies in the HM Treasury report are fully resolved and corrected (these had been caused by the Treasury's system errors and, therefore, outside the control of the County Council). The audit deadline had been further extended to 22

January. The draft Annual Audit letter includes details of additional fees. This would be brought to the Committee for consideration at its meeting in March 2021.

31.3 Mrs Thompson and Mr Mathers updated the Committee on planning for the Council's 2020/21 audit. Covid-19 and the current lockdown had affected planning; however, early discussions had taken place with officers regarding the timetable for interim and year-end, with 30 September 2021 set as date for completion of the audit, although this may be subject to change. EY noted that the biggest challenge in 2021 is the new approach to Value for Money Reporting, which EY had raised with the National Audit Office regarding whether this is this right year to introduce it because of pressures caused by the ongoing pandemic.

31.4 The Committee made comments including those that follow:

- Noted the external impacts on EY and County Council officers and acknowledged that some matters were outside the County Council's control, and thanked all involved for their hard work and diligence.
- Requested a briefing on the new approach to Value for Money Reporting – *Mrs Thompson agreed to provide a briefing to the Committee at a future meeting.*
- Queried how the additional costs for the 2019/20 audit feed into the audit fee – *Mrs Thompson advised the factors which have affected costs as follows. As previously discussed with the Committee and also raised through the Redmond review there is recognition that in recent years audit fees have become too low and do not reflect the level of work involved to be carried out to the expectations of regulators and stakeholder. There was additional work undertaken during the year in relation to the County Council's pension fund, e.g. work on data quality, and changes to the risks associated with valuations because of uncertainty resulting from the pandemic. The breakdown of fees would be discussed with Katharine Eberhart, Director of Finance and Support Services.*

31.5 Resolved – That the Committee update on the External Audits for the West Sussex County Council and the West Sussex Pension Fund be noted.

32. Internal Audit Progress Report

32.1 In response to the request made by the Committee at its meeting of 20 November 2020, the Committee received a verbal update from Stewart Laird, Interim Head of IT on Disaster Recovery Planning and IT Asset Management.

32.2 Mr Laird provided an update on the two high priority outstanding actions in relation to Disaster Recovery. The first was undertaking the delayed Disaster Recovery testing after the planned March/April 2020 test was put back because of the need to ensure the Council's workforce could work from home during the first Covid lockdown. Following the tests, lessons learned and revised documents had been implemented. The

second priority, an audit of the Disaster Recovery Battle Box, had led to revision of all information including priority systems in line with recovery priority and a move to store the Battle Box and some systems in the Cloud with more systems to follow. Following this, Disaster Recovery had become less of a risk.

32.3 The Committee made comments including those that follow:

- Questioned what would happen should a Cloud system fail – *Mr Laird gave examples of the Cloud systems used where the prime data centre has multiple power sources and data back-up, plus a structure where information would move to (and is replicated at) a secondary site if there is failure at the primary site. Regarding one-off services, the procurement process would include primary and secondary delivery solutions to include return to operations SLAs and KPIs, evaluation of set up and replication of data between the sites to ensure business continuity.*

32.4 Mr Laird provided an update on IT Asset Management. Regarding the management of Council's laptops, desktop equipment, tablets and mobile phones, the Committee was advised that tagging of items and a review of Asset Management records, such as domain names and email accounts, had been undertaken which had clarified assets in use and their status. The Committee was also advised that a change of technology in use for mobile phones had allowed the Council to ensure the tracking, security and, if necessary, the lockdown of mobile phones. Mr Laird concluded that a robust framework for IT Asset Management had now been put in place.

32.5 The Committee made comments including those that follow:

- Noted concerns raised by officers about the Mosaic system used by Children's Services and queried plans to replace it – *Mr Laird, stated that this separate to IT Asset Management, but advised the Committee that Mosaic would be hosted on behalf of the Council by the provider. The database would be converted from Oracle to a sequel back-end system as predominantly used by other local authorities. And, a realignment of the database scheme would be taking place to include reconfiguration of the information in the system including an end to end review of all performance reports on the system.*
- In relation to Corporate Risk 39, it was queried how much priority is given to IT security during procurement – *Mr Laird advised that significant focus is given to IT security during procurement, and provided a number of examples. The County Council's other security measures include, but are not limited to, firewalls, proxy servers, scanning of incoming and outgoing data to ensure risk of malware and ransomware is detected before emails are delivered and filtering of website access. Furthermore, the Committee was informed that significant focus is placed on education of staff which would be more rigid in future.*
- Queried why Corporate Risk 39 is now scored at 5/5 when it was at 4/5 only 4-years ago. And whether this implied that the Council needed to do more or whether the risk should be

reviewed – Mr Laird advised that the volume of cyber-crime and the level of sophistication had increased exponentially in the last 4 years, as highlighted by central government. The Council had recognised and reflected on necessary changes of direction, implemented changes and recognised the need to leverage new technologies, and continually evolve the Council's approach in order to mitigate risk, including business processes and the education of the workforce.

32.6 Mr Jeremy Hunt, Cabinet Member for Finance thanked officers for this work on IT security and noted the challenges from external sources, but advised that the higher risk status didn't mean that the Council had gone backwards but rather that it had often moved forward to combat risk.

32.7 Mr Laird provided an update on data storage and back-up. Key back-up documentation and the approach to back-up, including replacement of magnetic tapes and risks regarding malware, had been reviewed and are in the process of being revised. An identified risk regarding single point of failure has been addressed and had led to training of additional staff to carry out this work. There would also be a move to a predominantly Cloud based system for back-up, although investment in a replacement unit is appropriate which would also be used in line with the new Cloud based system.

32.8 The Committee raised additional matters in relation to IT as follows:

- Queried access to Zoom for members for use in their local work with communities – *Mr Laird explained that the Council's purchase of Microsoft Teams as its preferred platform for virtual conferencing was due in part to its document sharing facility. Zoom had done much to improve its security. The Council provides some Zoom licenses to certain staff who need it to work in partnership with other organisations using that system, e.g. social workers. Access for members could be reviewed subject to demand, but it was highlighted that to provide a large number of licences would be cost prohibitive.*
- Further to the discussion regarding Corporate Risk 39, it was queried whether the Council's current matrix for scoring risk is appropriate or if it should be recalibrated. The Committee noted that it had discussed this previously. The Committee discussed the need to allow for an increase if the risk is already scored at the top end of the matrix, however it concluded a recalibration exercise would be sufficient and that that inherent risk would need to be taken into account, so consideration might be to define between risks.

32.9 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).

32.10 Mr Pitman, Head of Southern Internal Audit Partnership, introduced the report and invited Ms Eberhart to address matters relating to the Council's latest position.

32.11 Ms Eberhart advised the Committee that pressures on staff as a result of Covid-19 and the latest lockdown mean that it would be likely to be difficult to complete the entire Rolling Work Programme during 2020/21, particularly for Adults Services and Children and Young People's Services, despite the ability of the internal audit team to participate. The updated work programme would be revised by the end of the week, presented to the Executive Leadership Team and circulate a written update to the Chairman and on to the Committee once agreed, and brought to the Committee for consideration and discussion at the 8 March 2021 meeting.

32.12 Mr Pitman addressed other matters pertaining to the report there had been a notable reduction in the number of overdue audit actions. Nine high priority items had been removed including all that were relevant to IT. The Quality Assurance Framework for Adults Service would be expected to be signed off the following week. Governance Compliance has also been cleared. There were no limited assurances to note. Regarding the Rolling Work Programme, this would be re-baselined, as noted in minute 32.11 above.

32.13 The Committee made comments including those that follow:

- Noted that four of the high priority overdue actions are within the civil enforcement parking arrangements, which includes actions for the district and borough councils to resolve, and also queried the current situation of the overdue low and medium priorities revised, some of which have due dates that have already passed – *Mr Pitman noted that Governance Compliance had been cleared. Regarding legacy overdues, as previously raised by the Committee the Audit team had undertaken to prioritise, which had included the IT matters that had now been resolved. A refocus on this list would now be planned.*
- Queried the impact on the External Audit and whether further work would be required – *Ms Eberhart advised that Mr Pitman's opinion would given in July and considered by external audit. Mrs Thomson, EY advised that internal audit largely feeds into the Annual Governance Statement which is then used by EY to complete work on the financial statements. EY and Internal Audit are in regular contact and would discuss any issues arising, although none were anticipated at the moment.*

32.14 Resolved – That the Committee note the Internal Audit Progress Report.

33. Quarterly Review of the Corporate Risk Register

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

33.2 Ms Eberhart, Director of Finance and Support Services, introduced the report and highlighted that that a number of risks had changed score, including CR66 – failure to deliver existing work plans - had moved from 19 to 25 as a result of the impacts of the pandemic on the internal work

programme and other areas of the organisation where urgent and important work has had to be prioritised. CR69 – Children’s Services - has reduced from 25 to 20. CR22 - financial sustainability – reduced from 25 to 16 has reduced as a result of confirmed government grants. CR70 - Capacity of the senior leadership team – has increased.

33.3 The Chairman highlighted recent correspondence with the Chairman of Performance and Finance Scrutiny Committee on the matter of Audit Planning and Internal Control Testing and invited comment - *Ms Eberhart responded on whether the issues around mental health could have been raised sooner, and advised that it was addressed on the Corporate Risk Register as soon as awareness was raised. In relation to Performance and Finance Scrutiny Committee’s comments about “testing internal controls”, it was not entirely clear what the concern was, but Ms Eberhart reassured the Committee that reputational risk is considered in the risk register.*

33.4 The Committee made comments including those that follow.

- In relation to Corporate Risk 66, sought information on what is being done to recruit more professionals – *Ms Eberhart advised she would seek a response from the service and bring this back to the Committee.*
- Noted the update to the risk register, as highlighted by Ms Eberhart including the removal of the West Sussex Fire & Rescue Service risk from the Committee list because of the reduction in the score to 10.
- In relation to CR71 – staff working at home and staff wellbeing, sought information on timescales for bring staff back into Council hubs and details on staff absence and sickness – *Ms Eberhart advised that it is still the case that only staff for whom it is essential are currently working from Council buildings, this being social services staff in the main, with the most populous hub being Centenary House. Staff sickness had reduced; more staff are tending to continue to work at home with minor illnesses such as colds, but there had been an increase in concerns raised by staff regarding equipment, such as not having the correct desk or chair. Staff mental health and wellbeing was a key focus for the Council, including issues relating to parents working and home-schooling; training for managers and support for staff would be factored in.*

33.5 Resolved – That the Committee note the Corporate Risk Register.

34. Treasury Management Compliance Report - Third Quarter 2020/21

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

34.2 Mrs Chuter introduced the report and informed the Committee that compliance had been met for the quarter. Mrs Chuter highlighted the following. The current position regarding external borrowing and noted that there had been no new borrowing; the cash balance positions and reasons for it being higher than in previous years including Capital and

Revenue grants and additional Covid-19 funding; the investments portfolio position, and noted the number of exposures and confirmed there were no breaches of exposure limits.

34.3 The Committee made comments including those that follow.

- Sought reassurance regarding investments with Leeds, Tameside and Trafford councils that have indicated they may not be able to declare a balanced budget – *Mrs Chuter expressed confidence in investments being returned and advised there are sufficient regulations in place to ensure the security of investments, and cited a return of monies from Thurrock Council and the Chairman cited a return of monies from Northamptonshire County Council.*
- Queried why Barnsley Metropolitan Borough Council are paying a 1.45% rate on investments when other councils are generally paying a much lower rate – *Mrs Chuter explained that this investment was made some years ago and was also over a longer term than other investments.*
- Highlighted the low rate of 0.09% paid by Leeds City Council on investments with them, and queried if this is cost effective – *The Chairman and Mrs Chuter noted that there are some investments that result in zero returns although there are no negative returns at this time. The Council's strategy is to move money around to keep the investments secure, even though some result in zero returns.*

34.4 Resolved – That the Treasury Management Compliance Report Third Quarter 2020/21 report be noted.

35. Annual Governance Statement Update

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

35.2 Mr Gauntlett, Senior Advisor in Democratic Services, introduced the report and explained that the Committee had previously considered the Annual Governance Statement 2019/20 and agreed actions, and also requested an action plan be implemented which should include uncompleted actions for 2018/19 as well. Some matters would be subject to scrutiny in other forums and the West Sussex Reset Plan would be considered by County Council on 12 February with the KPIs to be referenced this this action plan. The next version of the action plan to be presented to the Committee would be in March.

35.3 The Committee sought clarification on timing of outstanding actions and how they would be prioritised – *Mr Gauntlett advised that no targets had been set had this stage and that the starting point would be the initial progress to be reported to the Committee at its next meeting in March. Officers who own actions could be invited to the Committee later in the year to report on progress.*

35.4 Resolved – That the Annual Governance Statement Action Plan be noted.

36. Date of Next Meeting

36.1 The Committee noted that its next scheduled meeting would be held on 8 March 2021.

The meeting ended at 12.14 pm

Chairman

West Sussex County Council and Pension Fund

Annual Audit Letter for the year
ended 31 March 2020

February 2021



Building a better
working world

Contents

		Page
Section 1	Executive Summary	3
Section 2	Purpose and Responsibilities	6
Section 3	Financial Statement Audit	8
Section 4	Value for Money	13
Section 5	Other Reporting Issues	17
Section 5	Focused on your future	19
Appendices		
Appendix A	Audit Fees	22

Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk). [OR As part the Auditor Engagement process, we have agreed with you the respective responsibilities of auditors and audited bodies. Copies of the Engagement Letter and Terms and Conditions of our appointment are available from the Chief Executive or via the bodies minutes on their website].

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

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

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

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



Section 1

Executive Summary

Executive Summary

We are required to issue an annual audit letter to West Sussex County Council (the Council) and the Pension Fund following completion of our audit procedures for the year ended 31 March 2020. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's and Pension Fund's:	
► Financial statements	On 26 November 2020 we issued unqualified opinions. The financial statements give a true and fair view of the financial position of the Council and Pension Fund as at 31 March 2020 and of expenditure and income for the year then ended.
► Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
► Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that, except for arrangements for informed decision making, adequate arrangements were in place throughout 2019/20. In relation to informed decision making, we concluded there was evidence of weaknesses in proper arrangements for understanding and using appropriate and reliable performance information to support informed decision making and performance management, managing risks effectively and maintaining a sound system of internal control.
Area of Work	Conclusion
Reports by exception:	
► Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
► Public interest report	We had no matters to report in the public interest.
► Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
► Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.
Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	National ITs issues with HM Treasury's system used to collect Whole of Government Accounts data prevented the Council from fully updating its WGA Auditor Report. This was finally resolved in February 2021 and we have issued our Assurance Statement on the updated Auditor Report with no matters to draw to your attention.

Executive Summary (cont'd)

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	We issued our final Audit Results Reports for the Council and the Pension Fund on 23 November 2020.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	<p>Following resolution of the IT issues impacting WGA and issue of our Assurance Statement for WGA we were able to formally certify completion of the 2019/20 audit on 5 February 2021.</p> <p>We are required to give an opinion on the consistency of the financial statements of the pension fund included in the Pension Fund Annual Report of West Sussex Pension Fund. The Local Government Pension Scheme Regulations require authorities to publish the Pension Fund Annual Report by 1 December 2020. On 26 November 2020 we issued an opinion that stated the Pension Fund Annual Report was consistent with the audited Pension Fund financial statements.</p>

Fees

In the Final Audit Results Report we indicated that we had carried out additional work as a result of the impact of Covid-19 that necessitated an additional audit fee. We have quantified the proposed final fee and have provided the Director of Finance and Support Services with appropriate supporting details.

We would like to take this opportunity to thank the Council staff for their assistance during the course of our work and in particular given the challenging priorities they faced as a result of their work in responding to the Covid-19 pandemic and their collaborative approach which enabled us to complete the 2019/20 audit by working remotely.



Associate Partner

For and on behalf of Ernst & Young LLP

Section 2

Purpose and Responsibilities



Purpose

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council. We have already reported the detailed findings from our audit work in our 2019/20 Initial and Final Audit Results Report to Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council and the Pension Fund.

Responsibilities of the Appointed Auditor

Our 2019/20 audit work has been undertaken in accordance with the Audit Plan that we issued on 3 April 2020, and Audit Plan Update issued on 23 July 2020, and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2019/20 financial statements of the Council and Pension Fund; and
 - ▶ On the consistency of other information published with the financial statements, including the Pension Fund Annual Report.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement (AGS) is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

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

Responsibilities of the Council

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

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

Section 3

Financial Statement Audit



Financial Statement Audit

Key Issues

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

We audited the Council and Pension Fund Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office and issued an unqualified audit report on 26 November 2020.

Our detailed findings were reported to the 20 November 2020 Regulation, Audit and Accounts Committee (RAAC). The key issues identified as part of our audit were as follows.

Council

Significant risks	Conclusion
Misstatements due to fraud or error	We did not identify any matters to report to RAAC.
Inappropriate capitalisation of revenue expenditure	We did not identify any matters to report to RAAC.
Valuation of Property, Plant and Equipment and Investment Property	<p>15 PPE and IP assets subject to detailed review by EY Real Estate (EYRE). Three assets were found to have a concluded value outside of a reasonable range of valuations established by EYRE for each asset:</p> <ul style="list-style-type: none">• For one of the assets outside the reasonable range, the impact of the misstatement across all assets potentially affected was to overstate the carrying value by approximately £13.8m. The financial statements were adjusted to account for this.• For two of the assets outside the reasonable range, the impact of the misstatement across all assets potentially affected was to understate the net carrying value by approximately £1.7m. This misstatement, which is not material to our responsibilities, was not adjusted.• For one further asset subject to detailed review, EYRE concluded that the valuation was supportable at a high level, but that an insufficiently granular approach had been taken by the valuer. No adjustments were made in respect of this. <p>The Council has appropriately disclosed a material valuation uncertainty paragraph included by its valuer in their valuation report. We highlighted this disclosure by including an emphasis of matter paragraph in our audit report. This is not a modification of the audit report.</p>

Financial Statement Audit

Key Issues

Council

Other audit risks on the Council audit

Disclosures on going concern and events after the balance sheet date - The provisional accounts did not include a detailed disclosure on going concern. Officers produced an assessment of the impact of Covid-19 on the Council's finances and used that to draft a new going concern disclosure note which was included in the draft accounts. We scrutinised the financial assessment, cashflow, liquidity and borrowing forecasts, known outcomes, sensitivities, mitigating actions and key assumptions. We reviewed and further challenged the revised going concern disclosure, which appears at Note 41 and Note 42 to the accounts, and were satisfied that it is an adequate reflection of Management's assessment that it remains appropriate to prepare the financial statements on a going concern basis. We considered the need to draw the attention of a reader of the accounts to the Council's updated disclosure through the inclusion of an emphasis of matter paragraph in our audit report, but concluded this was not necessary.

Pension Liability Valuation - We agreed the Council's pension liability disclosures to the IAS19 report provided by the actuary, assessed the work of the actuary including assumptions made and received the assurances requested from the auditor of West Sussex Pension Fund. As a result of our work the IAS19 pension liability has been reduced by approximately £12m, with a corresponding entry made to the pensions reserve. This adjustment has been made to:

- Account for changes to changed liabilities in relation to the McCloud ruling following consultation undertaken by the Government Actuarial Department. The impact of this was to reduce the liability by £4.1m.
- Adjust for differences between the Council's share of estimated Pension Fund assets considered by the actuary in determining the pension liability and the Council's share of actual Pension Fund assets accounted for in the final 2019/20 Pension Fund accounts. The impact of this was to reduce the liability by £7.9m.

Private Finance Initiative (PFI) - We were satisfied the Council's three material PFI arrangements have been correctly accounted for in the financial statements.

Restatement of the Comprehensive Income and Expenditure Statement (CIES) - We were satisfied the CIES was appropriately restated.

Accounting for finance leases - We identified no issues to report.

Officer's remuneration disclosures - We were satisfied that officer remuneration disclosures in the financial statements were clear, accurate and complied with the disclosure requirements of the CIPFA Code of Practice on Local Authority Accounting. We did, however, identify a need for the Council to continue to revisit its current recruitment and retention policies and raised an associated recommendation for improvement.

Financial Statement Audit (cont'd)

Key Issues

Pension Fund

Significant risks	Conclusion
Risk of manipulation of Investment income and valuation	We did not identify any matters to report to RAAC.
Valuation of directly owned property investment assets	We found no errors or other issues with the approach taken. Our audit opinion included an emphasis of matter paragraph relating to this area. This is not a modification to, or qualification of, the audit report. The emphasis of matter paragraph draws a reader of the account's attention to the disclosure made in the financial statements which explains the material uncertainty paragraph included in the valuer's report.

Other audit risks on the Pension Fund audit

Going concern and post balance sheet event disclosures – Note 2 of the draft accounts stated that they are prepared on a going concern basis but included no further disclosures. Following audit queries, the Fund prepared a going concern assessment and drafted an associated disclosure. We scrutinised the assessment, focusing on cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions and key assumptions. Based on the assessment and response to our queries, we were satisfied that the Fund's disclosure adequately reflects the impact of the Covid-19 pandemic on its future finances.

Private equity assets – We used comparative data to assess the reasonableness of movements in the value of the Fund's private equity investments in the final quarter of the financial year given that valuation is not actively quoted or underpinned by audited financial statements after 31 December 2019. We concluded that valuation movements in the final quarter of the year were reasonable.

Financial Statement Audit (cont'd)

Our application of materiality

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

Item	Thresholds applied
Planning materiality	<p>Council: We determined planning materiality to be 1% of Gross Expenditure on provision of services and performance materiality at 75% of planning materiality.</p> <p>Pension Fund: Our planning materiality represents 1% of net assets, consistent year on year. Performance materiality represents 75% of planning materiality.</p>
Reporting threshold	We agreed with RAAC that we would report to the Committee all audit differences in excess of 5% of planning materiality.

Materiality	Council	Pension Fund
Planning	£14.326m	£43.038m
Performance	£10.744m	£32.278m
Reporting	£0.716m	£2.151m

Section 4

Value for Money

Value for Money

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

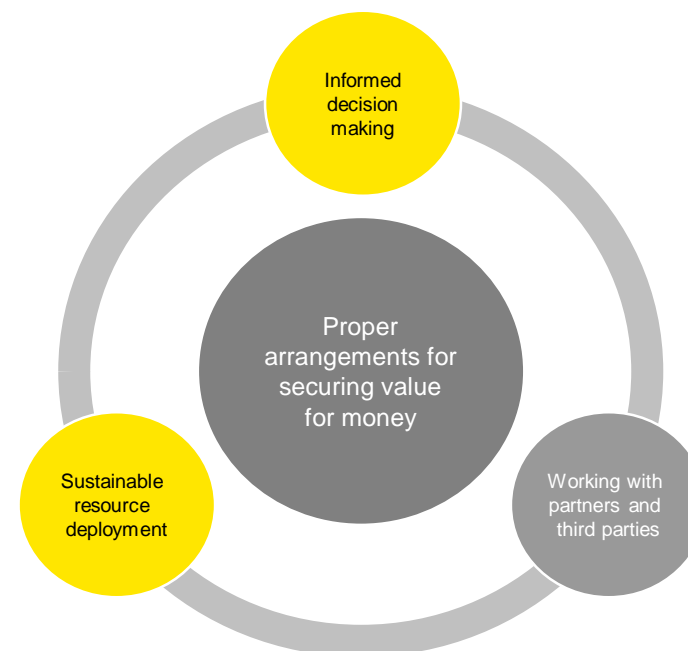
Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

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

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider LG bodies' response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

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

We performed the procedures outlined in our audit plan. We concluded that, except for arrangements for informed decision making, adequate arrangements were in place throughout 2019/20. In relation to informed decision making, we concluded there is evidence of weaknesses in proper arrangements for understanding and using appropriate and reliable performance information to support informed decision making and performance management, managing risks effectively and maintaining a sound system of internal control.



Value for Money (cont'd)

Significant Risk	Conclusion
<p>Informed Decision making</p> <p>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. 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 changed and there continued 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) became 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.</p> <p>We therefore considered 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.</p>	<p>Based on the continuing need to fully develop and embed changes to arrangements arising from the issues highlighted by the Children's Services inspection we concluded that effective arrangements have not been in place throughout 2019/20 and the Council itself acknowledges that its decision-making processes have led to a lack of collective ownership of decisions. The Internal Audit Annual Report for 2019/20, which considers both Internal Audit's own work and the findings and conclusions of other external reviews and inspections, concluded that a 'limited' opinion should be given on the Council's overall framework of governance, risk management and control.</p> <p>The Council's ongoing work to fully understand the governance weaknesses and challenges it faces, and formulation of the Council's Reset and Reboot approach to address these in 2020/21, is a significant and necessary step to addressing this. The next challenge for the Council is to fully design, implement and embed its new arrangements at a corporate level.</p>

Value for Money (cont'd)

Significant Risk	Conclusion
<p>Sustainable resource deployment</p> <p>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 continued 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.</p> <p>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 had 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 was estimated to be £74 million before approved savings of £29 million.</p> <p>We therefore considered 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.</p>	<p>The Council did not deliver against its 2019/20 revenue budget, primarily as a result of overspending at service/portfolio level. Mitigations implemented during the year resulted in an overspend of £6.3m at year end, which was reduced from £16.3m by transferring funds from reserves and other one-off sources of income, contingency budget and the use of flexible capital receipts. The balance of £6.3m was then mitigated by a draw-down from the Budget Management Reserve. Although the Council did not manage to contain revenue spending to budget there were a number of financial pressures and risks within the year which, without mitigating actions, could have caused a significant overspend and greater use of the Budget Management Reserve. A number of these remain for 2020/21, with additional pressures arising from the impact of Covid-19, ongoing costs associated with the improvement of Children's Services as well Fire & Rescue Services, plus increases in the volume of both children's placements and children's court cases.</p> <p>The Council continued to hold an adequate level of reserves at the end of 2019/20 to ensure future financial resilience. However, based on value for money profile comparative information accurate to the end of 2018/19, the level of usable reserves held by the Council is falling at a faster rate than for other English counties and CIPFA statistical nearest neighbours, and for the first time is below the average level of usable reserves held by comparable authorities.</p> <p>The current estimate at the time of undertaking our detailed work was that the budget gap for 2021/22 is somewhere between £34m and £73m, depending primarily upon the impact upon Council Tax and Business Rates as a consequence of the Covid-19 pandemic and the anticipated recession. The financial risks facing the Council are significant, growing and potentially will impact in the near future. It is therefore essential that wider organisational changes through the Council's Reset and Reboot initiative continue to focus on improving efficiency, capability and capacity and value for money as a whole. It is likely that difficult decisions will need to be made to facilitate this.</p>

A blurred background image of a business meeting. Several people in professional attire are gathered around a wooden conference table. A woman with blonde hair is leaning forward, resting her chin on her hand, looking intently at documents on the table. Other people's hands and arms are visible, some pointing at the papers. The scene is brightly lit, suggesting a modern office environment.

Section 5

Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

We are required to perform the procedures specified by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. National ITs issues with HM Treasury's system used to collect Whole of Government Accounts data prevented the Council from fully updating its WGA Auditor Report. This was finally resolved in February 2021 and we have issued our Assurance Statement on the updated Auditor Report with no matters to draw to your attention.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading. We had no matters to report.

Report in the Public Interest

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

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

Written Recommendations

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

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

Objections Received

We did not receive any objections to the 2019/20 financial statements from members of the public.

Other Powers and Duties

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

Independence

We communicated our assessment of independence in our Audit Results Report to RAAC on 15 October 2020. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

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

We have adopted a fully substantive audit approach and have therefore not tested the operation of controls. We did, however, for the County Council raise recommendations for improvement in relation to the completeness of the Council's lease records and related party declarations. For the Pension Fund we continued to raise a recommendation to improve the quality of membership data held on the pensions administration system.

Section 6

Focused on your future

Focused on your future

The NAO has a new Code of Audit Practice for 2020/21. The impact on the Council is summarised in the table below.

Council responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion which we need to conclude on. Instead the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- Governance - How the Council ensures that it makes informed decisions and properly manages its risks.
- Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Continued

Focused on your future

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor’s Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council’s attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

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

Standard	Issue	Impact
IFRS 16 Leases	<p>The CIPFA LASAAC Local Authority Accounting Board has recently announced the implementation of this standard will be deferred until the 2022/23 financial year. This is in response to the ongoing pandemic and the impact on local authority finance teams. The Board has indicated this will be for one year only and there is no intention to grant any further extensions based on lack of preparedness.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p>	<p>Whilst there is a further delay in implementation, councils will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council has already undertaken an exercise to review its leasing arrangements in anticipation of IFRS 16 and recognised a number of additional leases in 2019/20 as a result, new arrangements need to be fully embedded and will be subject to future audit testing.</p>

Section 8

Audit Fees

Audit Fees

Our fee for 2019/20 at West Sussex County Council is set out in the table below.

Description	Final Fee 2019/20 £	Planned Fee 2019/20 £	Final Fee 2018/19 £
Scale Fee - Code work	90,561	90,561	90,561
Planned 2019/20 additional fee for financial statements and VFM conclusion work	See detailed analysis below	25,000	3,000
Scale Fee Rebasing: Changes in work required to address professional and regulatory requirements and scope associated with risk (see page 25)	66,426	-	-
Revised Proposed Scale Fee	156,987	N/A	N/A
Work on additional risks impacting the VFM Conclusion (see Note 1)	17,000	-	-
PPE/IP including RICS related material uncertainty (see Note 1)	24,000	-	-
Additional work to gain assurance over pensions liability disclosures (see Note 1)	5,500	-	-
Additional work on officer remuneration disclosures (see Note 1)	5,000	-	-
Going concern assessment and disclosure (see Note 1)	2,000	-	-
EY consultation on auditor's report on the statements involving EY professional practice directorate to ensure the auditor's report is appropriate (see Note 1)	5,000	-	-
Additional fee for CIES restatement work (see Note 1)	1,000	-	-
Fee for additional work on Whole of Government Accounts submission (see Note 1)	1,000		
Total Audit Fee	217,487	115,561	93,561

Audit Fees

Our fee for 2019/20 at West Sussex Pension Fund is set out in the table below.

Description	Final Fee 2019/20 £	Planned Fee 2019/20 £	Final Fee 2018/19 £
Scale Fee - Code work	20,364	20,364	20,364
Scale Fee Rebasings: Changes in work required to address professional and regulatory requirements and scope associated with risk (see next page)	33,533	-	-
Revised Proposed Scale Fee	53,897	N/A	N/A
EYRE review of the valuation of directly owned property investments (see Note 1)	6,000	-	-
Going concern assessment and disclosure (see Note 1)	500	-	-
EY consultation on auditor's report on the statements involving EY professional practice directorate to ensure the auditor's report is appropriate (see Note 1)	3,500		
IAS 19 protocol procedures (see Note 2)	5,500	-	5,500
Additional IAS 19 protocol work on the 2019 triennial valuation of the Fund (see Note 3)	6,000	-	-
Total Audit Fee	75,397	20,364	25,864

Note 1

These 2019/20 risk based fees are subject to agreement with the Director of Finance and Support Services and then PSAA where appropriate.

Note 2

This is the recurrent fee for IAS19 protocol work. IAS 19 protocol fee variations no longer require agreement by PSAA.

Note 3

This is the fee for additional IAS19 protocol work arising from the triennial valuation of the Fund as 31/3/2019. IAS 19 protocol fee variations no longer require agreement by PSAA, but this additional fee will not reoccur each year,

Audit Fees continued

Scale Fee Rebasing: Changes in work required to address professional and regulatory requirements and scope associated with risk

Janet Dawson, our Government & Public Sector Assurance Lead, wrote to all Chief Finance Officers and Audit Committee (or equivalent) chairs on 11 February 2020 on the subject of the sustainability of UK local public audit. Amongst other issues her letter stated that we did not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity, and the audit profession's context for cost and fee increases, including the attractiveness of audit, investment in technology, innovation and the regulatory environment.

Around the same time, PSAA consulted on its 2020/21 audit fees ([PSAA fee consultation](#)), discussing the challenging environment, new standards and regulatory requirements. They noted an appropriate forum for fee discussions from these impacts would be between the auditor and Chief Financial Officer, to take place as soon as possible as part of planning discussions for 2019/20 audits.

The subsequent review by Sir Tony Redmond ([Redmond Review](#)) has also highlighted that audit fees in the local authority sector have dropped significantly at the same time that audit fees in other sectors have significantly risen, and that no assessment of the amount it would cost to audit each local authority based on their level of audit risk has been made in the past ten years due to the methods applied by the Audit Commission and then PSAA. As such there is no guarantee that the fee paid by each local authority accurately reflects the risk profile or amount of audit work required for their external audit.

To address these issues we undertook an analysis of the changes in professional and regulatory requirements since our last tender to PSAA was submitted, and any other known changes in audit risk. For instance, where applicable, significant commercial property investments, creation of joint ventures, subsidiaries and other similar arrangements.

We identified the proposed fee rebasing under the headings of:

- Changes in risk;
- Increased regulatory requirements; and
- Client readiness and ability to support a technologically enabled audit.

As requested by PSAA, we discussed this with management over the course of the year. Management recognise many of these pressures and can see how they are reflected in the changes in the audit work. As of 19 February 2021 management have agreed the re-basing proposals to apply from 2020/21, but do not agree they should apply from 2019/20. We would like to thank management for their contribution to this debate and the positive manner in which they engaged with us.

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West Sussex County Council

2020/21 Auditor work on VFM
arrangements - RAAC Briefing
Paper

February 2021



Building a better
working world

Agenda Item 5



Background

The Local Audit and Accountability Act 2014 (the Act) makes the National Audit Office's (NAO) Comptroller and Auditor General responsible for the preparation, publication and maintenance of the Code of Audit Practice (the Code). The Code sets out what local auditors are required to do to fulfil their statutory responsibilities under the Act. Local auditors must comply with the Code of Audit Practice. The Code must be reviewed at least every five years, so the Code that applies will depend on the financial year being audited.

For audits of financial years from 2020-21 onwards, the 2020 Code of Audit Practice applies. The new Code came into force on 1 April 2020, after being approved by Parliament. It was developed following a consultation process in 2019. The Code will therefore apply to the audit of the Council from 2020/21 and replace the 2015 Code which preceded it.

The new Code has introduced changes to the approach we are required to take to issue our judgement on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources – the statutory judgement on Value for Money (VFM) arrangements that forms part of our annual audit report.

The purpose of this paper is to provide Council Officers and Members of the Regulation, Audit and Accounts Committee with a high-level overview of some of the key changes in the new Code as they relate to our VFM approach at the Council. At the time of writing there remains some further work to do, in discussion with the NAO, to fully understand the implications of the changes and their impact on our programme of work. We will also need to consider the continuing impact of Covid-19 on local public bodies and auditors as it pertains to our VFM responsibilities. We will continue to keep officers and members informed of developments via our usual reporting and presentations to the Committee.

Auditor responsibilities under the new Code of Audit Practice

Under the 2020 Code of Audit Practice we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer an overall evaluation criterion on which we need to conclude. Where auditor's identify a significant weakness in proper arrangements, we are required to report by exception within the audit report on the statement of accounts. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability
How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance
How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness
How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Planning and identifying VFM risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to 2015 Code guidance where the NAO required auditors as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

In considering the Council's arrangements, we are required to consider:

- The Council's Annual Governance Statement
- Evidence that the Council's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates (such as Ofsted and CQC) and other bodies; and
- Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes – or could reasonably be expected to expose – the Council to significant financial loss or risk;
- Leads to – or could reasonably be expected to lead to – significant impact on the quality or effectiveness of service or on the Council's reputation;
- Leads to – or could reasonably be expected to lead to – unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Council;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Council's reported performance;
- Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;

Planning and identifying VFM risks (contd)

- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Council has had to respond to the issue.

Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the audit committee.

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

The new Code promotes more timely reporting by auditors. So where we have sufficient evidence to determine that there is a significant weakness on VFM related arrangements we can report that weakness, and an associated recommendation for improvement, at that time and not wait until we are issuing our Audit Results Report on the audit of the statement of accounts.

Summary of changes in VFM requirements between the 2015 and 2020 Codes of Audit Practice

We set out a summary of key changes in VFM requirements between the 2015 and 2020 Codes in tabular form over-page.

2015 Code requirement	2020 Code requirement
<p>Overall requirement For auditors to satisfy themselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.</p>	<p>Overall requirement No change in requirement.</p>
<p>Design of work The auditor's work should be designed to provide the auditor with sufficient assurance to enable them to report by exception if the auditor concludes that they are not satisfied that the audited body has put in place proper arrangements to secure value for money in the use of its resources for the relevant period.</p> <p>Where required, the auditor should report their conclusion on the audited body's arrangements having regard to specific reporting criteria.</p>	<p>Design of work The auditor's work should be designed to provide the auditor with sufficient assurance to enable them to report to the audited body a commentary against the specified reporting criteria on the arrangements the body has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.</p> <p>Where the auditor is not satisfied in respect of arrangements to secure value for money, they should refer to this by exception in their audit report on the financial statements.</p>
<p>Assurance given In carrying out this work, the auditor is not required to satisfy themselves that the audited body has achieved value for money during the reporting period.</p>	<p>Assurance given No change in requirement. Our work remains arrangements based.</p>
<p>Other sources of relevant information Auditors need to consider:</p> <ul style="list-style-type: none"> • The audited body's governance statement • Evidence that the audited body's arrangements were in place during the reporting period; • Evidence obtained from the auditor's other work • The work of inspectorates and other bodies and • Any other evidence source that the auditor regards as necessary to facilitate the performance of their statutory duties 	<p>Other sources of relevant information No change in requirement.</p>

2015 Code requirement	2020 Code requirement
<p>Quantum of work</p> <p>Determining how much work to do on arrangements to secure value for money is a matter of auditor judgement.</p>	<p>Quantum of work</p> <p>Determining how much work to do on arrangements to secure value for money remains a matter of auditor judgement, but we expect the enhanced risk assessment process and reporting requirements to require more time to be input.</p>
<p>Reporting criteria</p> <p>The NAO's supporting Auditor Guidance Note 3 defines proper arrangements as:</p> <ol style="list-style-type: none"> 1. Informed decision making <ul style="list-style-type: none"> • Acting in the public interest, through demonstrating and applying the principles and values of sound governance • Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management • Reliable and timely financial reporting that supports the delivery of strategic priorities • Managing risks effectively and maintaining a sound system of internal control 2. Sustainable resource deployment <ul style="list-style-type: none"> • Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions • Managing and utilising assets effectively to support the delivery of strategic priorities • Planning, organising and developing the workforce effectively to deliver strategic priorities 3. Working with partners and other third parties <ul style="list-style-type: none"> • Working with third parties effectively to deliver strategic priorities • Commissioning services effectively to support the delivery of strategic priorities • Procuring supplies and services effectively to support the delivery of strategic priorities 	<p>Reporting criteria</p> <p>The Code specifies that auditors need to focus on these reporting criteria:</p> <ol style="list-style-type: none"> 1. Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services. Specifically: <ul style="list-style-type: none"> • How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them; • How the body plans to bridge its funding gaps and identifies achievable savings; • How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities; • How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and • how the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans. 2. Governance: how the body ensures that it makes informed decisions and properly manages its risks. Specifically: <ul style="list-style-type: none"> • How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud; • How the body approaches and carries out its annual budget setting process;

2015 Code requirement

Reporting criteria (continued)
See previous page

Risk assessment

As part of planning, auditors should consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

2020 Code requirement

Reporting criteria (continued)

- How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from the audit committee; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

3. Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services. Specifically:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- How the body evaluates the services it provides to assess performance and identify areas for improvement;
- How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

Risk assessment

The auditor will need to gather sufficient evidence and document their evaluation of it in order to enable them to draft their commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

2015 Code requirement	2020 Code requirement
<p>Reporting</p> <p>The auditor should report to the audit committee the results of their work.</p> <p>The Annual Audit Letter should provide a clear, readily understandable commentary on the results of the auditor's work and highlight any issues that the auditor wishes to draw to the attention of the public.</p>	<p>Reporting</p> <p>Auditors are required to report in a commentary each year under the specified reporting criteria and the Code expects that where auditors identify significant weaknesses in arrangements as part of their work, they will raise them promptly with the audit committee.</p> <p>The auditor's annual report should bring together all of the auditor's work over the year. A core element of the report will be the commentary in accordance with the specified reporting criteria.</p> <p>The commentary should be clear, readily understandable and highlight any issues that the auditor wishes to draw to the attention of the body or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.</p>

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ED None

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**Key decision: Not applicable
Unrestricted**

Regulation Audit & Accounts Committee

8 March 2021

Internal Audit Progress Report (February 2021)

Report by Director of Finance & Support Services /Head of Southern Internal Audit Partnership

Summary

The purpose of this paper is to provide the Regulation Audit and 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

- (1) That the Committee note the Internal Audit Progress Report (February 2021) as attached.

Proposal

1 Background and context

- 1.1 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.
- 1.2 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.

1.3 Appendix A summarises the activities of internal audit for the period up to February 2021

2 Risk implications and mitigations

Risk	Mitigating Action (in place or planned)
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

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Appendices

Appendix A – Internal Audit Progress Report (February 2021)

Background papers

None

Internal Audit Progress Report (February 2021)

West Sussex County Council



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

Contents:

1.	Role of Internal Audit	3
2.	Purpose of report	4
3.	Performance dashboard	5
4.	Analysis of 'Live' audit reviews	6-7
5.	Executive summaries 'Limited' and 'No' assurance opinions	8
6.	Planning and resourcing	9
7.	Rolling work programme	10-17
Annex 1	Overdue 'High Priority' Management Actions	18-21
Annex 2	Overdue 'Low and Medium' Management Actions	22

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

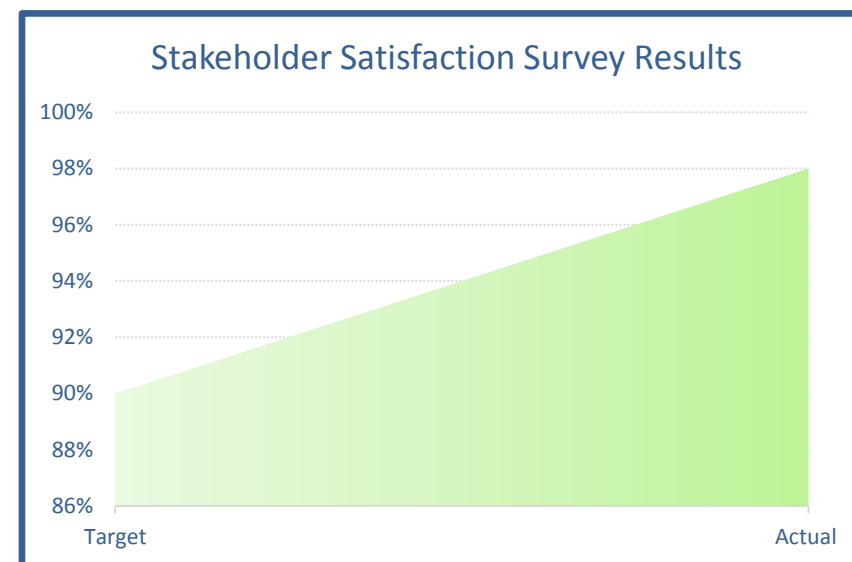
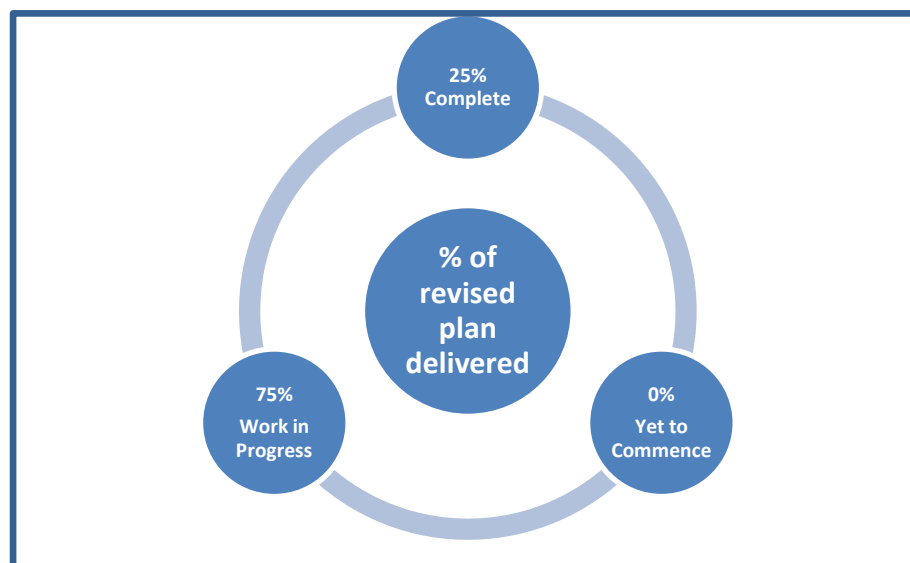
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- 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 system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable / Adequate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

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 2020. The report concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles.'

We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

4. Analysis of 'Live' audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)	Not Accepted	Not Yet Due	Complete	Overdue		
								L	M	H
Home to School Transport	Mar 2019	DH&T	Limited	4	0	0	3	1		
Special Guardianship Orders	May 2019	DC&FS	Limited	24	0	0	22		2	
E-Income	Jun 2019	F&SS	Adequate	1	0	0	0	1		
Payroll and Employment Administration	July 2019	HR&OD	Adequate	10	0	0	9	1		
MSS	July 2019	Corp	Adequate	1	0	0	0	1		
Retained Firefighters	Sep 2019	CFO	Adequate	12	0	0	11		1	
Application Review - Mosaic	Dec 2019	F&SS	Adequate	2	0	0	1		1	
External Placements	Jan 2020	DC&FS	Limited	5	0	0	4			1
Civil Parking Arrangements	Jan 2020	DH&T	Adequate	9	0	0	4		1	4
Document Management & Retention	May 2020	DC	Adequate	8	0	0	7		1	
Quality Assurance Framework	Jun 2020	DASS	Limited	9	0	0	7		1	1
Capital Programme Governance	Aug 2020	DP&A	Adequate	2	0	0	1	1		
Travel Portal	Sep 2020	F&SS	Adequate	7	0	0	6	1		
Companies House – NFI (Proactive Fraud)	Sep 2020	L&A	Limited	9	0	0	4		5	
Special Guardianship Allowances	Oct 2020	EDCYP&L	Reasonable	2	0	1	1		1	
Special Educational Needs	Oct 2020	DC&FS	Limited	6	0	0	3		1	2
Crawley Schools PFI report	Dec 2020	DP&A	Adequate	4	0	0	0		4	
Employers Contributions / Relationships	Dec 2020	F&SS	Reasonable	8	0	7	1			
Total								6	18	8
Overdue Management Actions - Direction of travel since January 2021 progress report								-2	-2	+1

Audit Sponsor	
Chief Executive Chief Fire Officer (CFO) Director of Human Resources and Organisational Development (HR&OD) Director of Law and Assurance (DL&A) Director of Finance and Support Services (DF&SS)	Executive Director Place Services Director of Highways and Transport (DH&T) Director of Environment and Public Protection (DE&PP) Director of Property and Assets (DP&A) Director of Communities (DC)
Executive Director, Adults & Health Director of Public Health (DPH) Joint Strategic Director of Commissioning (JSDC)	Executive Director of Children, Young People and Learning Director of Education and Skills (DE&S)

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

There have been no new reports published concluding a “limited” assurance opinion, since our last progress report. However, a summary of the limited assurance review concluded and presented to the Regulation Audit & Accounts Committee in November 2020 is included as an aide memoir to inform discussions with officers responsible for SEND.

Special Educational Needs & Disabilities			
Audit Sponsor	Assurance opinion	Management Actions	
Executive Director Children, Young people and Learning	Limited	Low 0	Medium 1 High 6
<p>Summary of key observations: This review was undertaken to ensure the SEN data available is complete and accurate to inform monitoring of core statutory requirements, including annual review, and the planning of SEND school places.</p> <p>The Mosaic system did not generate the key documents required for SEN cases such as draft and final Education Health Care Plans (EHCPs). There was no monitoring information from the system to highlight individual EHCP’s annual reviews, which relied on manual diarising or were prompted from the receipt of review documentation from the schools.</p> <p>There was inconsistent use of Mosaic for annual reviews with poor recording to evidence that the annual review had taken place or that it had been undertaken in accordance with required timescales.</p> <p>The Authority introduced a SEN place planning tool which was reliant on both Mosaic and supporting manual spreadsheets to populate SEN place planning, which was then compared to the number of children on roll within schools. The data held across all three sources had proved difficult to reconcile and there had been some challenge from schools on the accuracy of places planned for September 2020.</p> <p>WSCC are required to complete a statutory return that collects data about children for whom they have responsibility in respect of SEN processes. For the purposes of EHCPs the responsible Local Authority is the one where the child resides. The reporting in place for the statutory return was set up to report all children the authority has financial responsibility for; however, this included those children where WSCC had financial responsibility, but live out of county. Such cases should be recorded on the Local Authorities return for the area in which they live not by WSCC.</p> <p>From the data set that will form part of the individual return for the SEN2 statutory return from 2022, there were areas where the data was incomplete for key information (final EHCP dates, review dates, primary need categories, school / provision).</p>			

6. Planning & Resourcing

The internal audit plan for 2020-21 was approved by the County Council's Executive Leadership Team and the Regulation, Audit & Accounts Committee in July 2020.

Due to the ongoing pressures presented by the COVID-19 pandemic and in response to the announcement from Central Government in early January of the latest lockdown measures which are anticipated to be in place for the forthcoming months Sussex have declared a 'major incident'.

From experiences of the first lockdown West Sussex County Council have concluded that in prioritisation of their resources they do not feel they have sufficient officer capacity to facilitate the conclusion of the originally agreed Internal Audit Plan (20/21).

At the request of the Council's S151 Officer the Head of SIAP has been asked to review and reassess the agreed Internal Audit Plan 2020/21 to determine the minimum coverage required to still enable provision of an annual opinion for the current financial year.

It should be recognised that the professional and regulatory expectations on local government bodies to ensure that their internal audit arrangements conform with PSIAS have not changed. In this difficult situation, heads of internal audit still need to consider whether they can issue an annual opinion or whether there will need to be a limitation of scope.

The primary consequence of not providing an annual opinion or doing so but with a limitation of scope is that the leadership team and those charged with governance do not receive independent assurance that the framework of governance, risk management and control is adequate and effective.

Without this assurance the organisation should consider the risk of significant control weaknesses, inefficiencies or poor performance remaining unidentified. In addition, opportunities for improvement may be lost.

The internal audit plan is by its nature risk-based focusing on the key risk faced by the organisation therefore dilution to the plan is not sustainable in the long term.

It remains appropriate within the professional and regulatory standards that alongside direct internal audit work the Head of SIAP can also place reliance on other assurance providers (as set out PSIAS 250).

The revised plan is detailed in the 'rolling work programme' below with amendments approved by ELT and the Chairman and Vice Chairman of RAAC following the request from the S151 Officer in January 2021.

The Head of SIAP feels that sufficient work will have been carried out to provide an opinion on West Sussex County Councils framework of governance, risk and internal control for 2020/21, however, any further dilution of the plan or inability of West Sussex County Council to support delivery will significantly jeopardise this position.

7. Rolling Work Programme

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Dual Use Agreements	P&A	✓	✓	✓				Retain – fieldwork complete. Report currently in draft
Governance – COVID	Corporate	✓	✓	✓				Retain - Governance was a key contributor to IA 19/20 limited annual report and opinion, it was further highlighted in a number of external regularity / assurance reports (Commissioners, Ofsted, HMIC FRS) (<i>Corporate Risk – CR7, CR68</i>)
Health and Safety / Staff Welfare / Wellbeing / Performance Management	Corporate	✓	✓	✓		Feb 21		Retain – key to assurances over COVID risks - fieldwork complete report being drafted (<i>Corporate Risk – CR68, CR70, CR71</i>)
Market Underwriting / Contract Management – Supply chain	Corporate	✓	✓	✓		Dec 20		Retain - key to assurances over COVID risks – Report currently in draft. (<i>Corporate Risk – CR22 CR68</i>)
Emergency Planning / Business Continuity / Service resilience	Corporate	✓	✓	✓				REMOVE – review of the response to COVID undertaken in September 2020 utilising electronic focus group technology (10kv debrief) and facilitated by an independent group covering the response to the pandemic, lessons learned and planned actions across WSFRS, Executive and Council – important IA pick up in 21/22 when potentially new operating models replace old ways of working. (<i>Corporate Risk – CR68</i>)
Central Government Grants (allocation)	Corporate	✓	✓	✓				Retain – key to assurances over COVID risks - fieldwork well advanced. (<i>Corporate Risk – CR68</i>)

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
PPE Cell	Corporate	✓	✓	✓	Jul 20	Sep 20	Reasonable	Retain – final report issued
Recovery	Corporate							REMOVE - Whilst a significant consideration in light of COVID the latest 'lockdown' will undoubtedly affect the approach in this area – important IA pick up in 21/22. (Corporate Risk – CR68)
Health and Safety	DHR&OD	✓						REMOVE – limited assurance opinion provided as part of the last audit review. Some assurances provided through other internal audit work during the year albeit this was COVID specific. H&S team recently brought back in-house – important IA pick up in 21/22 (Corporate Risk – CR50)
Corporate Governance	DL&A	✓	✓					Retain - Governance was a key contributor to IA 19/20 limited annual report and opinion, it was further highlighted in a number of external regularity / assurance reports (Commissioners, Ofsted, HMIC FRS) (Corporate Risk – CR7, CR68)
Corporate Projects Support	Corporate	✓						REMOVE – organisational risks to the timely implementation of Oracle Fusion, moving from the existing SAP platform to deliver a new cloud-based ERP solution. Some third-party assurance received through the commissioning of Socitm Advisory Ltd who have provided an overview of the programme including leadership & governance, programme management & delivery, technical approach and business readiness. Important IA pick up in 21/22. (Strategic Risk – FSS44)

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Risk Management	DFSS	✓	✓	✓				Retain – significant to IAs annual assurance of the framework of governance, risk and control – fieldwork complete report being drafted (<i>Directorate Risk - FSS10</i>)
Annual Governance Statement	DL&A	n/a	n/a	n/a	n/a	n/a	n/a	Retain - Governance was a key contributor to IA 19/20 limited annual report and opinion, it was further highlighted in a number of external regularity / assurance reports (Commissioners, Ofsted, HMIC FRS) (<i>Corporate Risk – CR7, CR68</i>)
Procurement (sub £100k)	DFSS	✓	✓	✓				Retain - fieldwork well advanced
Financial Resilience	DFSS	✓						REMOVE – The pressures created by COVID have been significant and the long-term effects on BAU remain unclear. There also remain the existing budget pressures that were known prior to COVID and remain now and into the future. Audit will be better timed early 21/22 to better understand future planning and assumptions within the MTFS as the Council approach greater budget gaps in 22/23 (<i>Corporate Risk – CR22</i>)
Debt Recovery / Write off	DFSS / DL&A	✓	✓	✓	Dec 20			Retain – fieldwork complete report being drafted
Grant Returns	DFSS	n/a	n/a	✓	n/a	n/a	n/a	Retain – statutory requirement
Pensions (Employer Contributions & relationships)	DFSS	✓	✓	✓	Nov 20	Dec 20	Reasonable	Retain – final report issued
Follow up of Limited Opinion IT Audits	DFSS	✓	✓	✓	Sep 20	Oct 20	n/a	Retain – final report issued

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Cyber Security	DFSS	✓	✓					Retain – significant and ongoing risk to all organisations. The impact of COVID and home / new ways of working introduces different dimensions to the risks and challenges of mitigation. (Corporate Risk – CR39a)
Cloud Service Provisioning	DFSS	✓	✓					Retain – review commenced. Important source of assurance to support the future focus on cloud provisioning
Endpoint & Peripheral Provisioning	DFSS							REMOVE – important for IA to pick up in 21/22 to provide assurances against concerns raised by management
Email & Document Management	DFSS	✓						REMOVE – important for IA to pick up in 21/22 to provide assurances against concerns raised by management
Highways Statutory Inspections	DHT&P	✓	✓	✓	Feb 21			Retain – fieldwork complete report being drafted
Ash Dieback	DHT&P	✓	✓	✓				Retain – fieldwork complete report being drafted. (Directorate Risk HTP 61)
Home to School Transport	DHT&P	✓	✓					REMOVE – included within the plan following a previous limited assurance opinion. Additional service pressures through central government requirements on service delivery during the pandemic. Important IA pick up in 21/22.
Climate Change Strategy	DE&PP	✓	✓	✓				Retain – significant initiative for the organisation moving forward and one of the corner stones to the Reset plan. Important early focus and assurance on governance arrangements of the Climate Control Board and accountabilities throughout the organisation. (Directorate Risk – EPP61, EPP69)

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Children, Young People and Learning Transformation Programme (Governance)	EDCYP&L	✓	✓	✓				Retain – the outcomes of the Commissioners report and Ofsted review were a significant contributor to internal audits 19/20 limited assurance opinion. <i>(Corporate Risk – CR65, CR69)</i>
Children, Young People and Learning Transformation Programme (Workstreams)	EDCYP&L							REMOVE – planned to review a sample of workstreams to provide assurance on management and delivery, however, many are not sufficiently progressed to effectively audit. Some assurance of the CYPLTP governance attained during the year including overview and monitoring of workstreams – Important IA pick up in 21/22. <i>(Corporate Risk – CR61, CR69)</i>
Special Guardianship Allowances	EDCYP&L	✓	✓	✓	Oct 20	Oct 20	Reasonable	Retain – final report issued
Children's – P-Cards	EDCYP&L	✓	✓	✓				Retain – fieldwork nearing completion, minimal resource impact on service area
School Thematic Review(s)	EDCYP&L	✓	✓	✓				Retain – focus of the review is on special schools funding formula – limited impact on schools or front-line staff.
Children Safeguarding (QAF)	EDCYP&L	✓	✓	✓				Retain – whilst the service is stretched there remains some immediate capacity to facilitate the review. IA resource prioritised to complete fieldwork. <i>(Corporate Risk – CR61)</i>
SEND (Special Educational Needs)	EDCYP&L	✓						REMOVE – this review was to focus on commissioning due to acknowledged concern on capacity for SEND placements. The commissioning strategy that was due to be produced was deferred due to competing priorities and consequences of COVID. Important IA pick up in 21/22.

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Data Quality (Children's)	EDCYP&L	✓						REMOVE – will be picked up as part of one of the CYPLTP workstreams (to be reviewed during 21/22 (<i>Directorate Risk – CFS010</i>))
SFVS	EDCYP&L	✓	✓	✓	n/a	n/a	n/a	Retain – mandatory requirement
School Traded Services	EDCYP&L	✓	✓	✓	Feb 21			Retain – fieldwork complete report being drafted, no further resource impact on service area
Self Help in Schools	DP&A	✓						REMOVE – lower risk – reduced activity during COVID.
Think Family	EDCYP&L	✓	✓	✓	n/a	n/a	n/a	Retain – statutory requirement
Approved Mental Health Professionals (AMHPs)	EDA&H	✓	✓	✓				Retain – significant strategic risk for the organisation. A prior third-party review of the AMHP Service found significant problems and risks within the service, including issues in regulatory compliance and standards of practice. (Corporate Risk – CR66)
S75 Mental Health	EDA&H	✓						Remove – incorporated within the plan due to its citation as part of the AMHPs strategic risk (Corporate Risk – CR66). These risks are now identified separately with S75 Mental Health transferred to the Directorate risk register – Important IA pick up in 21/22 (<i>Directorate risk – ASC018</i>)
Establishment Thematic Review(s)	EDA&H	✓	✓	✓	Feb 21			Retain – testing been completed across six residential establishments. Additional testing was scheduled across a further range of day care settings; findings will be concluded on reduced sample size already completed and key observations disseminated accordingly.

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Data Quality (Adults)	EDA&H	✓						REMOVE – to ensure legislative compliance, accuracy, completeness, and effective management information. However, this review would require significant input from front line workers who currently have limited capacity to support the review
Adults Safeguarding Post COVID19	EDA&H	✓	✓	✓				Retain – whilst the service are stretched as a result of lockdown 3 they are keen for the review to continue for assurances on existing and additional process / risk that have manifested in light of the pandemic. <i>(Corporate Risk - CR58)</i>
S75 Governance	JSDC	✓	✓	✓	Feb 21			Retain – fieldwork is well progressed. It is recognised in discussions with service leads that completion may need to be pushed back to March 2021 as staff react to COVID priorities. <i>(Directorate Risk – ASC018)</i>
Multi-Disciplinary Consultant (Contract)	DP&A	✓	✓					REMOVE – lower risk area, incorporated within the plan at the request of service management
Management of restructures	DHR&OD	✓	✓	✓	Nov 20			Retain – draft report issued
Recruitment of Interims	DHR&OD	✓	✓	✓	Sep 20	Oct 20	Reasonable	Retain – final report issued
Compliance with HR requirements	DHR&OC							REMOVE – HR reviews have been undertaken during the year (Restructures; and Recruitment of Interims which have included compliance with HR guidance and policies. <i>(Corporate Risk – CR7)</i>
IR35	DHR&OC	✓	✓					REMOVE – included within the plan following a previous limited assurance opinion. All actions from that review have been reported by the service area as implemented - important to pick up in 21/22

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Health and Safety - FRS	CFO	✓	✓					Retain – review scoped and service area keen to continue. Focus on WSFRS Risk Assessment Process. (<i>Directorate Risk - FRS29</i>)
Safe and Well Visits	CFO	✓	✓					REMOVE – assurances received from the work undertaken and subsequent report from the HMICFRS visit. Additionally, there are reduced volumes of visits due to COVID
Organisational Assurance & Governance	CFO	✓						Retain – OAG recently set up within FRS assurance required on the governance and compliance of the service with its improvement and associated projects/programmes.
Grey Book Contracts	CFO	✓						REMOVE – additional pressures on the team due to COVID and the physical location and accessibility of paper files would also inhibit this review progressing.
Contract Management (Grasstex)	DFSS	✓						Retain – focused review of contractor delivery following anonymous letter of concern

Overdue 'High Priority' Management Actions

Special Educational Needs - Limited			
Observation: From the sample reviewed of children whose EHCP was due for annual review testing highlighted some reviews to be overdue and instances where data recorded was incomplete or absent. Additionally, it was found that supporting documentation was not routinely held within Mosaic			
Management Action	Original Due Date	Revised Due Date	Latest Service Update
A process of manual checking of dates and correction is the only way to align these.	31.12.20	TBC	Service representative will be in attendance at the Regulation Audit & Accounts Committee

Observation: There is currently no monitoring information available in relation to EHCP annual reviews. This process is reliant on the SEN team diarising when annual reviews are due. The Mosaic report which is utilised for the statutory return includes information available for the annual review date. However, these dates are not always correct for when an annual review is due, and there were a number of blank fields despite a recent review completed on Mosaic of where there was a final EHCP date recorded on the system.			
Management Action	Original Due Date	Revised Due Date	Latest Service Update
An urgent review of 'missing' AR dates needs to take place –this would require members of the service to be 'freed up' to undertake this task –working manually through reports. Additional manpower is required (as set out in associated action plan).	31.12.2020	TBC	Service representative will be in attendance at the Regulation Audit & Accounts Committee

Quality Assurance Framework - Limited

Observation: There is a documented Quality Assurance Framework in place within Adults Services. This was created in 2013 and was last reviewed in October 2019.

This review of the framework was completed in isolation to the review of the new Safeguarding Adults Board Quality Assurance Framework (published in November 2019), and therefore this missed the opportunity to bring the two assurance documents in line with each other. The Author of the QAF does not report into the Head of Safeguarding and Quality.

Observation: Whilst there is a mechanism for feeding back learning from the QAF, the Framework does not identify how the authority will verify that this learning has been embedded within Adult's services and therefore is not closing the loop in the assurance process, providing a continuous process

In comparison the WSSAB QAF identifies that a learning and review framework will be in place to enable lessons to be learnt and where there have been poor outcomes to ensure that lessons learned are applied in practice.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Align the QAF with the Safeguarding QAF and where possible children QAF: Including identifying learning and changes in practice to be tested / evidenced based (embedding best practice)	31.07.2020	28.02.2021	A revised draft QAF is with the core AHLT members for agreement and will then be circulated to the wider AHLT and progress to formal launch by end of Feb 21.

External Placements - Limited

Observation: There were no commissioning strategies in place for either Adults or Children's services. An effective commissioning strategy should help identify need, allocate resources and procure provider(s) to meet service need within available means.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Produce and publish the adults commissioning strategy aligned to the Adult Social Care Vision and Strategy 2019 – 2021. Finalise the draft Older People Market Position Statement.	31.01.20	30.11.20	The service has Market Position Statements for Lifelong Services issued November 2019 and Older People, this is currently in draft and the intention is to publish this alongside the Commissioning Strategy. Children Services have provided their Children and Young People's Sufficiency Strategy which runs to 2021.

Civil Parking Arrangements - Adequate

Observation: The signed agency agreements with the districts/boroughs require a monthly reconciliation of income and expenditure for the on-street parking account and the Joint Enforcement Account. The agreements state that the reconciliations should be forwarded to the County Council each month with supporting documentation so that the council can understand the figures in the reconciliation.

Discussions with four district and borough Parking Managers confirmed that although monthly statistical information for on and off-street parking and enforcement is sent, formal reconciliations of income and expenditure are not. One of the councils sends a quarterly reconciliation to the County Council, but the remaining councils only do this at year end.

Additionally, no supporting information other than the statistical reports has been sent to the County Council as required by the agency agreements.

The County Council has not enforced the requirement for monthly reconciliations, nor requested further supporting documentation.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
To raise the reconciliation issues with each DC/BC's, vary the Agency Agreements and get agreement to the variations from the DC/BC's	31.01.2020	01.04.2021	Quarterly Financial Reconciliations – were intended to go alongside the reports but some of the DCs/BCs have stated that they do not wish to change the financial arrangements we have with them mid-way through the financial year. Therefore, appropriate to start in April 2021. Some DCs/BCs did also state that they would not recognise the new arrangements until the Agency Agreements had been signed as they do impact upon their end of year income.
Supporting information (i.e. CPE Reports) will be confirmed with each DC/BC as well as the IT supplier with the first quarterly reports to follow by Spring 2020.	31.03.2020	01.04.2021	Quarterly Reports – The template for the new quarterly reports has been largely completed and some authorities are starting to send through draft versions. The expectation is that all authorities be able to submit reports for Q3 (Oct – Dec). These reports will also include compliance surveys. The monitoring reports and financial reconciliations should be submitted as a pair so revised date is aligned.

The Agency Agreements have been re-drafted to ensure consistency and understanding and updated policy	31.01.2020	01.04.2021	In the final stages of drafting the variations to each Agency Agreement and resource in Legal Services have been made available to assist. Plan to have the Agreements completed (including being signed off by each DC/BC) by the end of December but the actions arising from the variations would not become effective until April 2021. (revised date for completion.)
<p>Observation: The agency agreements require the districts and boroughs to provide WSCC with monthly statistical reports providing a variety of detailed information which is used by the Parking Strategy Team Manager at WSCC for financial modelling purposes. Although we found there were detailed reports being sent from three of the districts/boroughs tested, we were informed by WSCC staff that one of the councils had not sent any reports to them since June 2018.</p>			
Management Action	Original Due Date	Revised Due Date	Latest Service Update
Supporting information (i.e. CPE Reports) will be confirmed with each DC/BC within this same period with the first quarterly reports to follow in Spring 2020. I am currently awaiting confirmation from the IT supplier that they can provide the necessary information.	31.03.2020	01.04.2021	Reports were expected to go live from July 1st, 2020 with the first report expected October. The monitoring reports and financial reconciliations should be submitted as a pair so revised date is aligned.

Annexe 2

Overdue 'Low & Medium Priority' Management Actions

Audit Review	Report Date	Opinion	Priority	Due Date	Revise Due Date
Home to School Transport	Mar 2019	Limited	Low	30.04.20	01.04.21
Special Guardianship Orders	May 2019	Limited	Medium	31.07.19	30.09.20
			Medium	30.09.19	30.09.20
E-Income	June 2019	Adequate	Low	31.12.19	31.04.21
Payroll and Employment Administration	July 2019	Adequate	Low	31.07.19	31.12.20
MSS	July 2019	Adequate	Low	31.07.19	31.03.21
Retained Firefighters	Sept 2019	Adequate	Medium	31.10.19	30.09.20
Application Review - Mosaic	Dec 2019	Adequate	Medium	31.01.20	31.03.21
Civil Parking Arrangements	Jan 2020	Adequate	Medium	31.01.20	01.04.21
Document Management & Retention	May 2020	Adequate	Medium	31.07.20	30.06.21
Quality Assurance Framework (Safeguarding)	Jun 2020	Limited	Medium	31.08.20	31.03.21
Capital Programme Governance	Aug 2020	Adequate	Low	30.09.20	28.02.21
Travel Portal	Sep 2020	Adequate	Low	30.09.20	TBC
Companies House – NFI (Proactive Fraud)	Sep 2020	Limited	Medium	30.11.20	31.03.21
			Medium	30.11.20	31.03.21
			Medium	30.11.20	31.03.21
			Medium	31.12.20	31.03.21
			Medium	31.12.20	31.03.21
Special Guardianship Allowances	Oct 2020	Reasonable	Medium	31.12.20	TBC
Special Educational Needs	Oct 2020	Limited	Medium	31.12.20	*
Crawley Schools PFI report	Dec 2020	Adequate	Medium	31.12.20	31.03.21
			Medium	31.12.20	31.03.21
			Medium	31.12.20	31.03.21
			Medium	31.12.20	31.03.21

* Service representative will be in attendance at the Regulation Audit & Accounts Committee

**Key decision: Not applicable
Unrestricted**

Regulation Audit & Accounts Committee

8 March 2021

Internal Audit Plan 2021/22 (Q1)

Report by Director of Finance & Support Services /Head of Southern Internal Audit Partnership

Summary

The purpose of this paper is to provide the Regulation Audit & Accounts Committee with an overview of the Internal Audit Plan 2021 – 2022 (Q1) (Appendix A)

Recommendation

- (1) That the Committee approve the Internal Audit Plan 2021-22 (Q1) as attached

Proposal

1 Background and context

- 1.1 The aim of internal audit's work programme is to provide independent and objective assurance to management, 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
 - Risks to the achievement of the County Council's objectives are identified, assessed and managed to a defined acceptable level.
- 1.2 The Internal Audit Plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements. Internal audit focus should remain proportionate and appropriately aligned to key areas of organisational risk.
- 1.3 Due to the continued challenges and uncertainties presented by COVID-19 planning has focused on internal audit activity during the first quarter of the year (April – June 2021). SIAP will continue to liaise with key stakeholders over the forthcoming weeks and months to further develop the plan for Q2-Q4 as the Council's risks and needs develop as we move out of the pandemic.
- 1.4 All auditable areas of review remain within the audit universe and are subject to ongoing assessment. The audit plan will remain fluid to ensure internal audits ability to react to the changing needs of the County Council.

- 1.5 Other reviews, based on criteria other than risk, may also be built into the work plan. These may include 'mandatory' audits or reviews requested or commissioned by management. Any commissioned review must be able to clearly demonstrate a contribution to the audit opinion on risk management, control and governance

2 Risk implications and mitigations

Risk	Mitigating Action (in place or planned)
Internal Audit Plan not delivered inhibiting the production of an annual opinion in accordance with the Accounts & Audit Regulations 2015 and accompanying guidance (PSIAS)	<p>The proposed Internal Audit Plan is approved by ELT and RAAC. A regular progress report is presented to ELT and RAAC to monitor progress against the plan.</p> <p>As detailed within the Internal Audit Charter the CIA will notify ELT and RAAC if in their opinion they are in any way inhibited in carrying out assurance work.</p>

Katharine Eberhart

Director of Finance and Support Services

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Appendices

Appendix A – Internal Audit Plan 2021/22 (Q1)

Background papers

None

Internal Audit Plan

2021-22(Q1)

West Sussex County Council



Southern Internal Audit Partnership

Assurance through excellence
and innovation

Contents

Introduction	.....	3
Your Internal Audit Team	.....	4
Conformance with Internal Audit Standards	.....	4
Conflicts of Interest	.....	4
Reset Plan	.....	5
Developing the internal audit plan 2021-22	.....	6
Internal Audit Plan 2021-22 (Q1)	.....	7 - 9

Introduction

The role of internal audit is that of 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’.

The 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 Council that these arrangements are in place and operating effectively.

The 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.

The aim of internal audit’s work programme is to provide independent and objective assurance to management, 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.

The internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of Internal Audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

Internal Audit focus should be proportionate and appropriately aligned. The plan will remain fluid and subject to on-going review and amendment, in consultation with the relevant Executive Directors, Directors and Audit Sponsors, to ensure it continues to reflect the needs of the Council. Amendments to the plan will be identified through the Southern Internal Audit Partnership’s continued contact and liaison with those responsible for the governance of the Council.

Your Internal Audit Team

Your internal audit service is provided by the Southern Internal Audit Partnership. The team will be led by Neil Pitman, Head of Southern Internal Audit Partnership, supported by Karen Shaw, Deputy Head of Partnership; and Keith Phillips, Bev Davies, Iona Bond and James Short, Audit Managers.

Conformance with internal auditing standards

The Southern Internal Audit Partnership service is designed to conform to the Public Sector Internal Audit Standards (PSIAS). Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. In September 2015 the Institute of Internal Auditors were commissioned to complete an external quality assessment of the Southern Internal Audit Partnership against the PSIAS, Local Government Application Note and the International Professional Practices Framework.

In selecting the Institute of Internal Auditors (IIA) a conscious effort was taken to ensure the external assessment was undertaken by the most credible source. As the authors of the Standards and the leading Internal Audit authority nationally and internationally the IIA were excellently positioned to undertake the external assessment.

In considering all sources of evidence the external assessment team concluded:

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

*There are **no instances** across these standards where we determined a standard below "generally conforms", and 4 instances where the standard is assessed as "not applicable" due to the nature of SIAP's remit.'*

Conflicts of Interest

We are not aware of any relationships that may affect the independence and objectivity of the team which are required to be disclosed under internal auditing standards.

West Sussex County Council Reset Plan 2021/22 – 2024/25

In the development of the Reset Plan West Sussex County Council have recognised it needs to operate in a different context to that prior to the COVID-19 pandemic and have responded by building a new model of priorities for the next four years and beyond.

The Rest Plan acts as a framework for the Council to operate in a way that means they are clear on what they want to achieve and what they will do to achieve their priorities, but we are flexible to respond to whatever comes our way.



This plan sets out where the Council will focus its efforts over the next four years. It is set out and organised around four priorities with an underpinning theme of climate change.

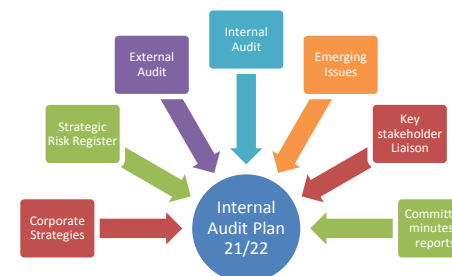
- **Keeping people safe from vulnerable situations**
- **A sustainable and prosperous economy**
- **Helping people and communities to fulfil their potential**
- **Making the best use of resources**

The priorities are underpinned by a range of 'outcomes' of things they will aim to achieve for people who live and work in the county and 'key performance indicators and targets to measure their progress and impact in achieving their stated outcomes.

Developing the internal audit plan 2021/22

We have used various sources of information and discussed priorities for internal audit with the following groups:

- Executive Leadership Team
- Directorate Management Teams
- Other Key Stakeholders
- Regulation, Audit and Accounts Committee



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 resourcing of the internal audit service, consistent with the organisation's goals.

With the unprecedented scale of COVID-19 coupled with the speed of its impact and the wide ranging challenges it has presented, the County Council have had to react promptly and positively to the complex issues raised to ensure that the essential services they provide and the best interest of the people they serve are protected and maintained.

In response to the continued uncertainty of the future impacts of COVID-19 coupled with the organisations prioritisations in responding to the crises the Southern Internal Audit Partnership have focused on producing an internal audit plan that initially covers the first quarter (April – June) of the 2021/22 financial period with a view to compiling the plan for the remainder of the year as the Council's journey out of the pandemic becomes clearer.

The Council are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation. We will however continue to work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance is obtained.

In light of the continued challenges presented through the COVID 19 pandemic the SIAP have adapted their operating model to work virtually through the use of a range of conferencing software.

All members of SIAP have the use of Teams, Skype and Zoom on their mobile devices that enable interaction with each of our clients. The team have quickly adapted to working virtually completing testing through liaison and screen sharing with clients who have equally engaged positively to the new and enforced approach.

Internal Audit Plan 2021-22 (Q1)

Audit Review	Directorate Sponsor	Potential Scope	Risk	Proposed Timing
Corporate Cross Cutting				
Reset Plan	CE	Integrity of data and systems to support established KPI's	-	Q1
COVID-19 Contingency	CE	To undertake grant certification work and provide assurance in respect new or emerging COVID related risks.	CR68 CR70	Q1
Keeping people safe from vulnerable situations				
Think Family	EDCY&L	Mandatory grant return	-	Q1
Firewatch	CFO	Review of controls in place to ensure key data held in the system is complete, accurate and up to date pending integration into Oracle	-	Q1
Communications and equipment	CFO	Following a recent visit by Ofcom, to review the structure and governance of the Information and Systems Group and the controls in place within fleet and engineering to manage pagers, radios and masts.	-	Q1
Adult's Contingency	EDA&H	Review areas to be determine following attendance at A&H Senior Management Team (24 March 2021)	-	Q1
A sustainable and prosperous economy				
Home to School Transport	EDPS	Full review of Home to School Transport provision following a previous limited assurance audit.	ES026	Q1
Highways Maintenance	EDPS	Review of contract management arrangements and effective delivery of the highways maintenance contract with Belfour Beattie	HTP56	Q1
Helping people and communities to fulfil their potential				
School Thematic Review(s)	EDCYP&L	Themes to be agreed with Executive Director / Director.	-	Q1

Audit Review	Directorate Sponsor	Potential Scope	Risk	Proposed Timing
SFVS	EDCY&L	Mandatory requirement - review of the SFVS returns to identify areas of weakness / non-compliance to inform School Thematic Reviews / Individual School Visits	-	Q1
Hammonds (Residential Care Home)	EDA&H	Establishment audit following a wider thematic review which focused on cash handling and reconciliations	-	Q1
Making the best use of resources				
People Framework	HR&OD	Assurance on delivery and embedding of the People Framework as an underpinning foundation to the Reset Plan	CR11	Q1
Smartcore (Oracle Fusion)	DF&SS	Assurance over project management and delivery of significant change programme.	FSS7	Q1
Fraud (Proactive / Reactive)	DF&SS	Range of proactive and reactive initiatives to help identify and mitigate the risk of fraud (see Fraud Plan).	-	Q1
Annual Governance Statement	DL&A	Review of the framework to develop and report the AGS.	CR7	Q1
Payroll	DF&SS	Cyclical review of core financial system		Q1
Contract Management	Corporate	Assurance on the deliverables of a selection of key contracts and the effectiveness of contract management arrangements		Q1
IT Contingency	DF&SS	Review areas to be determine following scheduled meeting with HoIT (1 March 2021)		Q1
Management and review				Q1

Audit Sponsor	
Chief Executive Chief Fire Officer (CFO) Director of Human Resources and Organisational Development (HR&OD) Director of Law and Assurance (DL&A) Director of Finance and Support Services (DF&SS)	Executive Director Place Services Director of Highways and Transport (DH&T) Director of Environment and Public Protection (DE&PP) Director of Property and Assets (DP&A) Director of Communities (DC)
Executive Director, Adults & Health Director of Public Health (DPH) Joint Strategic Director of Commissioning (JSDC)	Executive Director of Children, Young People and Learning Director of Education and Skills (DE&S)

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**Key decision: Not applicable
Unrestricted**

Regulation Audit & Accounts Committee

8 March 2021

Internal Audit Charter 2021/22

Report by Director of Finance & Support Services /Head of Southern Internal Audit Partnership

Summary

The purpose of this paper is to present the Internal Audit Charter 2021-22 to the Regulation, Audit & Accounts Committee in accordance with the requirements of the Public Sector Internal Audit Standards.

Recommendation

- (1) That the Committee approve the Internal Audit Charter 2021/22 as attached

Proposal

1 Background and context

- 1.1 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'

- 1.2 The Public Sector Internal Audit Standards (attribute standard 1000) requires that all internal audit activities maintain an 'internal audit charter'.

- 1.3 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.

- 1.4 The internal audit charter establishes internal audits position within the organisation including:

- Recognising the mandatory nature of the Public Sector Internal Audit Standards
- Defining the scope of internal audit responsibilities.
- Establishing the responsibilities and objectives of internal audit.
- 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.
- 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
- Arrangements in place for avoiding conflicts of interest.

1.5 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.

1.6 Appendix A provides a draft copy of the internal audit charter 2021-22 for review and comment.

2 Risk implications and mitigations

Risk	Mitigating Action (in place or planned)
Non-compliance with the statutory requirements of the Accounts & Audit [England] Regulations 2015 and conformance to the Public Sector Internal Audit Standards 2017.	Annual self-assessment and periodic external assessment of compliance against the Standards. Last external assessment completed in September 2020 reporting the service s fully compliant with all aspects of the Standards.

Katharine Eberhart

Director of Finance and Support Services

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Appendices

Appendix A – Internal Audit Charter 2021/22

Background papers

None



Internal Audit Charter 2021-22

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;
- 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;
- Be insightful, proactive, and future-focused; and
- 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:

- retains no executive or operational responsibilities;
- 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 organisation's 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 liaison 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 its 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:

- 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

- 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:

- approving the internal audit charter;
- approving the risk based internal audit plan;
- 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 non-conformance; 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 Partner:	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.
- **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.

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**Key decision: Not applicable
Unrestricted**

Regulation, Audit and Accounts Committee

8 March 2021

Financial Statements 2020/21 – Plans and Progress

Director of Finance and Support Services

Summary

Project plans have again been prepared for the closure of the 2020/21 accounts for the County Council and the West Sussex Pension Fund. The deadline for the draft statements to be produced is currently being consulted upon and if approved, will result in the deadline for draft accounts being put back from 31 May to 31 July, and the deadline for audited accounts from 31 July to 30 September, for an initial period of two years covering 2020/21 and 2021/22. This is in response to the findings of the Redmond Review and also in recognition of the pressures that local authorities are operating under as a result of the coronavirus pandemic. Based on this timetable, the draft external audit report for both the County Council and the Pension Fund accounts will be available in August 2021 (subject to confirmation), ahead of the Regulation, Audit and Accounts Committee meeting on 22 September 2021. Members will have the opportunity to participate in a briefing session (to be arranged in July 2021) 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

The Committee is asked to:

- (1) Note the project plans for the County Council and Pension Fund accounts (Appendices A and B) and consider progress to date.
 - (2) Consider the draft accounting policies for both the County Council and Pension Fund accounts for 2020/21 as set out in full in Appendices Ci and Cii and approve them for application in preparing this year's accounts.
-

Proposal

1 Introduction

- 1.1 This paper sets out the planning framework for closing the 2020/21 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 Due to coronavirus pandemic, there was a temporary revision to the legislative deadlines for 2019/20, with the date when the draft accounts were required to be submitted for audit moving from 31 May 2020 to 31 August 2020 and the date of publication of the audited accounts moving from 31 July to 30 November. The 2019/20 accounts were closed in line with these statutory deadlines. A provisional set of accounts for the County Council, which excluded the adjustments relating to the Collection Fund entries, the Narrative Report which was delayed so that the disclosure could fully consider the impacts of Covid-19 on the Authority and its finances and the Going Concern disclosures, were submitted to EY for audit on 5 June 2020. The Pension Fund submitted a complete set of draft accounts to EY on the same date. A complete draft set of accounts were then certified by the Director of Finance and Support Services for both the County Council and the Pension Fund on 7 August.
- 2.2 External audit started their work on the audit in June 2020 with the majority of the work being undertaken during June and July, with further work specifically on valuations, continuing into November 2020. EY again issued an unqualified opinion on both the County Council and Pension Fund accounts at the November meeting of this committee. As part of the value for money conclusion, EY concluded that, except for arrangements for informed decision making, adequate arrangements have been in place throughout 2019/20. In relation to informed decision making, EY acknowledged the steps that had been taken to improve over the period referencing the changes in the Council's governance processes including collective decision making and the progress made responding to the Commissioner's report on Children's Services. However, as the majority of the improvements were made in the second half of the year, they concluded that effective arrangements were not in place for informed decision making throughout 2019/20.
- 2.3 Due to the continuing unprecedented circumstances during 2020 and the delayed conclusion of the 2019/20 audit, the timing of the external audit planning and interim visits for the 2020/21 audits have been impacted and these are now scheduled to take place in March 2021. In addition, further changes to the Accounts and Audit Regulations are currently being consulted upon, which if approved, will result in the deadline for draft accounts being put back from 31 May to 31 July, and the deadline for audited accounts from 31 July to 30 September, for an initial period of two years covering 2020/21 and 2021/22. This is in response to the findings of the Redmond Review and also in recognition of the pressures that local authorities are operating under as a result of the coronavirus pandemic.

- 2.4 A formal project plan has again been produced for the 2020/21 accounts both for the County Council and Pension Fund accounts, enabling the Council's scarce resources to be allocated, to identify a critical path and formally evaluate risks. A briefing session for members will be arranged, anticipated to be in July 2021, to help members gain a greater understanding of the accounts including a walkthrough of the financial statements.
- 2.5 The County Council's project plan is to produce draft accounts by 30 June, which is a month ahead of the proposed extended deadline. This reflects a desire to conclude the process as efficiently as possible, and enable the commencement of the statutory external audit at the earliest possible date, but also recognising a number of risks which officers are managing, including internal resourcing issues, the impact of the pandemic and officer's working arrangements, the change in the Council's valuers and the impact of the major project which is underway to change from SAP to Oracle. A further dependency on finalising the Council's draft accounts is the provision of collection fund data by the billing authorities. In the event that this information is not available by 30 June, it is anticipated that EY will adopt the same approach as last year and still continue with the majority of their audit work as planned during July and audit the collection fund entries when they become available.
- 2.6 The plan for the Pension Fund is to produce their draft accounts by 31 May, in line with the original deadline.
- 2.7 The project plans for each body are attached as Appendices A and B. Each plan includes a table of milestones which are set out below.

Figure 1: WSCC Closedown Milestones

Task	Due date
Corporate Project Plan issued	30 September 2020
Letter of instruction issued to property valuers	30 October 2020
Bruton Knowles provide draft non-current asset valuation certificates for Corporate Finance review	1 February 2021
Working paper requirements agreed with EY	1 February 2021
Issue closedown timetable and guidance notes to practitioners	1 March 2021
EY commence 5-week 'Interim Audit'	1 March 2021
RAAC considers accounting policies and handbook	8 March 2021
Deadline for submission of school bank reconciliations	1 April 2021
Service monitors submitted for outturn QPM	16 April 2021
Outturn management accounts finalised	20 April 2021
Member & Senior Officer Related Party survey deadline	23 April 2021
Bruton Knowles provide final valuation report	23 April 2021
Anticipated receipt of HR establishment & bandings reports	30 April 2021
Executive Leadership Team considers outturn QPM	6 May 2021
Anticipated receipt of IAS19 pensions actuary reports	14 May 2021
Senior Officer Remuneration disclosure available for review by Finance and HR Directors	14 May 2021
Cabinet Briefing considers outturn QPM	25 May 2021 (TBC)
Fixed Asset Register "lockdown" – QA complete and disclosures handed over for financial statements	28 May 2021

Task	Due date
Council Tax and Business Rates outturn collection funds requested from billing authorities	1 June 2021
Outturn QPM approved by Public Cabinet	8 or 15 June 2021 (TBC)
Ledger closed – no further transactions	11 June 2021
Handover of financial instrument disclosures	18 June 2021
Complete draft Statement of Accounts (SoA) available for senior management QA	23 June 2021
Provisional start date for commencement of County financial statements audit	28 June 2021
CFO certifies draft SoA for publication on WSCC website & submission to EY	30 June 2021
Start of accounts inspection period	1 July 2021
Finalisation of audit working paper file	9 July 2021
RAAC Member Briefing – walkthrough draft financial statements	Early July 2021 (TBC)
RAAC meeting; progress update	19 July 2021
Draft WGA submitted to HMT and available for audit	30 July 2021
End of accounts inspection period	11 August 2021
Schedule of audit amendments agreed	13 August 2021 (TBC)
EY to provide draft Audit Results Report for comment	17 August 2021 (TBC)
Scheduled conclusion of financial statements audit	20 August 2021 (TBC)
EY provides WGA Assurance Statement	Early September TBC
CFO authorises audited SoA for RAAC despatch	13 September 2021
EY despatches final Audit Results Report to RAAC	13 September 2021
RAAC approves audited SoA	22 September 2021
EY provides audit opinion and certificate	29 Sept 2021 (TBC)
Audited SoA published on website	30 September 2021
Anticipated deadline for submission of audited Whole of Government Accounts to Treasury	30 September 2021 (TBC)

- 2.8 Attention is drawn to the County Council risk register which is attached as an annex to the project plan. Six 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
Consideration of the accounting policies and project management handbook by Regulation, Audit & Accounts Committee (RAAC)	8 March 2021
'Interim Audit'	22 March 2021
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	21 May 2021
Draft SoA QA Completed	27 May 2021
Completed internal quality assurance (QA) of SoA	28 May 2021
Submission of draft SoA to Ernst & Young (EY)	21 June 2021
On site Audit	21 June 2021
Ensure that the individual electronic working papers are provided in accordance with the agreed protocol with EY, signed off by the lead reviewer	21 June 2021
Member Briefing with RAAC, Pensions Panel and Pension Advisory Board	Early July 2021 TBC
Accounts inspection period commences	1 July 2021
Completion of EY audit work within advised fee scale	16 July 2021
Consideration of draft SoA and Pension Fund Annual Report by Pensions Committee	21 July 2021
End of accounts inspection period	11 August 2021
Draft Audit Results Report available for comment	17 August (TBC)
EY despatches final Audit Results Report to RAAC	13 September 2021
Consideration of final SoA by RAAC	22 September 2021
Opinion on financial statements and signed audit certificate provided	29 September 2021
Anticipated deadline for submission of audited Whole of Government Accounts to Treasury	30 September 2021 (TBC)

- 2.9 Attention is drawn to the Pension Fund risk register which is attached as an annex 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

- 2.10 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 Ci and Cii.
- 2.11 Only relatively minor changes in the County Council accounting policies are proposed for 2020/21. These changes have been made to ensure ongoing alignment with the example accounting policies in CIPFA's Code of Practice Guidance Notes where appropriate, and to address issues raised by EY during their previous audit. The changes are designed to provide clarification, streamline or to address previous omissions, and are not intended to reflect a change in existing practice.

- 2.12 The new 'going concern' accounting policy, introduced during the audit of the 2019/20 financial statements to confirm the basis of the preparation of the accounts, has been retained for 2020/21 and subsequent financial years. The 'Local Enterprise Partnership' accounting policy has been removed as the Council ceased to be accountable body for the partnership effective 1 October 2018 (the policy was retained in 2019/20 for prior-year comparator purposes).
- 2.13 The Pension Fund policies have been updated to reflect minor changes to address previous omissions or provide clarification.

3 Finance

- 3.1 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.

4 Risk implications and mitigations

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

Katharine Eberhart

Director of Finance and Support Services

Contact Officer

Vicky Chuter, Financial Reporting Manager, 033 022 23414

Appendices

Appendix A – WSCC Project Management Handbook

Appendix B – WSPF Project Management Handbook

Appendix Ci – WSCC Accounting Policies

Appendix Cii – WSPF Accounting Policies

Background Papers

None

2020/21 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.

Proposed changes to the Accounts and Audit Regulations are currently being consulted upon. If enacted, this will result in the deadline for draft accounts being put back from 31 May to 31 July, and the deadline for audited accounts from 31 July to 30 September, for an initial period of two years covering 2020/21 and 2021/22. This is in response to the findings of the Redmond Review into the effectiveness of the external audit framework, and also in recognition of the pressures that local authorities are operating under as a result of the coronavirus pandemic.

The Council has developed a project plan which facilitates the production of draft accounts by 30 June, a month ahead of the proposed extended deadline. This reflects a desire to conclude the process as efficiently as possible, and enable the commencement of the statutory external audit at the earliest possible date. The timetable set out in the following sections reflects this intention. It should however be noted that the voluntary finalisation of draft accounts at this earlier date is dependent on a number of external factors as set out in section 3, including the provision of collection fund data by billing authorities, and that any delay in this respect could have knock-on implications for subsequent stages including the commencement of the external audit. Additionally, given the ongoing nature of the consultation, the scheduling of the audit has yet to be agreed with EY, and so all such dates should be considered as indicative only.

2. Success Criteria

- Complete draft Statement of Accounts available for internal senior management QA by 23 June
- Draft accounts certified by Chief Finance Officer (CFO) by 30 June for publication on WSCC website and submission for external audit
- Complete set of compliant electronic working papers are provided to the external auditors, EY, by 9 July, to facilitate commencement of financial statements audit
- External audit, including agreement of audit adjustments and provision of draft results report, to be concluded by 20 August (audit timetable subject to agreement with EY)
- CFO authorises despatch of audited Statement of Accounts to Regulation, Audit and Accounts Committee (RAAC) by 13 September
- EY despatches final Audit Results Report to RAAC by 13 September
- RAAC approves audited financial statements at its meeting of 22 September
- EY to provide an unqualified audit opinion and audit certificate following September meeting of RAAC
- Audited accounts to be published on the WSCC website by 30 September
- 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 QPM) 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 QPM will be considered by the Executive Leadership Team (ELT) on 6 May and at the Cabinet Briefing on 25 May (TBC), before formally being approved at Public Cabinet on 8 or 15 June (TBC).
- **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 14 May.
- **Capital Asset Valuations** – the capital accounts are largely dependent on the certificates provided by our external valuers as part of the rolling revaluation programme. New valuers, Bruton Knowles, have been appointed effective October 2020, and so additional work is required this year to integrate processes and ensure that all valuations supplied meet our requirements (see also section 10). Bruton were instructed to provide draft valuation certificates to Corporate Finance by 1 February, and a final valuation report is to be delivered by 23 April.
- **Related Party Transactions** – the Authority surveys its Members and Senior Officers in the spring to identify any related party transactions. The deadline for responses this year will be 23 April. For the purposes of this survey, senior officers shall be defined as direct reports to the Chief Executive, and any other officers undertaking statutory roles.
- **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.
- **Bandings** – this report identifies the number of officers with remuneration in excess of £50,000 in bands of £5,000 for disclosure in the financial statements. The report is supplied by Capita HRMI and is due to be provided by 30 April.
- **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. Whilst the statutory deadline for the finalisation of business rates data is anticipated to be 30 June, WSCC is requesting this information by 1 June in order to facilitate the earlier submission of draft accounts for audit (see section 1). Data on the council tax collection fund will be requested alongside the business rates collection fund. In addition, billing authorities will again be required to provide details of provisions raised in respect of appeals against rateable values.
- **School Bank Reconciliations** – as part of school banking arrangements, transactions that are initiated locally by schools are routinely 'swept' into the County Fund for cash flow purposes and to ensure that all activity is captured in the consolidated WSCC accounts. In order to reconcile its overall bank position, WSCC therefore requires each of its maintained schools to submit an individual bank reconciliation at year-end. For 2020/21, the deadline for schools to submit their reconciliations is 1 April to align with the last day of the Spring term.

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. As stated in section 1, the accounts and audit legislation is subject to ongoing consultation, and so the dates below should be considered provisional and are subject to agreement with EY where applicable.

The 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	30 September 2020	SMc
Letter of instruction issued to property valuers	30 October 2020	SMc
Bruton Knowles provide draft non-current asset valuation certificates for Corporate Finance review	1 February 2021	VEM
Working paper requirements agreed with EY	1 February 2021	SMc
Issue closedown timetable and guidance notes to practitioners	1 March 2021	VC
EY commence 5-week 'Interim Audit'	1 March 2021	EY
RAAC considers accounting policies and handbook	8 March 2021	DEM
Deadline for submission of school bank reconciliations	1 April 2021	SFS
Service monitors submitted for outturn QPM	16 April 2021	SFBP
Outturn management accounts finalised	20 April 2021	VC
Member & Senior Officer Related Party survey deadline	23 April 2021	DEM
Bruton Knowles provide final valuation report	23 April 2021	VEM
Anticipated receipt of HR establishment & bandings reports	30 April 2021	CAP
Executive Leadership Team considers outturn QPM	6 May 2021	VC
Anticipated receipt of IAS19 pensions actuary reports	14 May 2021	WSPF
Senior Officer Remuneration disclosure available for review by Finance and HR Directors	14 May 2021	VC
Cabinet Briefing considers outturn QPM	25 May 2021 (TBC)	DEM
Fixed Asset Register "lockdown" – QA complete and disclosures handed over for financial statements	28 May 2021	SMc
Council Tax and Business Rates outturn collection funds requested from billing authorities	1 June 2021	VC

Task	Due date	Lead
Outturn QPM approved by Public Cabinet	8 or 15 June 2021 (TBC)	DEM
Ledger closed – no further transactions	11 June 2021	SMc
Handover of financial instrument disclosures	18 June 2021	VC
Complete draft Statement of Accounts (SoA) available for senior management QA	23 June 2021	SMc
Provisional start date for commencement of County financial statements audit	28 June 2021	EY
CFO certifies draft SoA for publication on WSCC website & submission to EY	30 June 2021	KE
Start of accounts inspection period	1 July 2021	VC
Finalisation of audit working paper file	9 July 2021	SMc
RAAC Member Briefing – walkthrough draft financial statements	Early July 2021 TBC	DEM
RAAC meeting; progress update	19 July 2021	VC/EY
Draft WGA submitted to HMT and available for audit	30 July 2021	SMc
End of accounts inspection period	11 August 2021	VC
Schedule of audit amendments agreed	13 August 2021 (TBC)	EY
EY to provide draft Audit Results Report for comment	17 August 2021 (TBC)	EY
Scheduled conclusion of financial statements audit	20 August 2021 (TBC)	EY
EY provides WGA Assurance Statement	Early September TBC	EY
CFO authorises audited SoA for RAAC despatch	13 September 2021	KE
EY despatches final Audit Results Report to RAAC	13 September 2021	EY
RAAC approves audited SoA	22 September 2021	DEM
EY provides audit opinion and certificate	29 Sept 2021 (TBC)	EY
Audited SoA published on website	30 September 2021	SMc
Anticipated deadline for submission of audited Whole of Government Accounts to Treasury	30 September 2021 (TBC)	VC

Leads: **CAP** CAPITA HR Management Information; **DEM** Democratic Services; **EY** External Auditors;
KE Katharine Eberhart; **SFBP** Strategic Finance Business Partners; **SFS** Schools Financial Services;
SMc Sean McEwan; **VC** Vicky Chuter; **VEM** Valuation & Estates Management; **WSPF** West Sussex Pension Fund

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, May and June. Operating at a combined 4fte, this equates to approximately 2,400 hours over the four-month 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 (provisionally scheduled for July/August). 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 2020/21.

However, it is anticipated that additional fees will be chargeable for the 2020/21 audit. EY's final proposed fee for 2019/20 included an additional amount of £66,426 for 'scale fee rebasing', to reflect a perceived change in work arising at a sector level to address professional and regulatory requirements and scope associated with risk. Additionally, a local 'scale fee variation' of £60,500 was proposed for additional work arising from the pandemic (e.g. property valuation uncertainty and financial sustainability) and the Value for Money audit. It is likely some or all of these additional fees will again be proposed for 2020/21. Final charges will be subject to the approval of the PSAA.

The Authority adopts a rolling approach to its valuation of non-current assets. As part of this on-going programme, approximately 300 valuations are expected to be commissioned from our external valuers, Bruton Knowles, during the 2020/21 closedown process. The cost of this exercise is estimated at £30,000.

Costs of approximately £11,500 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 23 June 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

- 8 March – sign-off Accounting Policies and Project Management Handbook
- Early July (date TBC) – briefing session to walkthrough draft financial statements
- 19 July – officers to provide progress update
- 22 September – approve audited accounts and consider Audit Results Report.

With EY

- Pre-audit planning meetings in January and February
- Regular meetings throughout interim audit (March)
- Weekly liaison meeting throughout financial statements audit (July/August TBC)
- EY to report Audit Plan to RAAC in July and Audit Results to RAAC in September.

10. Risk Analysis

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

- As described in section 1, there is still significant uncertainty over the accounts and audit timetable for 2020/21. A particular concern is that billing authorities may work to the proposed legislative deadline of 31 July for draft accounts, which will prevent the Council as a precepting authority from certifying a complete set of draft accounts until this date. This will have implications for the commencement of the audit, and audit firms may experience difficulties scheduling all of their audits before the 30 September deadline for audited accounts. This is therefore a risk to the publication of the accounts by the statutory deadline. This is compounded by the knock-on implications of the delayed conclusion of the 2019/20 audit due to the coronavirus pandemic, which has for example prevented the scheduling of a 'planning' audit, meaning that early work such as system walkthroughs will need to be condensed into later stages of the audit process.
- The legislative deadlines imposed by the Accounts and Audit Regulations are extremely challenging, and require 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 core accounts preparation team is anticipating some disruption during this period, with one member of staff recently giving their notice and another due to take paternity leave. The ongoing pandemic brings further uncertainty in this area, with the potential for increased staff absence and even redeployment.
- The coronavirus pandemic also has wider implications for the contents of the financial statements. Last year, the Council's property valuers issued a 'material uncertainty' caveat on its valuations given the significant market volatility. Additionally, EY required enhanced disclosures in relation to the Council's financial sustainability and going concern. This creates additional pressure in the accounts preparation timetable, and also increases the scope for challenge during the audit process, which in turn can lead to increased audit fees.
- The Authority is currently in the design phase of its 'Smartcore' project to replace its current SAP Enterprise Resource Planning software with Oracle Fusion. This is a time pressured and therefore very resource-intensive project, and Subject Matter Experts from across the Finance function are engaged to work with our Implementation Partners to ensure the solution meets our organisational requirements. Whilst these SME's have been sourced from outside the direct final accounts project team, it is inevitable that the expertise of the team will be drawn upon at various intervals to ensure that delivery remains on track, particularly in areas of specialism such as GL and Fixed Assets where the detailed technical knowledge does not exist outside of one or two core team members. This is an additional resourcing risk that will exist throughout the accounts preparation and audit process, and prioritisation at the project owner level may be required to balance two key corporate priorities.

- 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 and property valuers. 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 legislative deadline. The likelihood of this risk has been increased this year due to the implementation of the new Asset Valuation Services contract which took effect in October 2020. Additional time may be taken to re-establish quality control processes that had been developed with the previous supplier, and to ensure that the output properly reflects the specific valuation methodologies applicable to local government.
- Additional risks may be identified in response to EY's Audit Plan, which has yet to be shared with the Council. For example, last year's audit plan advised a significantly reduced materiality threshold, which increased sample sizes during substantive testing and reduced the degree of flexibility when variations arose during the audit process, both of which caused additional pressure during the audit period. Additionally, inappropriate capitalisation was flagged as a specific audit risk as part of the Audit Plan, and the Council was therefore required to provide extensive documentation in support of its approach, for example in relation to its Flexible Use of Capital Receipts Strategy.

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	Initial Risk (I – Impact L-Likelihood R- Risk)			Mitigation	Who	Time scale
		I	L	R			
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. Change in property valuation partner increases risk of issues upon transition.	4	3	12 (A)	Early engagement with suppliers and agreement to defined timetable. Internal data dependencies identified (Pensions Administration, Estates Management) and requirements shared. Contract initiation meetings with new property valuer and additional time allowed to embed QA processes.	Sean McEwan	October 2020 – May 2021
Failure to achieve draft accounts deadline due to internal resourcing issues	Resourcing issues (specifically arising from turnover, paternity leave and coronavirus impacts) is a risk to the certification of draft accounts in accordance with the legislative deadline. Consequential implications for commencement of audit and further legislative requirements for approval of audited accounts.	4	3	12 (A)	Development of detailed project plan detailing component tasks, dependencies etc. Restrictions on team leave/study during peak period to ensure sufficient capacity. Extra flexibility provided by extension to draft accounts deadline in legislation mitigates risk.	Sean McEwan	March to June 2021
Compliance with legislative deadlines	Dependency on billing authority submissions may limit flexibility to draft accounts in advance of legislative deadline. Impact on scheduling of audit, firms may experience resourcing issues, potential delay to publication of audited accounts brings reputational risk and affects future work programme.	3	3	9 (A)	Early engagement with EY and billing authorities to agree scheduling. Potential to issue 'provisional accounts' with agreed gaps to facilitate interim audit work. Early agreement of working papers to ensure prompt turnaround of queries.	Sean McEwan	June to September 2021
Additional work arising from Covid-19	Additional work required for enhanced disclosures (e.g. valuation uncertainty, going concern) is a risk to the accounts timetable. Increased audit scrutiny increases likelihood of audit differences and additional fees.	3	3	9 (A)	Additional tasks built into project plan to replicate prior year disclosures. Early dialogue with audit to agree requirements. Fee pressures to be captured as part of budget monitoring arrangements.	Vicky Chuter	March to September 2021
Demands of Oracle implementation project on core project team	Specialism limited in areas such as fixed assets and GL to one or two core project team members. Risk to delivery of draft accounts and support to external audit if these individuals are pulled too heavily into concurrent SAP replacement project.	4	2	8 (A)	Oracle project team has been resourced without direct impact on core final accounts project team. Senior representation on both projects to ensure that resourcing clashes are mitigated appropriately.	Vicky Chuter	March to September 2021

Risk	Potential Impact	Initial Risk (I – Impact L-Likelihood R- Risk)			Mitigation	Who	Time scale
		I	L	R			
Additional Audit Plan risks	Delays in the 2019/20 audit have resulted in the 2020/21 plan being issued later than usual. There is therefore the potential for additional risks to be identified by EY which have not been incorporated in this analysis.	3	2	6 (A)	The Audit Plan is expected to be shared with Committee at its July meeting. Officers to report any additional risks and proposed mitigations at that time. Early sight to be requested for accounts preparation purposes.	Vicky Chuter	May to July 2021

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2020/2021 Final Accounts Closedown

West Sussex Pension Fund (WSPF)

Project Management Handbook

Background & Overview

1. A Project Management Handbook has been prepared, 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
 - Maintaining the reputation of the West Sussex Local Government Pension Scheme and providing Employers with assurance around the stewardship and transparency of the arrangements in place.
 - Ensuring key processes are identified and adhered to

Key Milestones, Project Controls and Quality Controls

2. The following are the 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.

Milestone	Date
Verification of information provided by fund managers, custodian and pension services team and reconciliation against the core accounting system (SAP) to enable full technical review of draft Statement of Accounts (SoA) by Lead Reviewer	21 May 2021
Completed internal quality assurance (QA) of SoA	28 May 2021
Submission of draft SoA to Ernst & Young (EY)	21 June 2021
Ensure that individual electronic working papers are provided in accordance with the agreed protocol with EY, signed off by the Lead Reviewer.	21 June 2021
Completion of EY audit work within advised fee scale	16 July 2021
Consideration of draft SoA as part of the Pension Fund Annual Report by Pensions Committee	21 July 2021
Despatch Audit Results Report to Regulation, Audit & Accounts Committee (RAAC)	13 September 2021
Consideration of final SoA by RAAC	22 September 2021
Provision of an unqualified audit certificate following meeting of RAAC	29 September 2021
Publication of audited SoA on website	30 September 2021

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 Section 151 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. Between March and July, the Pension Fund's accounting team (3.8 FTE) will be working to deliver the Project Plan.

Other Stakeholders (third party providers)

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 Pension Fund's accounting team - including fund managers, administration service providers, custodian and professional bodies. These are listed below.
 - Financial Reporting Manager (WSCC)
 - Legal Services (WSCC)
 - Pension Services (Hampshire CC)
 - External Valuer (Savills)
 - External Fund Managers (Aberdeen Standard, Baillie Gifford, Goldman Sachs, ICG, JP Morgan, Link, Pantheon, Partners Group, UBS)
 - Custodian (Northern Trust)
 - Fund Actuary (Hymans Robertson)
 - Professional Body (CIPFA)
 - External Auditor (Ernst Young)

Key Risks

9. The following are key risks to the delivery of the Project and are detailed in Annex 2.
 - Change in public health advice in relation to Covid-19
 - Reduction in available resource due to overall reduction in team working hours
 - Additional work requirements from Covid-19
 - Delay in information supplied by third party providers
 - Failure to provide information to Ernst Young in time and in a compliant format
 - Move away from SAP Enterprise Resource Planning software to Oracle fusion.
 - Late additional technical requirements

- Uncertainty around the audit dates and accounts timetable compounded by the delayed conclusion of 2019/20.

Annex 1 - Milestones

Task	End date	Lead
Consideration of the accounting policies and project management handbook by Regulation, Audit & Accounts Committee (RAAC)	8 March 2021	DEM
'Interim Audit'	22 March 2021	EY
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	21 May 2021	PFS
Draft SoA QA Completed	27 May 2021	FMA
Completed internal quality assurance (QA) of SoA	28 May 2021	PFS
Submission of draft SoA to Ernst & Young (EY)	21 June 2021	FMA
On site Audit	21 June 2021	EY
Ensure that the individual electronic working papers are provided in accordance with the agreed protocol with EY, signed off by the lead reviewer	21 June 2021	PFS
Member Briefing with RAAC, Pensions Panel and Pension Advisory Board	Early July 2021 TBC	DEM
Accounts inspection period commences	1 July 2021	FMA
Completion of EY audit work within advised fee scale	16 July 2021	EY
Consideration of draft SoA and Pension Fund Annual Report by Pensions Committee	21 July 2021	Committee
End of accounts inspection period	11 August 2021	FMA
Draft Audit Results Report available for comment	17 August (TBC)	EY
EY despatches final Audit Results Report to RAAC	13 September 2021	EY
Consideration of final SoA by RAAC	22 September 2021	DEM
Opinion on financial statements and signed audit certificate provided	29 September 2021	EY
Anticipated deadline for submission of audited Whole of Government Accounts to Treasury	30 September 2021 (TBC)	FMA

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

Annex 2 - 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)			Mitigation	Who	Time scale
		I	L	R			
Resource availability reduction	The core project team are required to operate at maximum capacity throughout the accounting period. Any staff unavailability or change in Public Health advice relating to Covid-19 could result in the inability to complete technical accounting tasks and issue the accounts by the deadline.	4	3	12 (A)	Utilisation of resources across the wider Pensions team. Adhere to public health advice and engage with third parties around business continuity plans.	FM	March to July 2021
Additional Work arising from Covid-19	Additional work required for enhanced disclosures as a result of the ongoing Covid 19 pandemic (e.g. valuation uncertainty, going concern) is a risk to the accounts timetable. Increased audit scrutiny increases likelihood of audit differences and additional fees.	3	3	9 (A)	Lessons learnt from 2019/20 and the ability to replicate prior year disclosures. Early dialogue with EY to agree requirements.	PFS	March to July 2021
Delay in information supplied by third party providers (including Private Equity)	Prevents completion of statements and delays time available for Quality Assurance.	4	2	8 (A)	Requesting information early. Estimates to be calculated for Private Equity. Additional time allowed to embed QA processes.	FMA	March to May 2021
Demands of Oracle Implementation project on core project team	Risk to delivery of draft accounts and support to external audit if individuals are pulled too heavily into concurrent SAP replacement project because of their specialism.	4	2	8 (A)	Oracle project has been resourced with subject matter experts sourced from outside the direct final accounts team. SME on both projects to ensure that resourcing clashes are mitigated appropriately.	PFS	March to July 2021
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	March to July 2021

Agenda Item 9
Appendix B

Risk	Potential Impact	Initial Risk (I – Impact L-Likelihood R- Risk)			Mitigation	Who	Time scale
		I	L	R			
Additional Audit Plan Risks	Delays in the 2019/20 audit have resulted in the 2020/21 plan being issued later than usual. Whilst the team are intending to prepare the accounts to the normal timetable completing by 1 June, there is potential for additional risks to be identified by EY which have not been incorporated in this analysis. The delay has also prevented the scheduling of 'planning' audit work which would traditionally be completed prior to the closing of the financial year.	3	2	6 (A)	The Audit Plan is expected to be shared with Committee at its July meeting. Officers to report any additional risks and proposed mitigations at that time. Early sight to be requested for accounts preparation purposes.	PF2	May to July 2021
Late additional technical requirements	Delays to timetable	2	2	4 (A)	Professional networking, liaison with CIPFA and attendance at year-end events/conferences	FMA	March July 2021

West Sussex County Council Accounting Policies 2020/21

(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).

Agenda Item 9

Appendix Ci

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:

Agenda Item 9

Appendix Ci

- 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 2025. 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 are designed to deliver ongoing savings and/or reduce costs or demand. 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.

Agenda Item 9

Appendix Ci

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).

Agenda Item 9

Appendix Ci

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.

Agenda Item 9

Appendix Ci

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, local taxation, 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 settle 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.

Agenda Item 9

Appendix Ci

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 Pooled Investment Funds Adjustment Account (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 to the Accumulated Absences Account 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
- Unlisted 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 is 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, Changes in Accounting Policies and Estimates and Errors

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 the NHS West Sussex Clinical Commissioning Group 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 its partner and as such accounts only for its share of the Fund's income, expenditure, assets and liabilities in its accounts.

Agenda Item 9

Appendix Ci

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) Going Concern

These financial statements have been prepared on a going concern basis. Assets and liabilities are therefore reported on the assumption of continuing operations for the foreseeable future.

This approach is prescribed by the CIPFA Code of Practice on Local Authority Accounting. The Code confirms that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on the going concern basis of accounting.

The potential for abolition of an authority (or the transfer of its functions) by statute is not taken as negating the presumption of going concern. Even though assets may be taken from the authority, perhaps without compensation, the continued use of those assets for public benefit means that an individual authority does not need to consider the restriction on its own ability to make use of those assets from a going concern perspective.

An authority experiencing significant resource pressures does not therefore negate the presumption of going concern, because if an authority were in financial difficulty the prospects are that alternative arrangements might be made by central government for the continuation of services. However, references to such issues affecting financial resilience and sustainability will be made in various sections of the financial statements as appropriate, for example in Note 42 Critical Judgements in Applying Accounting Policies and Note 43 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty.

Considering the above, and the critical judgements made in applying the Council's policy on going concern and assumptions made about the future as set out in Notes 42 and 43, the Council is satisfied that the financial statements should be prepared on a going concern basis.

West Sussex Pension Fund

Summary of significant accounting policies

There have been no changes to any significant accounting policies since last year other than the accounting policy noted below for Private Debt. As in previous years the Pension Fund Accounts are produced in line with and fully adhering to, CIPFA guidance.

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.

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. Private Equity

Private Equity income is recognised on the date paid. 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. Private Debt

Private Debt income is recognised on the date paid. Any amount not received at the end of the reporting period is disclosed in the Net Asset Statement as an investment asset.

vi. Movement in the net market value of investments

Changes to the value of investments (including investment properties) are recognised as income or expense and comprise of 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 Fund discloses its Pension Fund management expenses in accordance with CIPFA's *Accounting for Local Government Pension Scheme Management Expenses (2016)* as set out below;

Administrative expenses

All administrative expenses are accounted for on an accruals basis representing the annual charge relating to the pensions administration and relevant staff costs. Associated management, accommodation and other overheads are also apportioned to this activity.

Oversight and governance costs

All oversight and governance expenses are accounted for on an accruals basis representing the Fund's external advisors, audit and actuary fees and relevant staff costs. Associated management, accommodation and other overheads are also apportioned to this activity.

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.

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 at market value at the reporting date and 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. 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).

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. 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.

k 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.

l. 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 in accordance with the requirements of IAS19 and relevant actuarial standards. The Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Asset Statement

m. 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 to the accounts.

**Key decision: Not applicable
Unrestricted**

Regulation, Audit and Accounts Committee**8 March 2021****Quarterly Review of the Corporate Risk Register****Report by Director of Finance and Support Services**

Summary

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

Risks relating to a lack of compliance in systems and processes, recruitment and retention, H&S awareness and accountability, failure to improve corporate leadership, governance and culture, and mental and physical wellbeing (inc. emotional resilience) of staff have all reduced in significance due to the effectiveness of mitigating actions. The risk to the financial sustainability of council services has also reduced due to the approval of the 21/22 budget. This risk is now focussed on the 22/23 budget and is being monitored regularly. The risk description has been amended, removing reference to HMIC FRS and Ofsted as an additional financial pressure for 22/23. The risk of failing to deliver the HMIC improvement plan has been reintroduced onto the corporate risk register, re-escalated from the FRS risk register.

Risk Management Lunch 'n' Learn sessions continue to be delivered as a webinar and has now been made available for staff in Districts and Boroughs at nil cost. The follow-on course (Risk Management in Practice) has been designed for face-to-face delivery using a combination of instruction via PowerPoint and syndicate/group work and will involve staff working through the WSCC risk management process using a generic scenario. To support staff in better managing their risks, a Risk Management Process Checklist has been produced and added to the WSCC Risk Management SharePoint site.

Recommendation

- (1) The Committee is asked to review the information detailed in the report, the current Corporate Risk Register and provide comment as necessary
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Quarterly update

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

- Corporate risk #7 – Non-compliance and lack of standardisation in some systems and processes
 - Severity decreased from 12 to 8
 - Likelihood reduced
 - To reflect effectiveness of mitigating actions
- Corporate risk #11 – Recruiting and retaining staff
 - Severity decreased from 16 to 12
 - Likelihood reduced
 - To reflect effectiveness of mitigating actions
- Corporate risk #22 - Financial sustainability of council services
 - Severity decreased from 16 to 12
 - Likelihood reduced
 - 21/22 balanced budget approved
 - Risk now focussed on 22/23 budget, tolerated, and monitored regularly. Reference to HMIC FRS and Ofsted removed from risk description as an additional financial pressure for 22/23
- Corporate risk #50 - Lack of H&S awareness and accountability
 - Severity decreased from 16 to 9
 - Likelihood reduced
 - To reflect effectiveness of mitigating actions
- Corporate risk #60 – HMIC Improvement Plan
 - Re-escalated from FRS risk register
 - To enable senior leaders to monitor progress in the wake of the closure of the Independent Advisory Panel
- Corporate risk #65 – Corporate leadership, governance, and culture
 - Severity decreased from 12 to 8
 - Likelihood reduced
 - To reflect effectiveness of mitigating actions
- Corporate risk #71 - Mental and physical wellbeing (and emotional resilience) of staff
 - Severity decreased from 16 to 8
 - Likelihood reduced
 - To reflect effectiveness of mitigating actions

- 2.2 The following table summarises risks on the corporate risk register with the current severity graded above the tolerance threshold:

Risk No	Risk	Score - Prev Qtr	Score
CR39a	Cyber-security	25	25
CR58	Failure of social care provisions	25	25
CR68	Services will fail to deliver existing work plans due to COVID-19 response	25	25
CR69	Children's services will fail to deliver an acceptable provision to the community	20	20
CR70	Lack of capacity to deal with strategic and organisational issues	16	16

- 2.3 The corporate risk register continues to be reviewed at least monthly by ELT, with any actions promptly addressed.
- 2.4 The directorate risk registers have been reviewed at least quarterly by each Director and their management team, with support from the Corporate Risk Manager. The Corporate Risk Manager has continued to engage monthly with Executive Directorate teams to discuss corporate and other directorate/service risks, and risk governance.
- 2.5 Operational COVID-19 risks are considered and managed within the services, either through the production of new risks or applying the ramifications to an existing risk and its assessment. In addition, corporate COVID-19 risks are captured and controlled by the councils COVID-19 response team. The Corporate Risk Manager presents a summary of risks by themes and workstreams to ELT monthly for consideration. The table below summarises the key corporate COVID-19 risks.

Risk
Staff Shortage in Adults Services for older people's visits
Community Hubs may not have enough staff capacity to manage an increase in demand, resulting in a failure to deliver essential food and medicine to vulnerable people
Providers are increasingly unwilling to accept new placements which may cause a reduction in external placements and in-house foster care arrangements. This will lead to children not being looked after, becoming more vulnerable and at risk of harm
Care homes are struggling to maintain an economically sustainable number of residents when experiencing deaths due to COVID-19 (>50% occupancy required). This lack of revenue creates a risk of care home closures which would then require financial intervention by WSCC to prevent this from occurring

- 2.6 Capital Programme risks are reported through their respective programme board. There is ELT representation on 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 provide support to projects and programmes, and their risk registers.
- 2.7 The Risk Management Lunch 'n' Learn sessions will continue to be delivered as a webinar and the course content has been amended to facilitate this delivery method. This course has now been made available for staff in Districts and Boroughs. The follow-on course (Risk Management in Practice) has been

designed for face-to-face delivery using a combination of instruction via PowerPoint and syndicate/group work and will involve staff working through the WSCC risk management process using a generic scenario. To support staff in better managing their risks the Corporate Risk Manager has produced a Risk Management Process Checklist, which has been communicated to all staff and added to the WSCC Risk Management SharePoint site.

- 2.8 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.
- 2.9 Enduring activities the Corporate Risk Manager is undertaking to ensure continuous improvement and alignment with best practice include:
- Attendance at TMG (chairing when requested) and New Ways of Working group
 - Review of SRF risks against TMG 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
 - Attendance at/facilitating various internal boards/meetings and working groups
- 2.10 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 or during lunchtimes where possible to mitigate resource and scheduling conflicts. However, the '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.
- 2.11 The committee is asked to consider the Corporate Risk Register and provide comment as necessary.

3 Risk implications and mitigations

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.

4 Policy alignment and compliance

- 4.1 Equality duty and human rights assessment. 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.

Katharine Eberhart

Director of Finance and Support Services

Contact Officer

Fraser Pake, Corporate Risk and Business Planning Manager, 033 022 28246

Appendices

Appendix A - Corporate Risk Register

Background papers

None

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Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk			Risk Strategy	Target Risk			Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk			Next Risk Review Date
					Impact	Likelihood	Score		Impact	Likelihood	Score					Impact	Likelihood	Score	
CR68	The government have placed restrictions and imposed requirements on Local Authotities to support in the management of the COVID-19 pandemic. If local (county or district) responsibilities are prolonged or additional measures imposed, there is a risk services will fail to deliver existing work plans due to staff responding to the impact of the pandemic, or staff shortages due to sickness.	Chief Executive	1. Failing to deliver statutory duties.	Mar-20	5	5	25	Treat	5	2	10	Review and update business continuity and service critical plans.	CLT	ongoing	Business continuity plans periodically reviewed. To date there is sufficient resource to deal with challenges.	5	5	25	Apr-21
			2. Negative reputational impact.									Regular engagement with MHCLG and ensure information and direction is discussed and implemented through the Strategic Coordinating Group (SCG-Gold) and Tactical Coordination Group (TCG-Silver).	Chief Executive	ongoing	Outcomes to inform Tactical Management Group (TMG), Strategic Management Group (SMG), and Local Health Resilience Partnership (LARP) for action/info.				
			3. Residents don't receive support required.									Develop communications when required to manage expectations of staff and residents on WSCC response position.	Head of Communications	ongoing	Collaboration and agreement on services provision messages with directorates and ELT through current COVID-19 mechanisms (TMG and SMG).				
			4. Insufficient budget/budget exceeded.									To continue to lobby government groups to influence funding decisions.	Chief Executive	Ongoing	Sufficient funding received to date to deal with the cost.				
			5. Increase risk to life.									IA to conduct review of lessons learned from 1st wave and communicate.	Director of Finance & Support Services	Feb-21	Internal Audit have commenced the review.				
			6. Information not shared appropriately.									Services to consider impacts should government impose restrictions (via tier system) at a district level as opposed to county.	CLT	ongoing	To be captured in business continuity plans.				
CR70	There is an increasing demand placed on the senior officers due to the ongoing threat of COVID19 and additional burdens due to devolved responsibilities. This may lead to a continued lack of capacity to deal with strategic/organisational issues , leading to poor decision making.	Chief Executive	1. Outcomes for residents not delivered	Aug-20	4	3	12	Treat	4	3	12	Continue to monitor service resource impact.	ELT	ongoing	Concerns raised through ELT	4	4	16	Apr-21
			2. Residents don't receive support needed.									Provision of support to services when required.	SMG	ongoing	Support requests raised through TMG and escalated to SMG if required.				
			3. Failing to deliver statutory duties																
CR71	As part of the 'new normal' WSCC staff will be expected to continue to work from home (current exceptions being areas of critical business that cannot function in this way and staff unable to work in a safe environment at home). This may adversely effect the mental and physical wellbeing (and emotional resilience) of staff which will lead to an increase in absences and poor service delivery to residents.	Director of Human Resources & Org Dev	1. Increase in poor physical health of staff.	Aug-20	4	4	16	Tolerate	4	2	8	Mental health training and support (particularly for managers).	Health and Safety Manager	ongoing	Stress Management corporate guidance, mental health for managers e-learning series, adoption of mental health first aiders across the council and the employee assistance programme (EAP).	4	2	8	May-21
			2. Increase in poor mental health of staff.									DSE assessments carried out and regularly reviewed.	Health and Safety Manager	ongoing	Directorates responsible for completion of staff assessments. Comms to communicated the requirement to complete the DSE self-assessment and home working assessment.				
			3. Increase in staff absence.									Appropriate comms to ensure officers are equipped to support staff.	Health and Safety Manager	ongoing	HSW messages being published regularly via One Voice and newsroom articles.				
			4. Poor service delivery to residents.																
			5. Increase in number of claims and premiums.																

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk			Risk Strategy	Target Risk			Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk			Next Risk Review Date
					Impact	Likelihood	Score		Impact	Likelihood	Score					Impact	Likelihood	Score	
CR7	There are governance systems which inhibit effective performance and a culture of non-compliance and also a lack of standardisation in some systems and processes . Skills and knowledge of systems inadequate and excessive effort required for sound decisions and outcomes.	Director of Law & Assurance	1. Delayed decisions impede service delivery.	Dec-19	4	4	16	Treat	2	2	4	Data on areas of non-compliance used to inform Directors to enforce compliance with standards.	Director of Law & Assurance	Ongoing	AGS actions approved November 2020 - to be updated for RAAC March 21	4	2	8	May-21
			2. Service improvement effort impeded.									Regular compliance monitoring and active corporate support when non-compliance happens to establish better practice.	Director of Law & Assurance	Ongoing	Audit plan settled and activity in progress				
			3. Resources misapplied - poor VFM.									Audit plan focussing reviews on key corporate support systems to identify areas in need of improvement.	Director of Law & Assurance	Ongoing	Actions underway as per agreed audit plan				
			4. Complaints and claims.																
			5. Censure by external inspection.																
CR11	Due to recent reports into service operations and senior leadership instability, there is a risk that the Council will not be seen as an attractive place to work by current and potential employees. This will result in problems recruiting and retaining staff in key skills areas.	Director of Human Resources & Org Dev	1. Over-reliance on interim and agency staff.	Mar-17	4	5	20	Treat	4	2	8	Provision of clear financial support for recruitment and retention policy and provisions procedures.	Head of Specialist HR Services	Jul-21	Partially Completed. Social workers recruitment and retention package in place for 2020. 2021 offer currently under review. Corporate relocation package drafted and being prepared for ELT sign off. Sustainable Social Worker Pay Model being reviewed in light of Trade Union comments.	4	3	12	May-21
			2. Lack of corporate memory.									Application of policy and provisions for various hard to fill posts.	Head of HR Bus Ptr & Org Dev	Ongoing	Use of R&R package to recruit children's social workers. Relocation support for hard to fill roles awaiting sign off by ELT. Use of apprenticeships to build talent pipelines e.g. social worker, occupational therapist, management programmes.				
			3. Inadequate pace/speed of delivery.									Produce Directorate Workforce Strategies to identify skills, capacity and capability requirements.	Head of HR Bus Ptr & Org Dev	Apr-21	Reward & Retention package for Children's Social Workers currently being re-written. Development of Workforce Plan being carried out as part of Children First Improvement Plan.				
			4. Low staff morale and performance.									Development of comprehensive employee value proposition.	Head of Res Org Dev & Talent	Jun-21	Part of People Framework Action Plan, will be progressed once initial kick start projects are delivered.				
												Longer term strategies for addressing recruitment issues e.g. apprenticeships, growing our own.	Head of Res Org Dev & Talent	Ongoing	3 year plans in place for apprenticeships (currently being refreshed). LGA consultancy engaged with; recommendations received. Continuing programme of marketing and awareness raising, e.g. National Apprenticeships Week.				

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk			Risk Strategy	Target Risk			Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk			Next Risk Review Date
					Impact	Likelihood	Score		Impact	Likelihood	Score					Impact	Likelihood	Score	
CR22	The financial sustainability of council services is at risk due to uncertain funding from central government and/or failure to make the required decisions to ensure the budget is balanced. This has been compounded further with the COVID-19 crisis.	Director of Finance & Support Services	1. Insufficient government funding to deliver services.	Mar-17	4	4	16	Tolerate	4	3	12	Pursue additional savings options to help close the budget gap.	Director of Finance & Support Services	Ongoing	A balanced budget proposal for 2021/22 approved by the Full Council on 12th February 2021. .	4	3	12	May-21
			2. Adverse effect on reserves/balanced budget.									Monitor the use of additional funds made available to improve service delivery.	Director of Finance & Support Services	Ongoing	Use Quarterly Performance Management report (QPM)				
			3. Reputational impact through reduction of service quality									Financial impacts arising from the Covid-19 national emergency need to be reflected and addressed within the TMP and MTFS as appropriate.	Director of Finance & Support Services	ongoing	The QPM report now reflects the impact of Covid-19 and sets out how this impacts specific services and WSCC as a whole. This is underpinned by a bespoke recording approach within SAP, which clearly accounts for the costs incurred and funding received from Government, alongside the Delta return made to MHCLG on a monthly basis. The MTFS planning framework also reflects the potential impact of Covid-19, both from the potential funding and budget pressures perspectives.				
			4. Increased liability of service delivery, transferred by external partners due to funding restrictions i.e. supporting homelessness.									Financial implications will be monitored and reported separately. Government has provided additional funding to support the local response.	Director of Finance & Support Services	ongoing	This has evolved during the course of the financial year, with additional funding streams becoming available. There has been consistent and comprehensive reporting of the implications for WSCC within the QPM process, which currently indicate a near breakeven position.				
			5. Additional unexpected service and cost pressures from savings decisions.																
			6. Financial implications for both 2022/23 and the medium term arising from the national emergency circumstances associated with Covid-19.																
CR39a	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.	Director of Finance & Support Services	1. The Council suffers significant financial loss or cost.	Mar-17	4	5	20	Treat	4	4	16	Improve staff awareness of personal & business information security practices & identification of cyber-security issues. Continued actions due to evolving threats.	Head of IT	Ongoing	Regular comms distributed to all staff. Continuing to drive employees to undertake mandatory annual Information Security and Data Protection education and certification. Adhoc actions taken (as appropriate) in response to level of cyber threat.	5	5	25	May-21
			2. The Council's reputation is damaged.									Maintain IG Toolkit (NHS) & Public Service Network security accreditations.	Head of IT	Ongoing	Ongoing works to ensure appropriate connectivity/accreditation for applicable public sector/government networks/system connectivity.				
			3. Resident's trust in the Council is undermined.									Conduct tests including penetration, DR and social engineering. (conducted 6 monthly)	Head of IT	Ongoing	2021 testing schedule defined and in delivery.				
			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	Ongoing	Proactive stance implemented to ensure a watching brief for threats/updated guidance notes. WSCC has formally joined SE Warning Advice and Reporting Point (WARP).				
			5. Punitive penalties are made on the Council.									Provide capacity & capability to align with National Cyber-Security centre recommendations.	Head of IT	Ongoing	Training needs assessment regularly undertaken, programme of education developed to ensure IS resources are appropriately skilled and corporate practices followed align to NCSC guidance's.				
												Transition to a controlled framework for process and practice.	Head of IT	Ongoing	IT service redesign to be carried out due to early return of ITO.				

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk			Risk Strategy	Target Risk			Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk			Next Risk Review Date
					Impact	Likelihood	Score		Impact	Likelihood	Score					Impact	Likelihood	Score	
CR39b	Data protection responsibilities. The Council is a Data Controller and has obligations and responsibilities arising from that role. Council needs resources, skills, knowledge, systems and procedures to ensure obligations are met.	Director of Law & Assurance	1. Individuals or groups come to harm.	Mar-17	4	5	20	Tolerate	3	3	9	Test the effectiveness of DPIA	Head of Data Protection	Ongoing	Annual business process review via DPIA to confirm compliance or to reflect update/risk assessment if business process elements have shifted since last review.	3	3	9	May-21
			2. The Council's reputation is damaged.									Maintain IG Toolkit (NHS) & Public Service Network security accreditations.	Head of IT	Ongoing	Ongoing works to ensure appropriate connectivity/accreditation for applicable public sector/government networks/system connectivity.				
			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	Mandatory training implemented to ensure employees are aware of obligations and support available. Data sharing agreements / contractual terms to cover provision of effectively managed DP obligations between WSCC/Suppliers/third parties.				
			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	Head of IT and DP Team leader to liaise with DASS by end March 21 to settle actions				
												Adopt ISO27001 (Information Security Management) aligned process & practices.	Head of IT	Ongoing	Adoption of ISO27001 is being considered as part of a wider assurance framework being evaluated for implementation to support operation of the Council's internal IT function post the end of the existing IT outsource				
												Review IT systems implemented prior to 25 May 2018 to confirm compliance with updated regulations.	Director of Law & Assurance	Ongoing	Further DPIA review assessment (for pre May 2018 deployed systems) to coincide with review/novation/transformation (to Cloud) of specific IT systems resultant from the return of the Council's IT outsource contract.				
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 communicate in accordance with Council governance arrangements, it will lead to a serious health & safety incident occurring.	Director of Human Resources & Org Dev	1. Increase risk of harm to employees, public and contractors.	Mar-17	4	5	20	Treat	3	2	6	Purchase, develop and introduce an interactive online H&S service led audit tool.	Health and Safety Manager	ongoing	Site monitoring inspection templates and audit templates to be created in Firmstep.	3	3	9	May-21
			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	ongoing	Work on the TNA has been paused. H&S e-learning modules bespoke to the council H&S arrangements are being developed with L&D development colleagues. Course content will be owned by the council instead of off the shelf course material.				
			3. Adverse reputational impact to Council.									Incorporate HS&W information into current performance dashboard.	Health and Safety Manager	ongoing	Dashboard to capture details on sickness, absence and H&S. H&S data currently collated relates to RIDDOR and NON-RIDDOR incidents. Data from inspections and audits once the templates are developed in Firmstep will				
			4. Increase in staff absence.									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	HSW risk profiling template created and being launched in some Directorates. C-19 has prevented full launch across the council.				

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk			Risk Strategy	Target Risk			Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk			Next Risk Review Date
					Impact	Likelihood	Score		Impact	Likelihood	Score					Impact	Likelihood	Score	
CR58	If there were to be a failure of social care provisions there is a risk that both WSCC funded residents and self-funding residents are not being properly cared for; which may result in death or injury to individuals and significant reputational harm to the council.	Executive Director of Adults and Health	1. Potential that people will come to harm and Council will be unable to ensure statutory safeguarding duty.	Sep-18	5	5	25	Treat	3	3	9	Collection of market information on Firefly. Analysis of information and appropriate level of quality assurance response.	Head of Contracts & Performance	ongoing	Due to the implications of COVID19 and service resource constraints, the ability to conduct face to face quality assurance checks has reduced. There is now an increased focus on supporting/improving infection control and closer working with the CCG to ensure the right level of support to care homes is delivered.	5	5	25	May-21
			2. CQC action against service provider which could lead to establishment closure at short notice									Provision of regular support and communication to care homes to monitor financial sustainability during COVID-19 pandemic.	Head of Adult Operations	ongoing	Regular communication (with a COVID19 focus) with care homes to identify risk areas early. Monitoring of deaths and Covid outbreaks in care homes. This action is reviewed and discussed weekly at WSCC IMT.				
			3. Financial implication of cost of reprovision following closure of services.									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. Commissioning of sustainability blocks to deliver a level of financial stability.				
			4. Reduced capacity in the market as a result of failure of provision.									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.				
			5. Delay for those residents who are Medically Ready to Discharge (MRD).									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	Combined Placing and Sourcing Team (CPST) in place to monitor market delays and maintain details of demand for care across sectors. Reported twice weekly to Capacity Oversight Group for commissioning decisions.				
			6. Non-compliance with Care Act.									Administration of central government funding to provide financial support to the sector.	Cx Lead	ongoing	Financial support has been provided to the care market through payments to commissioned provision and through administering Infection Control Grant, Rapid Testing Fund and now the ASC Workforce Grant. In addition a standard annual uplift across the whole market has been agreed to be implemented from April 2021.				
			7. Reputational impact. Public perception of the council being willing to accept poor standards of care. Low public confidence in social care.																

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk			Risk Strategy	Target Risk			Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk			Next Risk Review Date
					Impact	Likelihood	Score		Impact	Likelihood	Score					Impact	Likelihood	Score	
CR60	There is a risk of failing to deliver the HMIC FRS improvement plan , leading to an adverse affect on service delivery; which may result in failing any subsequent inspection.	Chief Fire Officer	1. Reputational damage	Apr-19	5	4	20	Treat	5	2	10	Ensure robust project and programme governance in place and monitor delivery.	Chief Fire Officer	ongoing	During the revisit, the HMIC FRS Advisory Board praised the project and programme plans, and PMO governance. They also reported tangible improvements of preventative and protective measures. Further praise was received regarding the accelerated pace of mitigating the risk to public safety. The IAP concluded the demonstration of the progress to date leads them to believe that the steps that WSFRS have taken to improve the service are significant. It will undoubtedly take time to fully embed the improvements, and the service has a clear plan in place to do so. It was therefore concluded to close the Independent Advisory Panel.	5	3	15	Aug-21
			2. Corporate Governance Inspection																
			3. Legal implications of not delivering statutory services																
			4. Increased risk harm																
CR61	A 'serious incident' occurs resulting in the death or serious injury of a child where the Council is found to have failed in their duty to safeguard, prevent or protect the child from harm.	Executive Director of Children, Young People and Learning	1. The Council would have let children down and as a result our reputation and credibility would be significantly damaged.	Jun-19	5	5	25	Treat	5	2	10	Implement Practice Improvement Plan (PIP). Improvement Plans include management development and HCC intervention.	Executive Director of Children, Young People and Learning	Ongoing	Improvement activity continues to be embedded within the social work teams. The management assessment programme is now being implemented with all Service Leads being assessed by the end of January. The full programme of assessments will be completed by mid-May 2021. Statutory performance continues to improve but there is still inconsistency across the service. The service continues to work with our improvement partners (HCC) to deliver ongoing improvement activity across children’s social care. The service remains under close scrutiny from the independent Improvement Board and the statutory regulator, Ofsted.	5	3	15	Jul-21
			2. Subject to investigation and further legal action taken against the Council.									Provide proactive improvement support to services to assure effective safeguarding practices.	Executive Director of Children, Young People and Learning	ongoing	All improvement activity is overseen and supported by the dedicated Practice Improvement team who report regularly to DLT and the Improvement Board. We continue to revise and improve practice guidance, policy and practice on an ongoing basis. Areas of further development have been identified from the latest Ofsted focused visit and they form a focus for the next phase of the improvement work.				
			3. Immediate inspection and Government intervention.																
CR65	The review of corporate leadership, governance and culture recommended in the Children’s Commissioner’s report is not fully undertaken or effectively implemented leading to a lack of necessary improvement and further service failures or external intervention.	Chief Executive	1. Service failure	Dec-19	5	4	20	Treat	3	2	6	Completion of improvement plan scoping phase.	Chief Executive	Apr-21	(See CR7)	4	2	8	May-21
			2. External intervention									Develop plan to stabilise senior leadership team.	Chief Executive	Apr-21	Identifying actions to reduce risk of senior leadership churn.				
			3. Poor value for money									Engage with external partners (including LGA) to scope and deliver Leadership development for Cabinet and Senior Officers.	Director of Law & Assurance	Apr-21	Member Development Plan approved by Council December 20 and in Reset Plan Feb 21. Leadership support activity scoped and plan settled.				
												Implementation of governance changes as approved by Council (17.12.19)	Director of Law & Assurance	Apr-21	Those for immediate implementation are complete. Others scheduled to meet Councils decision.				

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk			Risk Strategy	Target Risk			Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk			Next Risk Review Date
					Impact	Likelihood	Score		Impact	Likelihood	Score					Impact	Likelihood	Score	
CR66	Due to difficulties in recruiting and retaining suitably qualified and experienced Approved Mental Health Professionals (AMHP) and the increase in demand due to COVID-19, there is a risk that the Council will not carry out their statutory role under the Mental Health Act 1983 (amended 2007) due to being unable to meet the demand for mental health assessments.	Executive Director of Adults and Health	1. Increased risk of death or serious injury.	Jan-20	5	5	25	Treat	5	2	10	Development and implementation of new AMHP model (in partnership with the CCG and Sussex Partnership Foundation Trust (SPFT)).	Head of Adult Operations	ongoing	New structure for AMHP service (Hub and Spoke model) approved and implemented as of 1 Jan 21, but requires further embedding to be effective. Operational budget in place. Recruitment and retention challenges currently being mitigated by using locum staff (locum's funded within operational budget).	5	3	15	May-21
			2. WSCC subjected to legal action on behalf of customer or through employment tribunal.									Recruitment of AMHP's to support with current demand.	Head of Adult Operations	ongoing	12 month retention payment implemented. Additional AMHP allowance for Hub staff in process.				
			3. Wider impact on health and social care system through delays in carrying out assessments.									Recruitment of internal staff to temporarily support current demand and recruitment and retention issues	Head of Adult Operations	Apr-21	AMHP training courses for staff underway, however throughput of qualified staff slowed due to COVID-19. Funding obtained through Learning and Development budget.				
CR69	If the council fail to make the necessary improvements to progress from the previous 'inadequate' rating, there is a risk that children's services will fail to deliver an acceptable provision to the community.	Executive Director of Children, Young People and Learning	1. A child is exposed to dangers which could cause harm.	Mar-20	5	5	25	Treat	5	3	15	Deliver Children First Improvement Plan.	Senior Improvement Lead	ongoing	The Children First Improvement Plan has been developed to incorporate three key pillars to ensure an improved level of service: Pillar 1 - Everyone knows 'what good looks like'; Pillar 2: Creating the right environment for good social work to flourish; Pillar 3 : Deliver an Improved Service Model. The programme is being implemented and is on target as outlined in the Transformation Programme summary.	5	4	20	Jul-21
			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	The phase 2 workstream improvement action plan, which is jointly developed by WSCC and HCC is being progressed. Regular steering group to track and monitor progress and report into the into Improvement Board.				
			3. Reduced confidence by residents in the Councils ability to run children's services.									Implement the Children First Service transformation model	Children First Transformation Director	ongoing	Family Safeguarding model redesign to ensure practice improvements are sustainable and embedded to provide a good level of service is being progressed and is meeting its milestones for implementation.				
			4. Legal implications through non-compliance or negligence.																

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Regulation, Audit and Accounts Committee**8 March 2021****Annual Governance Statement Action Plan 2019/20 Update****Report by Director of Law and Assurance**

Summary

The Committee agreed the Annual Governance Statement 2019/20 in November 2020, which included planned actions to address identified governance issues. Progress on the actions is shown in appendix A for the Committee to consider.

Recommendations

That the Action Plan update be noted.

Proposal**1 Background and context**

- 1.1 The Accounts and Audit Regulations require the publication of an Annual Governance Statement (AGS) by the County Council.
- 1.2 Corporate Governance is the system by which the County Council ensures and gives assurance that it is discharging its functions in the right way, in a timely and accountable manner.
- 1.3 The Annual Governance Statement 2019/20 was agreed by the Committee in November 2020 and was subsequently signed by the Leader and Chief Executive. The Statement contains a summary of required actions.

2 Proposal details

- 2.1 An update on progress against the Action Plan for 2019/20 is attached. The Committee is invited to consider this progress and whether it requires further detail on any particular action for a future meeting.

3 Other options considered (and reasons for not proposing)

- 3.1 Not applicable.

4 Consultation, engagement and advice

- 4.1 The external auditor was consulted on the draft Annual Governance Statement 19/20 and the auditor's comments were taken into account in the final version, which includes the items identified for the Action Plan.

5 Finance

5.1 Not applicable.

6 Risk implications and mitigations

Risk	Mitigating Action (in place or planned)
There are risks from services failing to deliver the action plan	Individual directorates, the Executive Leadership Team and this Committee monitor progress against actions.

7 Policy alignment and compliance

7.1 The Statement is aligned with the Code of Corporate Governance.

Tony Kershaw

Director of Law and Assurance

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Appendices

Appendix A - Annual Governance Statement Action Plan 2019/20 update

Background papers

None

Annual Governance Statement Action Plan 2019-20

March 2021 Update

Principle A: Integrity and Compliance

Action and link to risk register (if applicable)	Action Owner	Progress Reports
To complete the refresh of the whistleblowing procedures	Director of Law & Assurance	Completed – action to promote and train contact officers now planned.
To ensure full implementation of officer interests and gifts	Director of Law & Assurance	To be undertaken as part of business plan work from April 21
To complete the external good governance review and plan the implementation of agreed proposals.	Chief Executive	Completed. Action plan for implementation underway and being reported to Governance Committee regularly
To review the scheme of delegation as part of the good governance review. (Risk LA7)	Director of Law & Assurance	Completed – kept under regular review
18-19 – To plan review of anti-fraud, corruption and bribery policies (Risk CR7)	Director of Law & Assurance	To be discussed with internal audit as part of audit plan

Principle B: Openness and Stakeholders

Action and link to risk register (if applicable)	Action Owner	Progress Reports
Implement actions arising from the Governance Review (Risk CR7)	Chief Executive	Covered in several parts of this action plan
Implement actions from Improvement Plan for Fire & Rescue Service	Chief Fire Officer	All improvement projects are progressing well and monitored from a service perspective and by Fire & Rescue Scrutiny Committee on a quarterly basis. This is underpinned by the Service Performance & Assurance Framework to ensure transparent performance monitoring. The initial work externally reviewed through our Independent Advisory Panel (IAP) and progress noted through the Scrutiny Committee in the closure of the IAP (just one year after the IAP was implemented) as

Action and link to risk register (if applicable)	Action Owner	Progress Reports
		reported to full Council in February.
Implement actions from the Children First Improvement Plan	Executive Director of Children, Young People and Learning	<ul style="list-style-type: none"> • The Directorate has developed a Practice Improvement Plan (PIP) to address the headline issues. • The PIP is reviewed regularly by the Department Leadership Team and the Commissioners Improvement Board. • Reports to Full Council have kept all members regularly updated. • Director of Children's Services exercising senior level profile as Executive Director, reporting to Chief Executive; experienced Departmental Management Team recruited and fully operational. • Improved rigour of scrutiny and constructive challenge through CYPSSC has been widely acknowledged. • Corporate parenting functions have been strengthened with the adoption of new Children Looked After & Care Leavers' Strategy in December 2020. • Comprehensive service transformation & redesign programme is being rolled out during 2021. • Staff fully engaged; vision and values agreed and adopted to promote positive culture as foundation of good service, promoting shared understanding of 'what good looks like'. • All service improvement work predicated on demonstrable benefit, prevention, and financial efficiency principles.

Action and link to risk register (if applicable)	Action Owner	Progress Reports
Children's Improvement Board to enhance partnership engagement	Executive Director of Children, Young People and Learning	<ul style="list-style-type: none"> • Improvement Board now well established under Chairmanship of Children's Services Commissioner and meeting as a partnership board in alternate months. • Children First Board established as partnership sub-group of Health & Wellbeing Board; first meeting 08/10/2020. • Safeguarding Children Partnership relaunched, fully compliant and independently chaired. It demonstrates close collaborative working, led by the Council, Police and CCG. • All partners are closely involved in discussions about service transformation programme. • Relaunched Corporate Parenting Panel increasing in effectiveness under chairmanship of Cabinet Member. • Protocols agreed with district councils to improve joint response on housing issues.
Identify and implement actions related to planning for a Children's Trust	Chief Executive and Executive Director of Children, Young People and Learning	Work not currently required in light of revised Direction from DfE. Review in 12 months.
Complete work on equality impact assessment in decision making	Director of Law & Assurance	Review completed. Further detailed work covered in actions in good governance actions.
Complete engagement, promotion and training linked to revised whistleblowing policy.	Director of Law & Assurance	Work currently underway with Director of HR and OD
Implement final proposals and actions from review of scrutiny and learning from good governance review	Director of Law & Assurance	Underway. Scrutiny review actions completed. Further scrutiny review likely after May 2021 as action from good governance review output.

Action and link to risk register (if applicable)	Action Owner	Progress Reports
18-19 - To complete roll out of Modern.gov systems for democratic processes	Director of Law & Assurance	Delayed by other IT priorities in Democratic systems.

Principle C: Sustainability

Action and link to risk register (if applicable)	Action Owner	Progress Reports
Review of process for setting or varying West Sussex Plan priorities	Chief Executive	Completed – report to full Council February 2021
Review of member engagement for performance management arrangements	Director of Law & Assurance and Director of Finance & Support Services	Completed as part of development and approval of Reset Plan to Council February 2021
Review of Total Performance Monitor content and processes	Director of Finance & Support Services	The review will commence after the February Council (budget and reset plan) and will be completed to inform the first quarter performance monitoring report for 2021/22.
Completion of governance for Climate Change Strategy	Director of Environment & Public Protection	Climate Change is an underpinning theme within the Reset Plan and within KPIs for monitoring. An officer Climate Change Board has been set up under the Chairmanship of the Executive Director of Place Services with senior representation across the organisation to monitor progress of climate change actions. The Board is accountable to the Executive Leadership Team Board recommendations will be reported as part of the annual report to Full Council required in the Climate Change Strategy
Develop actions from the new Economic Strategy	Executive Director of Place Services	Completed - The Economy Reset Plan 2020-2024 was adopted in November 2020. For each of the nine priority themes in the Plan, headlines actions are stated along with the responsible service.

Principle D: Optimising Interventions

Action and link to risk register (if applicable)	Action Owner	Progress Reports
Children's Improvement Plan implementation (CR61)	Executive Director of Children, Young People and Learning	<ul style="list-style-type: none"> • All workstreams in the refreshed Practice Improvement Plan (PIP) directly support better outcomes and improved experience for children and young people. • Covid-19: The Service has responded well in the pandemic and vulnerable children have continued to receive good levels of service. This was confirmed by Ofsted as part of the Focused Visit in October 2020. • Following Ofsted Focused Visit, a sequence of quarterly Ofsted Monitoring Visits established (next visit in May 2021). • Workforce capacity, safety and morale remain strong, with good management support. • Level of demand and performance measures remain stable, with effect of school closures catered for. • Integrated Front Door with Early Help implemented (Jan 2021) to improve and simplify process for referral of children from any source. • Programme of staff training and management development being rolled out during 2021. • Staff retention scheme has achieved objective (92% take-up at Feb 2021); terms and conditions will be formalised during 2021. • Quality of Practice: strong focus on improving quality of casework and recording, with constructive challenge from Hampshire CC as Partner in

Action and link to risk register (if applicable)	Action Owner	Progress Reports
		Practice; auditing regime provides strong assurance. • Specific service improvement programmes in progress – e.g. Residential, Fostering services.
Fire and Rescue Improvement Plan implementation (Risk CR60)	Chief Fire Officer	This risk is in the process of being reviewed to determine the most suitable level of monitoring and governance. This work is also assessed at directorate level under our Head of Organisational Assurance and Governance. This assessment of risk will also continue to be closely monitored through our Programme Steering Board, Service Executive Board as well as the Strategic Performance Board.
Review of Total Performance Framework form and process	Director of Finance & Support Services	The review will commence after the February meeting to approve the budget and reset plan and will be completed to inform the first quarter performance monitoring report for 2021/22.
Review of officer executive boards	Director of Law & Assurance	Underway as part of good governance action plan
Review of capital governance arrangements	Director of Law & Assurance and Director of Finance & Support Services	Underway as part of good governance action plan

Principle E: Leadership and Capability

Action and link to risk register (if applicable)	Action Owner	Progress Reports
Leadership skill development	Director of Human Resources and Organisational Development	Revision of the Being a Leader and Manager Framework complete - focus on values, behaviours and expectations. Leadership Development options include Apprenticeships, Values Centred Leadership and a Leadership Forum. Manager

Action and link to risk register (if applicable)	Action Owner	Progress Reports
		Induction revised and support via coaching and mentoring to develop skills and capability
Workforce strategy – called the People Framework	Director of Human Resources and Organisational Development	Development of the Framework well underway. The Framework underpins the Council Plan defining how we will lead and support our staff in a supportive and inclusive culture to deliver the ambitions of the Council and be the best they can be. A series of Kickstart projects are underway which will develop the elements of the Framework including Leadership, Values, wellbeing and ways of working, Performance and Development and Talent and Resourcing. All these are underpinned by Equality, Diversity and Inclusion
Member skills development following good governance review and scrutiny review	Director of Law & Assurance	Included in member induction plan approved by Governance Committee January 2021.
Plans for member skills and knowledge in preparation for post May 2021 election	Director of Law & Assurance	Completed and approved by Governance Committee January 2021

Principle F: Risk and Performance

Action and link to risk register (if applicable)	Action Owner	Progress Reports
Finalise review and plans for corporate risk register oversight and monitoring	Director of Finance & Support Services	The review will be undertaken in the spring and the results will be incorporated in the updated Risk Management Strategy presented to RAAC at the July meeting.
Refresh compliance and consistency in scheme of onward delegation from Directors	Director of Law & Assurance	Part completed. Some service areas to be addressed as part of business planning from April 2021
Finalise internal governance and arrangements for assurance in relation to Health and Safety	Director of Human Resources and Organisational Development	Completed - Revised H&S Governance arrangements in place

Principle G: Audit and Transparency

Action and link to risk register (if applicable)	Action Owner	Progress Reports
Internal audit recommendations for governance	Director of Law & Assurance	Part completed. Further actions being discussed with internal audit.

Regulation, Audit and Accounts Committee – Work Programme 2021/22

Committee Date:- 19 July 2021

Item	Lead Officer	Objectives and comments
Quarterly Treasury Management Report	Vicky Chuter	<ul style="list-style-type: none"> Treasury Management Compliance Update - Quarterly Report on compliance and performance against the Treasury Management Strategy and planned parameters.
Accounts Payable System Review	Vicky Chuter	<ul style="list-style-type: none"> To update the Committee on the outcome of the recent Accounts Payable Review
Quarterly Risk Management Report	Fraser Pake	<ul style="list-style-type: none"> To receive quarterly update report on the effectiveness of risk management arrangements.
Risk Management Strategy	Fraser Pake	<ul style="list-style-type: none"> To consider the reviewed Risk Management Strategy.
Internal Audit Progress Report	Neil Pitman	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> To consider the Internal Audit Plan 2021/22 for quarter 2 onwards.
Annual Governance Statement Update	Charles Gauntlett	<ul style="list-style-type: none"> To provide an update on progress against the action plan
External Audit Report	External Auditor	<ul style="list-style-type: none"> To review/note the Audit Results Report for County and Pensions

Committee Date:- 22 September 2021

Item	Lead Officer	Objectives and comments
Financial Statements 2020/21	Vicky Chuter	<ul style="list-style-type: none"> To approve the statement of accounts for the County Council and Pension Fund.
Annual Governance Statement	Charles Gauntlett	<ul style="list-style-type: none"> To approve the Annual Governance Statement for 2021/22 and agree action plan.
Quarterly Risk Management Report	Fraser Pake	<ul style="list-style-type: none"> To receive quarterly update report on the effectiveness of risk management arrangements.
Internal Audit Progress Report	Neil Pitman	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> To review/note the Audit Results Report for County and Pensions

Committee Date:- 8 November 2021

Item	Lead Officer	Objectives and comments
Quarterly Treasury Management Report	Vicky Chuter	<ul style="list-style-type: none">• Treasury Management Compliance Update - Quarterly Report on compliance and performance against the Treasury Management Strategy and planned parameters.
Quarterly Risk Management Report	Fraser Pake	<ul style="list-style-type: none">• To receive quarterly update report on the effectiveness of risk management arrangements.
Internal Audit Progress Report	Neil Pitman	<ul style="list-style-type: none">• To receive a progress update against the audit plan, outstanding management actions, audit performance and any significant issues arising from internal audit reviews
Annual Governance Statement Update	Charles Gauntlett	<ul style="list-style-type: none">• To provide an update on progress against the action plan
External Audit Report	External Auditor	<ul style="list-style-type: none">• To review/note the Audit Results Report for County and Pensions

Committee Date:- 17 January 2022

Item	Lead Officer	Objectives and comments
Annual Governance Statement Update	Charles Gauntlett	<ul style="list-style-type: none"> To provide an update on progress against the action plan
Quarterly Treasury Management Report	Vicky Chuter	<ul style="list-style-type: none"> Treasury Management Compliance Update - Quarterly Report on compliance and performance against the Treasury Management Strategy and planned parameters.
Quarterly Risk Management Report	Fraser Pake	<ul style="list-style-type: none"> To receive quarterly update report on the effectiveness of risk management arrangements.
Internal Audit Progress Report	Neil Pitman	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Planning report

Committee Date:- 14 March 2022

Item	Lead Officer	Objectives and comments
Financial Statements 2021/22 - Plans and Progress	Vicky Chuter	<ul style="list-style-type: none"> To update on progress to date for closing the 2021/22 accounts for West Sussex County Council and the West Sussex Pension Fund.
Financial Regulations	Vicky Chuter	<ul style="list-style-type: none"> To review the processes in place
Quarterly Risk Management Report	Fraser Pake	<ul style="list-style-type: none"> To receive quarterly update report on the effectiveness of risk management arrangements.
Internal Audit Progress Report	Neil Pitman	<ul style="list-style-type: none"> 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 2022/23	Neil Pitman	<ul style="list-style-type: none"> To consider the Internal Audit Plan and Fraud Plan for 2022/23
Internal Audit Charter 2022/23	Neil Pitman	<ul style="list-style-type: none"> To consider the Internal Audit Charter 2022/23
External Audit Report	External Auditor	<ul style="list-style-type: none"> Progress report
Annual Governance Statement Update	Charles Gauntlett	<ul style="list-style-type: none"> To provide an update on progress against the action plan
Work Programme 2022/23	Adam Chisnall	<ul style="list-style-type: none"> To agree the work programme for the following year.

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