

Public Document Pack

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Director of Law and Assurance

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9 July 2021

Regulation, Audit and Accounts Committee

A meeting of the Committee will be held at **10.30 am** on **Monday, 19 July 2021** at **County Hall, Chichester, PO19 1RQ**.

Note: In response to the continuing public health restrictions, there will be limited public access to the meeting. Admission is by ticket only, bookable in advance via: democratic.services@westsussex.gov.uk

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

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

Tony Kershaw
Director of Law and Assurance

Agenda

1. Committee Membership

The membership of the Regulation, Audit and Accounts Committee was confirmed at the County Council meeting held on 21 May 2021 as follows:

Cllr N Dennis (Chairman)
Cllr Boram (Vice-Chairman)
Cllr B Cooper
Cllr Greenway
Cllr Magill
Cllr Montyn
Cllr Wall

2. Appointment of Independent Co-opted Member of the Committee (Pages 5 - 6)

Report by the Director of Law and Assurance.

The Committee is asked to approve that Mr David Parfitt be appointed to the position of Independent, co-opted member of the Regulation, Audit and Accounts Committee for an initial four-year term.

3. **Declarations of Interest**

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

4. **Minutes of the last meeting of the Committee** (Pages 7 - 14)

The Committee is asked to agree the minutes of the meeting held on 8 March 2021 (cream paper).

5. **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.

6. **Regulation, Audit and Accounts Committee Terms of Reference** (Pages 15 - 18)

The Committee is asked to note its terms of reference.

7. **External Audit - Audit Planning Reports**

The Committee is asked to note the Audit Planning Reports for the West Sussex County Council and the West Sussex Pension Fund from the External Auditor Ernst & Young (EY).

(a) **2020/21 West Sussex County Council Audit Planning Reports**
(Pages 19 - 60)

(b) **2020/21 West Sussex Pension Fund Audit Planning Reports**
(Pages 61 - 92)

8. **Quarterly Review of Corporate Risk Management and Risk Management Strategy** (Pages 93 - 126)

Report by the Director of Finance and Support Services.

The Committee is asked to review the information detailed in the report and the current risk management strategy and provide comment as necessary.

9. **Internal Audit Annual Report & Opinion 2020/21** (Pages 127 - 144)

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

The Committee is asked to approve the annual audit report and opinion for the year ended 2020-21.

10. **Internal Audit Annual Fraud Report 2020/21** (Pages 145 - 152)

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

The Committee is asked to note the annual fraud report for the year ended 2020-21.

11. **Accounts Payable Review** (Pages 153 - 156)

Report by the Director of Finance and Support Services.

The Committee is asked to note the outcome of the audit recovery work carried out in 2020/21 in respect of supplier statements, duplicate payments and VAT corrections.

12. **Treasury Management Compliance Report - First Quarter 2021/22**
(Pages 157 - 164)

Report by the Director of Finance and Support Services.

The Committee is asked to review and comment on the Treasury Management Compliance Report.

13. **Annual Governance Statement 2020/21** (Pages 165 - 194)

Report by the Director of Law and Assurance.

The Committee is asked to support the draft Statement subject to any observations from the Committee.

14. **Date of Next Meeting**

The next meeting of the Committee will be held at 10.30 am on 22 September 2021 at County Hall, Chichester.

To all members of the Regulation, Audit and Accounts Committee

Webcasting

Please note: this meeting is being filmed for live and subsequent broadcast via the County Council's website on the internet. The images and sound recording may be used for training purposes by the Council.

Generally the public gallery is not filmed. However, by entering the meeting room and using the public seating area you are consenting to being filmed and to the possible use of those images and sound recordings for webcasting and/or training purposes.

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**Key decision: No
Unrestricted**

Regulation, Audit and Accounts Committee

19 July 2021

Appointment of Independent Co-opted Member of the Committee

Report by Director of Law and Assurance

Recommendation

That Mr David Parfitt be appointed to the position of Independent, co-opted member of the Regulation, Audit and Accounts Committee for an initial four-year term.

Proposal

1 Background and context

1.1 The County Council has agreed that the Regulation, Audit and Accounts Committee (RAAC) should be able to appoint an Independent, co-opted non-voting member to serve on the Committee.

1.2 A review of local authority audit arrangements was carried out in 2020 by Sir Tony Redmond, entitled 'Local Authority Financial Reporting and External Audit, an independent review'. The outcome of the review was reported to RAAC in September 2020, including the recommendation that independent members should be appointed to local authority audit committees. The Review reported on current arrangements:

'Whilst the vast majority of local authorities interviewed were supportive of the principle of appointing independent members, only about 40% of Audit Committees currently have done so. The reported experience of having independent members on Audit Committees was mixed. In some cases, they provided useful challenge, but some authorities reported that the effectiveness of independent members was hampered by their lack of sector specific knowledge. A particular challenge for authorities is attracting independent members with the relevant technical experience. This challenge can sometimes be greater depending on an authority's geographical location. Some PCCs have found that the introduction of Joint Audit Committees, which are seen as more prestigious, has made Audit Committee membership more attractive to appropriately qualified independent members, but there is still not an abundance of suitable applicants for vacant positions.

1.3 The Committee was enthusiastic about appointing a non-voting co-opted independent member with audit skills to assist the committee in its approach to audit and other areas of its responsibility, so recommended this to the Council.

1.4 The Council agreed that the position should be advertised as a voluntary role and that applicants should be interviewed by the Chairman and Vice-Chairman

of Committee following initial consideration by the Directors of Finance and Support Services and Law and Assurance. An appointment will then be made by the Committee on the recommendation of the Chairman and Vice-Chairman.

2 Proposal details

- 2.1 The Chairman and Vice-Chairman have interviewed one candidate, Mr David Parfitt, for the position and have agreed to recommend to the Committee that he be appointed.
- 2.2 Mr Parfitt, a Chichester resident, was Risk, Control & Accounting Director of the Retail division of the Lloyds Banking Group. He is a graduate chartered accountant with broad commercial experience in senior roles in complex, sophisticated and customer orientated businesses undergoing significant change. Mr Parfitt had responsibilities for financial control, reporting and planning as well as risk management and corporate governance, business development and managing major change programmes, as well as HR and IT responsibilities.
- 2.3 He is currently serving as a non-executive director the Portsmouth Hospital University NHS Trust and the Sussex Community NHS Trust and is chair of their Audit Committees.

3 Consultation, engagement and advice

- 3.1 The Director of Finance and Support Services and the Director of Law and Assurance have reviewed Mr Parfitt's full application and are supportive of his appointment.

4 Finance

- 4.1 There are no Revenue or Capital budget consequences. The Independent co-opted member will be able to claim travel expenses within the existing Member Allowances budget.

5 Risk implications and mitigations

Risk	Mitigating Action (in place or planned)
The Regulation, Audit and Accounts Committee does not adequately undertake its audit responsibilities.	By appointing an independent co-opted member with extensive audit experience, this member should help the rest of the Committee with its work to ensure that it adequately undertakes its audit responsibilities.

6 Policy alignment and compliance

- 6.1 Not applicable.

Tony Kershaw

Director of Law and Assurance

Contact Officer: Charles Gauntlett, Senior Advisor, Democratic Services, 033022 22524 or charles.gauntlett@westsussex.gov.uk

Background papers

None

Regulation, Audit and Accounts Committee

8 March 2021 – At a meeting of the Regulation, Audit and Accounts Committee held at 10.30 am at Virtual meeting with restricted public access.

Present: Cllr N Dennis (Chairman)

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

Apologies were received from Cllr Bradford

Part I

37. Declarations of Interest

37.1 Cllr Sparkes declared a personal interest as the Executive Member for Resources at Worthing Borough Council in relation to the items on external audit.

37.2 Cllr Lea declared a personal interest as a member of Mid Sussex District Council in relation to the items on external audit.

38. Minutes of the last meeting of the Committee

38.1 Resolved – That the minutes of the meeting of the Committee held on 18 January 2021 be approved as a correct record and that they be signed by the Chairman.

39. External Audit - 2019/20 Annual Audit Letter

39.1 The Committee considered the Annual Audit Letter for West Sussex County Council and the West Sussex Pension Fund (copies appended to the signed minutes).

39.2 Mrs Thompson (EY) introduced the item explaining that the Committee had looked at this in detail at previous meetings, but it was now complete as all audits had been completed and certificates had been issued. Mrs Thompson explained it was a public facing document that was required to be produced and available on the County Council website.

39.3 Mrs Thompson highlighted that the appendices also set out the agreed fees but that one was in dispute and would go forward to the Public Sector Audit Appointments Ltd (PSAA) for determination.

39.4 The Committee made comments including those that follow. It:

- Noted that the fees as detailed have more than doubled for the Council and tripled for the Pension Fund and asked if this was consistent across all Councils. – *Mrs Thompson confirmed it was a significant increase and yes this was the case across all Councils but with variations.*
- Asked for reassurance of arrangements for next year. – *Mrs Thompson stated that arrangements were in place, but more detail would not be available for 20/21 until we get to that stage.*

- Asked if there had been any operational testing for the Pensions Admin System. – *Mr Mathers confirmed that extensive testing of membership data was undertaken in the triennial year. It was a challenging exercise with some weaknesses identified but sustainable to roll forward.*
- The Committee gave thanks to the officers and auditors who have had to adapt to working in different ways through the pandemic.

39.5 Resolved – That the 2019/20 Annual Audit Letter from the External Auditors EY be noted.

40. External Audit - VFM Conclusion Approach for 2020/21

40.1 The Committee considered a report on 2020/21 Auditor work on Value for Money (VFM) arrangements (copies appended to the signed minutes).

40.2 Mrs Thompson introduced the report and explained that because of the impact of 2019/20 no detailed planning for 2020/21 had taken place yet. She explained that they expect the risks to look very similar to last year for both areas but there could be new covid related risks that will need more detailed risk assessments. Mrs Thompson hoped to be able to share that detail at the next meeting.

40.3 Mrs Thompson went on to explain that in relation to VFM it would be very different for 2020/21 because of the new code of audit practice as detailed in the report.

40.4 Mr Mathers highlighted the key changes in relation to VFM. Firstly, reporting would change and instead of giving a VFM conclusion reporting would be by exception. Secondly the risk assessment process would be far more detailed.

40.5 The Committee made comments including those that follow. It:

- Queried if the going concern timescale would remain short. – Mr Mathers stated this was separate to VFM. He stated that the auditing standard defines the period the council needs to stay liquid as a going concern as 12 months beyond the date of the audit opinion.
- Asked if Performance Indicators (PI) would be reviewed as part of this. – Mr Mathers confirmed that PI would be reviewed. Mrs Thompson reemphasised that the Auditors would still only look at the arrangements in place to secure VFM and not a judgment if they do provide VFM.

40.6 Resolved – That the Committee note the briefing paper.

41. Internal Audit Progress Report

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

41.2 Firstly the Committee welcomed Paul Wagstaff, Director of Education and Skills, to give an update on the identified weakness in relation to internal controls and compliance around SEND.

41.3 Mr Wagstaff explained that the issue was the inability for the IT system, Mosaic, to provide reports. He stated that there are currently 6000 children with EHPs all with different dates for review and Mosaic does not currently pick those dates up. In the short term a manual system had been created to ensure data around annual reviews was manually logged and Mr Wagstaff was confident this would ensure the data was accurate. In the longer term, Mr Wagstaff confirmed there was a programme in place to make better use of technology and to generate the level of reporting required.

41.4 The Committee made comments including those that follow. It:

- Asked if Mosaic would be replaced. – *Ms Eberhart confirmed there were no plans to replace Mosaic, but it would be moving to a cloud-based system and during that upgrade a lot of issues would be corrected.*
- Asked if the commissioning strategy for SEND was still postponed. – *Mr Wagstaff confirmed it was delayed but due this coming year.*
- The Committee thanked Mr Wagstaff for the updates.

41.5 Mr Pitman, Head of Southern Internal Audit Partnership, introduced the report stating it was the standard progress report through to February 2021.

41.6 Mr Pitman draw the Committee's attention to page 56, section 4 that set out an overview of live reports and an analysis of overdue actions. This showed a downward trend in respect of overdue actions.

41.7 Mr Pitman also stated that due to resource issues relating to Covid-19, a revised plan was agreed as set out on pages 59-67. Greyed out areas had been removed but many had been deferred to the 2021/22 plan.

41.8 Lastly Mr Pitman highlighted the projects that had progressed in addition to the high priority actions that were overdue. One was the issue addressed by Paul Wagstaff earlier in the meeting and the other was around Civil Parking which was due to be cleared on 1 April 2021 when new agreements come into place.

41.9 The Committee made comments including those that follow. It:

- Asked if Internal Audit would have the capacity to follow up on all the backlogs. – *Mr Pitman stated that a plan had been produced covering Q1 and he was confident they had the capacity.*
- Asked for clarification what grey book contracts where. – *Mr Pitman stated they were unique to the Fire Service but that he would find out the detail and report back to Committee.*
- Concern that District and Borough Councils deal with Civil Enforcement differently. – *Mr Pitman confirmed that an outcome of the review was an action to make the agreements the same.*

- Ask for clarification as to what will happen with the removed 'greyed out' areas. – *Mr Pitman confirmed all those would be picked up and discussed with the Executive Directors and if still a risk they would feature in the plan.*
- Ask for clarification about the overdue or coming up for review issues as listed on page 72. – *Mr Pitman confirmed they were being focused on and would continually be updated.*

41.10 Resolved – That the Internal Audit Progress Report be noted.

42. Internal Audit Plan 2021/22

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

42.2 Mr Pitman introduced the report that provided an overview of the Internal Audit Plan 2021/22 for Quarter 1. Mr Pitman also stated that he would be working closely with Executive Directors and their teams over the next weeks and months for Quarter 2. Mr Pitman also highlighted that the Q1 plan included Covid-19 contingencies.

42.3 Regarding Adults contingency, Mr Pitman confirmed a meeting had been arranged with the new Executive Director to address these due to his newness in post.

42.4 The Committee agreed with the approach to focus on Q1 due to uncertainty.

42.5 Resolved – That the Internal Audit Plan 2021/22 (Q1) be approved.

43. Internal Audit Charter 2021/22

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

43.2 Mr Pitman introduced the report stating that it was a requirement to have this charter and for it to be approved by RAAC annually. Mr Pitman confirmed there had been no change since last year.

43.3 Resolved – That the Internal Audit Charter 2021/22 be approved.

44. Financial Statements 2020/21 - Plans and Progress

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

44.2 Mrs Chuter introduced the report stating it was in two parts. The first was the project plans for the closure of the accounts for both the County Council and the Pension Fund. The second was the draft accounting policies.

44.3 Mrs Chuter highlighted to the Committee that there would be a training opportunity in July as part of the new member induction. This would go through the 2020/21 financial statements.

44.4 Mrs Chuter also highlighted that there had been a consultation on the deadline for the production and audit of the financial statements. This would likely change the existing dates.

44.5 The Committee made comments including those that follow. It:

- Highlighted the number of medium risks and asked how prepared are the Council for potential pitfalls? – Mrs Chuter confirmed that they are reviewed on a weekly basis and mitigations are in place as detailed in the report
- Expressed concern for the Oracle implementation and the pressures on staff. – Mrs Chuter confirmed they have a resilient team, but it was something that would continue to be monitored. The importance of the Oracle project was noted, and resources had been allocated accordingly.
- Asked about the valuation of assets especially those potentially moving into the new joint venture? – Mrs Chuter agreed to get more information for the Committee.
- Asked if the change of valuers was likely to have an impact on valuations and why the change happened. – Mrs Chuter confirmed the contract had come to an end with the previous valuers, Montagu Evans, so the Council had to go out to tender, with Bruton Knowles being awarded the contract.

44.6 Resolved – That the Committee

(1) notes the project plans for the County Council and Pension Fund accounts (Appendices A and B) and progress to date and 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

(2) approves them for application in preparing this year's accounts.

45. Quarterly Review of the Corporate Risk Register

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

45.2 Mr Pake, Corporate Risk and Business Planning Manager introduced the report and highlighted the main changes since the last meeting and summarised in section 2.1 of the report.

45.3 The Committee made comments including those that follow.

- Queried risk 60 regarding the HMIC inspection and the score attached to this. – Mr Pake confirmed that it did drop but on reflection and reconsideration it should not have dropped as the plan was still ongoing. Cllr Waight remained concerned about this and the wording around it so agreed to take it up directly with the Chief Fire Officer.
- Concern was raised about risk around care homes as identified on page 143. – Mr Pake confirmed this was being picked up by the

tactical management group and at Director level. Ms Eberhart confirmed there was no financial obligation for the County Council to support care homes.

- Asked in relation to Children's Services, are the risks taken into account by Ofsted inspections. – Mr Pake could not confirm and stated this would have to be referred to the Executive Director for response.

45.4 Resolved – That the Corporate Risk Register be noted.

46. Annual Governance Statement Action Plan 2019/20 Update

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

46.2 Mr Gauntlett introduced the report and explained that the annual governance statement was previously agreed last November and the actions from that have been reviewed and improvement was detailed in the appendix.

46.3 It was asked where service improvements in Children's is demonstrated. Mr Gauntlett stated he would contact the Executive Director and update the Committee at a later date.

46.4 Resolved – That the Action Plan update be noted.

47. Work Programme 2021/22

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

47.2 Mr Gauntlett introduced the work programme. He alerted the Committee to an additional meeting in January 2022 but nearer the time this may not be needed.

47.3 It was requested if an update could be provided in July about how the production and audit of financial statements is progressing. It was agreed to add this.

47.4 Resolved – that the Work Programme be approved.

48. Date of Next Meeting

48.1 The Committee noted that its next scheduled meeting would be held on 19 July 2021.

48.2 As this was the last meeting of the Council term the Committee took the opportunity to thank officers, members and the external auditors for all their hard work and contributions.

The meeting ended at Time Not Specified

Chairman

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Regulation, Audit and Accounts Committee

Constitution

Seven members of the County Council and one non-voting co-opted independent member. Quorum is three members of the Council. The Chairman will be a minority group member in accordance with Standing Order 2.13.

Note: The purpose of the audit function of the Committee is to provide independent assurance of the adequacy of risk management framework and the associated control environment, independent scrutiny of the County Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

The non-voting co-opted independent member should have experience of audit and financial management, preferably with knowledge of local authorities and will be appointed by the Committee on the recommendation of the Chairman and Vice-Chairman of the Committee. The term of office is four years, renewable twice with the agreement of the Committee.

Terms of Reference

Audit Functions

1. To undertake the County Council's responsibilities to provide an adequate and effective system of internal audit under the Accounts and Audit Regulations 2011.
2. To consider the Head of Internal Audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.
3. To approve the internal audit annual work programme.
4. To monitor the effectiveness of the County Council's external audit arrangements, including liaison between internal and external audit.
5. To monitor the implementation of recommendations arising from the findings of significant audit work.
6. To consider the external auditor's letter, relevant reports, and the report to those charged with governance. To maintain an overview of reports to the County Council from other external inspection agencies to see that these are considered and acted upon by the appropriate body within the County Council so far as necessary.
7. To commission work from internal and external audit.
8. Liaise with the Independent Audit Appointment Panel as necessary over the appointment of the County Council's external auditor.

Accounts Functions

9. To consider and approve the annual statement of accounts, income and expenditure and balance sheet, or record of payments and receipts as

required under the Accounts and Audit Regulations 2011 and the Local Government Pension Scheme (Administration) Regulations 2008 as amended.

Treasury Management Functions

10. To receive quarterly compliance reports on treasury management performance against planned parameters.
11. To consider the wider issues of managing treasury risk including borrowing in the context of interest rate forecasts and the needs of the capital programme.

Regulatory Functions

12. To agree revisions to the County Council's Standing Orders on Procurement and Contracts, Financial Regulations and Risk Management Procedures.
13. To oversee the production of the County Council's Annual Governance Statement and to recommend its adoption.
14. To monitor the effective development and operation of risk management in the County Council.
15. To monitor and approve any changes to the County Council's anti-fraud and corruption strategy.
16. To exercise the powers and duties of the County Council in relation to the approval of premises for the solemnisation of marriages under the Marriages (Approved Premises) Regulations 1995.
17. To exercise the requirement under Regulation 9 of the Marriages (Approved Premises) Regulations 1995 to hear and determine formal representations from applicants and the public and those registered under the Marriage Act 1949, such power to be exercised by any three members of the Committee appointed by the Director of Law and Assurance after consultation with the Chairman of the Committee.
18. To make, amend, revoke or re-enact byelaws under any provision of any enactment (including a local Act), whenever passed, and Section 14 of the Interpretation Act 1978 (c.30).
19. To exercise the powers and duties of the County Council in relation to the licensing of medicines, pharmacy and poisons under Sections 3(1)(b)(ii), 5, 6 and 11 of the Poisons Act 1972 (c.66).
20. To exercise the powers and duties of the County Council in relation to the Manufacture and Storage of Explosives Regulations 2005.
21. To issue permits for operation of mini-buses under Section 19 Transport Act 1985 (delegated to the Executive Director Place Services).
22. To license the employment of children under Part II of the Children and Young Persons Act 1933 (c.33), byelaws made under that Part and Part II of the Children and Young Persons Act 1963 (c.37).

23. To issue, cancel, amend or replace safety certificates for regulated stands at sports grounds under Part III of the Fire Safety and Safety of Places of Sport Act 1987 (c.27) (Delegated to the Chief Fire Officer).
24. To issue, cancel or amend or replace safety certificates (whether general or special) for sports grounds under the Safety of Sports Grounds Act 1975.
25. To review and adjust delegations to officers within the functions delegated to the Committee.
26. To delegate powers, when appropriate and on the recommendation of the Director of Law and Assurance, to another local authority including a borough or district council and to be able, subsequently, to review, amend or withdraw that delegation.
27. To consider a petition in accordance with the Petitions Scheme in accordance with Standing Order 3.43 (b)

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West Sussex County Council Audit Planning Report

Year ended 31 March 2021
July 2021



Building a better
working world

Agenda Item 7a

A nighttime photograph of a street scene. In the foreground, a white truck is parked on the left side of the road. To its right, a green van is partially visible. The road has white lane markings and a green arrow pointing right. In the background, there are buildings and streetlights. The overall scene is illuminated by artificial light, creating a mix of colors and shadows.

23 June 2021

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

Dear Committee Members

Audit Planning Report

We are pleased to attach our planning report for the forthcoming meeting of the Regulation, Audit and Accounts Committee. The purpose of this report is to provide you with a basis to review our approach and scope for the 2020/21 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's new 2020 Code of Audit Practice, the auditing standards and other professional requirements. It also aims to ensure that our audit is aligned with the Committee's service expectations.

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

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

We welcome the opportunity to discuss this report with you on 19 July 2021 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Helen Thompson'.

Helen Thompson

For and on behalf of Ernst & Young LLP

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Regulation, Audit and Accounts Committee and management of West Sussex County Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Regulation, Audit and Accounts Committee, and management of West Sussex County Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Regulation, Audit and Accounts Committee and management of West Sussex County Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2020/21 audit strategy



Overview of our 2020/21 audit strategy

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

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Inappropriate capitalisation of revenue expenditure	Fraud risk	No change in risk. The focus of our work has been updated to reflect current year developments.	Linking to our fraud risk identified below, we have determined that the way in which management could override controls is through the inappropriate capitalisation of revenue expenditure to understate revenue expenditure reported in the financial statements.
Misstatements due to fraud or error	Fraud risk	No change in risk.	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Land and buildings classified as Property, Plant and Equipment (PPE), Investment Property (IP) and Surplus Assets	Significant Risk	No change in risk. The focus of our work has been updated to reflect current year developments.	<p>Land and Buildings (L&B), is the largest figure in the Council's balance sheet. The valuation of land and buildings classified as PPE, IP and surplus assets is complex and is subject to a number of material management assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements.</p> <p>Material judgemental inputs and estimation techniques are required to calculate the year-end L&B balances held in the balance sheet. We are required to undertake procedures on the use of experts and key assumptions informing valuation.</p> <p>As the Council's asset base is significant, and the outputs from the valuers are subject to estimation, there is a higher risk that L&B may be under or overstated or the associated accounting entries incorrectly posted. Adjustments were made to the 2019/20 financial statements in this area as a result of our work. The Council has also appointed a new external valuer for 2020/21 which further increases the risk.</p>

Overview of our 2020/21 audit strategy (continued)

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

Audit risks and areas of focus

Risk / area of focus	Risk Identified	Change from PY	Details
Private Finance Initiative (PFI)	Inherent Risk	No change in risk or focus.	The Council has three material PFI arrangements where entries in the financial statements are based on the output of complex under-pinning accounting models. Although the level of estimation uncertainty is lower and we have prior year assurance over the models based on the work of a specialist, there is remains a higher inherent risk of material inaccuracy in associated balances and disclosures appearing in the financial statements.
Pension Liability and Asset Valuation	Inherent Risk	No change in risk or focus.	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme which it administers.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>
Going Concern	Area of audit focus	No change from 2019/20, but re-focused considering ISA570 revised.	<p>There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 there is a need for the Council to ensure its going concern assessment, including its supporting cashflow forecast, is thorough and appropriately comprehensive. The Council is required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment, and in particular highlights any material uncertainties it has identified.</p> <p>In addition, the auditing standard in relation to going concern (ISA570) has been revised with effect for the 2020/21 accounts audit and we need to ensure we comply fully with the requirements of the revised standard.</p>
Accounting for Covid-19 related government grants	Inherent Risk	New area of focus	The Council has received a significant level of government funding in the relation to Covid-19. There is a need for the Council to ensure that it has recognised and accounted for these appropriately, taking into account any associated restrictions and conditions.

Overview of our 2020/21 audit strategy (continued)

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

Audit risks and areas of focus

Materiality



Overview of our 2020/21 audit strategy (continued)

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with our audit opinion on the Council's financial statements for 2020/21. We are also required to report a commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on value for money below and in Section 03, highlighting the changes included in the NAO's Code of Audit Practice 2020.

We will also review and report to the NAO, to the extent and in the form required by them, on the Whole of Government Accounts submission. We intend to take a substantive audit approach. When planning the audit we take into account key inputs:

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

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council. Taking the above into account, and as articulated in this Audit Plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response. The fees we have included in Section 08 reflect the work we need to undertake to address the risks we have currently identified. We will continuously review and update as necessary our understanding of your risks and discuss with management and the Regulation, Audit and Accounts Committee any significant changes.

Value for money conclusion

One of the main changes in the NAO's 2020 Code is in relation to the value for money conclusion. We include details in Section 03 but in summary:

- 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.
- Planning on VFM and the associated risk assessment is now focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.
- We will be required to provide a commentary on the Council's arrangements against three reporting criteria:
 - 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.
- Within the audit opinion we will still only report by exception where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- The commentary on arrangements will be included in a new Auditor's Annual Report which we will be required to issue at a date to be determined by the NAO.

Overview of our 2020/21 audit strategy (continued)

Fees

We remain in discussion with PSAA about our proposed increase to the scale fee which we consider to be appropriate to deliver a Code compliant audit. We include in Section 09, our current view of the fees required to carry out the 2020/21 audit. We will update the Committee on any determinations by PSAA on fees.

We would like to recognise the constructive discussions we have had with both the Director of Finance and Support Services and the Regulation, Audit and Accounts Committee on our proposals to increase the scale fee for the Council. To summarise the current position on the agreement of additional fees:

- The Council has agreed in full our proposed increased scale fee as set out in Section 09 to apply from 2020/21. The Council does not agree that this should apply from the 2019/20 financial year. Our proposal to increase the scale fee for both the 2019/20 and 2020/21 years is currently being considered for approval by Public Sector Audit Appointments Ltd. As part of this we have communicated whether or not the Council has agreed the proposal for each year.
- Details of risk-based variations to the scale fee for 2019/20 are also set out in Section 09 of the report. The Council has agreed £59,500 of our total proposed variation of £60,500. This is also being considered for approval by Public Sector Audit Appointments Limited.



02 Audit risks



Our response to significant risks

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

Misstatements due to fraud or error*

What is the risk?

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

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

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

What will we do?

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

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

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

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

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

Our response to significant risks

Inappropriate capitalisation of revenue expenditure*

Financial statement impact

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

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

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

What is the risk?

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

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

What will we do?

We will:

- ▶ Test Property, Plant and Equipment (PPE) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- ▶ That the capitalised spend clearly enhances or extends the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred.
- ▶ Any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use.
- ▶ Test REFCUS, if material, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ring fenced capital resources. Based on our work at the planning stage of the audit we do not expect there to be material REFCUS in the year.
- ▶ Seek to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

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

Our response to significant risks (continued)

Valuation of Land and Buildings and Investment Property

Financial statement impact

If land and buildings or investment property are incorrectly valued this would have the impact of understating expenditure. Relevant accounts had the following balances in the 2019/20 financial statements:

Land and buildings: £1,508m

Surplus Assets: £36m

Investment Property: £91m

What is the risk?

There is a high degree of estimation uncertainty in the valuation of property, especially when the amount of PPE and IP in the case of the Council is many times our materiality for the audit. We note that not all of the Council's PPE is subject to revaluation with vehicles, plant, furniture & equipment, infrastructure assets and assets under construction all valued at cost under the Local Authority Code of Practice on Local Authority Accounting i.e. they are not subject to revaluation.

The risk therefore pertains to land and building assets, surplus assets and investment property. We consider the impact of Covid-19 on the risk but note that the market volatility brought about by the advent of Covid-19 in the last quarter in the prior year and throughout the 2020/21 year relates primarily to assets carried at a market value – either fair value (investment property and surplus assets) or Existing Use Value (EUV) as a proxy for FV (some of land and buildings). Asset carried at depreciated replacement cost (DRC) are not impacted in the same way (the majority of land and buildings).

Given the nature of Covid-19 and the fact that 2020/21 was predominantly influenced by local and national lockdowns the valuer will not be able to do site visits due to the restrictions that is in place due to Covid-19. Therefore, the valuer will have to perform a remote/desktop approach to value the properties, which increases the risk that the PPE and IP might not be valued appropriately. The Council has also appointed a new external valuer for 2020/21 with no prior experience of the Council's asset base, and who may employ a different approach to the predecessor valuer. This further increases the level of risk.

What will we do?

We will:

- Consider the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Sample test key asset information used by the valuer in performing its valuation (e.g. floor plans to support valuations based on price per square metre) and challenge the key assumptions used by the valuer.
- Test accounting entries have been correctly processed in the financial statements.
- Ensure the appropriate disclosure has been made in the accounts concerning the possibility of 'material uncertainty'.
- Commission EY Real Estates, our internal specialists on asset valuations, to consider the valuation approach in more detail for a sample of assets. Sampling will focus on:
 - Assets more susceptible to the market volatility brought about by C-19. We consider this relates to assets carried at either fair value or EUV
 - Asset categories where errors were noted in the prior year.
 - Other significant classes of assets, for example schools, where we have no prior year knowledge of the approach of the new external valuer, Bruton Knowles.
 - Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p><u>PFI (inherent risk)</u></p> <p>The Council has three material PFI arrangements. PFI accounting is a complex area, and a detailed review of these arrangements was undertaken by our internal expert in 2016/17 and followed-up in 2017/18 and 2018/19.</p>	<p>We will review the accounting entries and disclosures in relation to PFI in detail in 2020/21, with a focus on any significant changes since the previous year. We are aware from early communication with officers that no contract variations are planned in relation to any of the Council's PFIs during the year. We are therefore not expecting any changes to be made to the accounting models for the PFIs.</p> <p>For each of the three material PFI schemes at the Council we will undertake testing of in-year inputs to the accounting models and agree relevant entries in the financial statements to year-end outputs from each of the models.</p>
<p><u>Pension Liability Valuation (inherent risk)</u></p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council.</p> <p>The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2020 this totalled £474 million.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Liaise with the auditors of West Sussex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to West Sussex County Council. • Assess the work of the pension fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team; and • Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19. <p>We will consider outturn information available at the time we undertake our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We will use this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required.</p>

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

What will we do?

Accounting for Covid-19 related grant funding (inherent risk)

The Council has received a significant level of government funding in relation to Covid-19. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in the 2020/21 statements.

We will:

Consider the Council's judgement on material grants received in relation to whether it is acting as:

- Agent, where it has determined that it is acting as an intermediary; or
- Principal, where the Council has determined that it is acting on its own behalf.

We have asked ask the finance team to provide its assessment of grant accounting before it prepares the statements so that we can provide an early view on its proposed accounting treatment. We will also seek to ensure that grants, for example the local government income compensation scheme for lost sales, fees and charges, have been claimed and recognised in accordance with scheme rules

Going Concern (area of focus)

There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 there is a need for the Council to ensure it's going concern assessment, including its cashflow forecast, is thorough and appropriately comprehensive.

We will:

- Challenge management's identification of events or conditions impacting going concern.
- Test management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- Review the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern including an assessment of any underlying need to borrow.
- Undertake a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern.
- Challenge the disclosure made in the accounts in respect of going concern and any material uncertainties.

The Council is required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified. In addition, the auditing standard in relation to going concern (ISA570) has been revised with effect for the 2020/21 accounts audit.



03

Value for Money Risks





Value for money

The Council's 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.

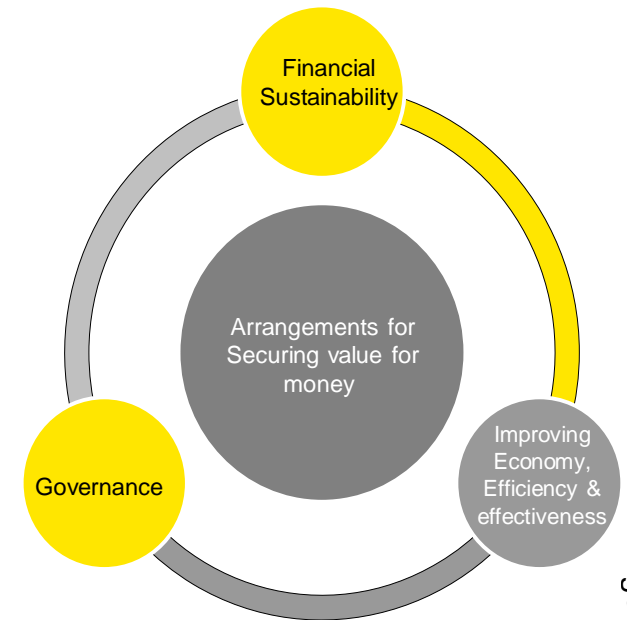
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its 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 its arrangements for securing value for money from their 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; 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.



Agenda Item 7a



Value for money (continued)

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 notes 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 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 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, 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;
- 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.



Value for money (continued)

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 Regulation, Audit and Accounts 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.

Status of our 2020/21 VFM planning

We have completed our assessment for the Council of the risk of significant weaknesses in the arrangements supporting each of the specified reporting criteria. We have based our assessment on a combination of:

- Cumulative audit knowledge and experience.
- Review of Council committee reports,
- Review of other documentary evidence available on the Council's website.
- Consideration of financial and performance reporting and outcomes for the year.
- Regular engagement with Council management, with a particular focus on ongoing discussions with leadership on the progress made by the Council in improving its Children's Services.

We have not identified a risk of significant weakness.



04

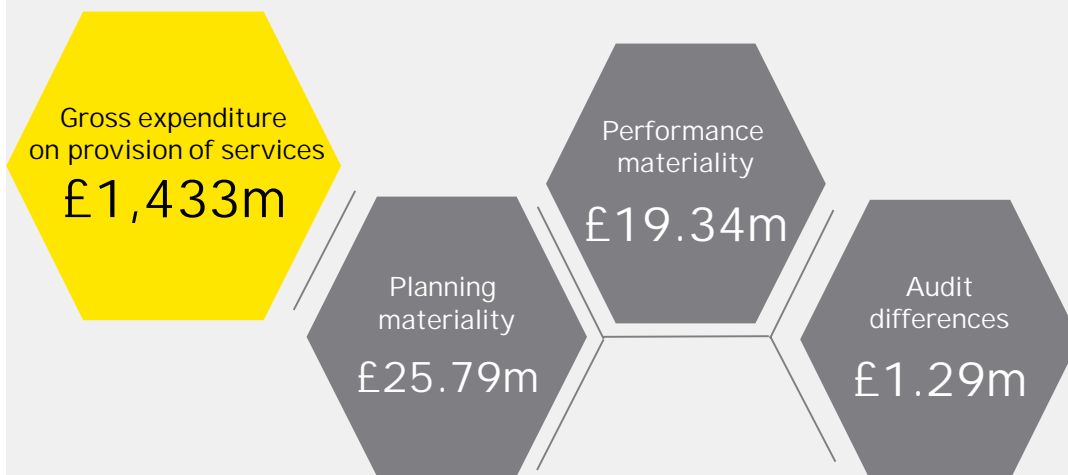
Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2020/21 has been set at £25.79m. This represents 1.8% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process.



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

Key definitions

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

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £19.340k which represents 75% of planning materiality.

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

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

Specific materiality - In previous years we have set a separate materiality for our audit of Firefighter's Pension Scheme entries and disclosures appearing in the Council's accounts. We are no longer required to do this.

We have, also set specific materiality of £13,000 for officer remuneration, related party transaction, members' allowances and exit packages disclosures appearing in the financial statements. This reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to these areas. This specific materiality is based on 1% of our audit differences threshold.



05 Scope of our audit



Scope of our audit

Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and, by exception, where we are not satisfied that the Council had established arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK). We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

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

Procedures required by the Code

Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

As outlined in Section 03, we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

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

For 2020/21 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics

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

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

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

Internal audit

We will review internal audit plans and the results of their work. We use this to inform our ongoing assessment of risks likely to impact our responsibilities.

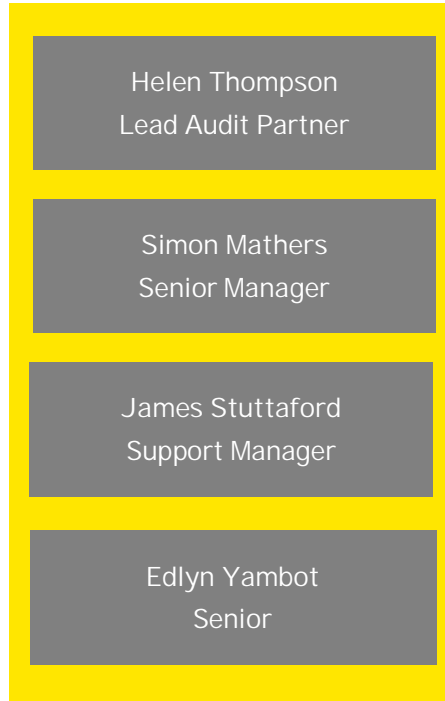


06 Audit team



Audit team

Audit team structure:



Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	EY Real Estates Team to consider the work of the Council's valuer
Pensions disclosure	PWC (Consulting actuary) and EY Actuaries to consider the work of the Pension Fund actuary
PFI	EY Internal PFI Specialist (only if changes are made to PFI accounting models)

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

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

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



07 Audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2020/21. The final timetable will depend on our ability to obtain sufficient, appropriate audit evidence to support our audit opinion.

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

Audit phase	Timetable	Audit committee timetable	Deliverables
Initial Planning: Risk assessment and setting of scopes. Walkthroughs of key systems and processes Interim Audit Testing	March 2021		
	April		
	May		
	June	Regulation, Audit and Accounts Committee	Audit Planning Report
Year end audit Audit Completion procedures	July		
	August		Interim audit update
	September	Regulation, Audit and Accounts Committee	Audit Results Report
	November		Annual Auditor's Report including commentary on VFM





08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and ▶ An opportunity to discuss auditor independence issues.

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

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

Relationships, services and related threats and safeguards

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

Overall Assessment

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

Self interest threats

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

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved

When the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

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

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

Self review threats

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

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

Management threats

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

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

Relationships, services and related threats and safeguards

Other threats

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

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

Other communications

EY Transparency Report 2020

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2020 and can be found here:

<https://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2020>



09

Appendices



Appendix A

Fees

Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 2020/21 accounts of opted-in principal local government and police bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2020/21	Final Fee 2019/20
	£	£
Scale Fee – Code work	£90,561	£90,561
Planned 2019/20 recurrent fee variation reflecting the underlying level of additional risk at the Council yet to be agreed by PSAA (See Note 1)	£66,426	£66,426
Revised Proposed Scale Fee agreed by the Council to date	£156,987	£156,987
Risk based fee variations agreed by the Council but yet to be agreed by PSAA (see Note 2)	TBC	£60,500
Total Fees	TBC	£217,487




All fees exclude VAT

Note 1 - In order to meet regulatory and compliance audit requirements not present in the market at the time of our most recent bid to PSAA, we undertook additional work at a fee of £66,426 to deliver the audit in 2019/20 which we expect to reoccur in 2020/21 and subsequent years. This additional fee has been accepted by the Director of Finance and Support Services for 2020/21 and future years, but not 2019/20. The proposed recurrent fee variation has also not yet been approved by PSAA.

Note 2 - These 2019/20 risk based fees have been agreed with the Director of Finance and Support Services except for £1,000 relating to additional work on the Council's Whole of Government Accounts return. They have not yet been approved by PSAA.





Required communications with the Regulation, Audit and Accounts Committee

We have detailed the communications that we must provide to the Regulation, Audit and Accounts Committee.




		 Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Regulation, Audit and Accounts Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Planning Report – July 2021
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit results report – September 2021
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	Audit results report – September 2021

Appendix B

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




		 Our Reporting to you
 Required communications	 What is reported?	 When and where
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Corrected misstatements that are significant • Material misstatements corrected by management 	Audit results report – September 2021
Fraud	<ul style="list-style-type: none"> • Enquiries of the Regulation, Audit and Accounts Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • A discussion of any other matters related to fraud 	Audit results report – September 2021
Related parties	<ul style="list-style-type: none"> • Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity 	Audit results report – September 2021

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

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Planning Report – July 2021 and Audit Results Report – September 2021
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report – September 2021
Consideration of laws and regulations	<ul style="list-style-type: none"> • Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off • Enquiry of Regulation, Audit and Accounts Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Regulation, Audit and Accounts Committee may be aware of 	Audit results report – September 2021
Internal controls	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit 	Audit results report – September 2021

Appendix B

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

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report – September 2021
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report – September 2021
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor’s report 	Audit results report – September 2021
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit planning report - July 2021 Audit results report – September 2021

Additional audit information

Other required procedures during the course of the audit

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

Our responsibilities required by auditing standards

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

Additional audit information (continued)

Purpose and evaluation of materiality


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

Materiality determines:

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

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

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West Sussex
Pension Fund
Audit planning report
Year ended 31 March 2021

June 2021

A nighttime photograph of a street scene. In the foreground, a large truck with its headlights on is parked or moving slowly. To the left, there is a building with a brightly lit entrance and some signage. The street has white lane markings and a green-painted area with a yellow 'X' and a right-turn arrow. The overall scene is illuminated by streetlights and the truck's lights.

22 June 2021

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

Dear Committee Members

Audit planning report

We are pleased to attach our audit planning report for the forthcoming meeting of the Regulation, Audit and Accounts Committee. The purpose of this report is provide the Committee with a basis to review our proposed audit approach and scope for the 2020-21 audit, in accordance with the requirements of the auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

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

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

We welcome the opportunity to discuss this report with you on 19 July 2021 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Helen Roman'.

For and on behalf of Ernst & Young

Contents

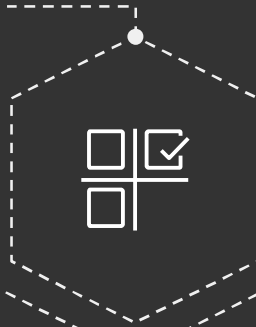
01 Overview of our 2020-21 audit strategy



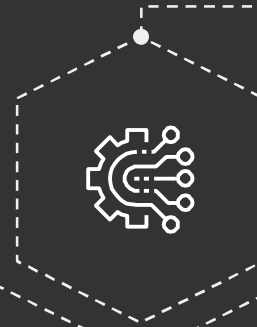
02 Audit risks



03 Audit materiality



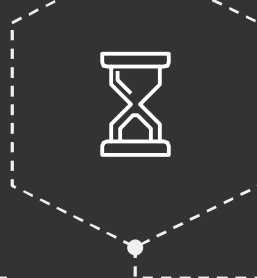
04 Scope of our audit



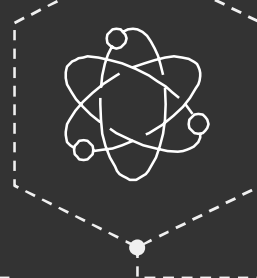
05 Audit team



06 Audit timeline



07 Independence



08 Appendices



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Regulation, Audit and Accounts Committee and management of West Sussex Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Regulation, Audit and Accounts Committee, and management of West Sussex Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Committee and management of West Sussex Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2020-21 audit strategy



Overview of our 2020-21 audit strategy

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

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Risk of manipulation of Investment income and valuation.	Fraud risk.	This risk was also identified in the prior year.	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively. We have determined that the way in which management could override controls is through the manipulation of the journal entries which record the investment income and changes to investment valuation.
Valuation of Property Investments	Inherent Risk.	This risk was classified as significant in the prior year.	We consider the valuation of directly owned property investments to be of a higher degree of inherent risk because of the higher degree of estimation uncertainty. Management is required to make material judgemental inputs and apply estimation techniques, supported by a professional valuer to arrive at the year value of property investments carried in the Net Assets Statement. We note that this has reduced in risk at the planning stage of 2020/21: the Fund's external valuer of investments property has not issued a 'material uncertainty' caveat in its year end valuation report reflecting the valuation uncertainty brought about by Covid-19, as was the case in 2019/20. Our prior year review of investment property valuation, supported by EY Real Estates, identified no issues with the 2019/20 valuation produced by the Fund's external valuer.
Level 3 Investments (Private Equity and Private Debt)	Inherent Risk.	New risk for 2020/21	We consider the valuation of Level 3 investments to be of a higher degree of inherent risk due to the unobservable inputs making up the valuations. This involves a high degree of estimation from the fund manager as audited accounts are only produced up to Q3 of the financial year.
Going Concern	Area of audit focus	No change from 2019/20, but re-focused considering ISA570 revised.	There is a presumption that the Fund will continue as a going concern for the foreseeable future. However, the Fund is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 there is a need for the Fund to ensure its going concern assessment, including its supporting cashflow forecast, is thorough and appropriately comprehensive. The Fund is then required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment, and in particular highlights any material uncertainties it has identified. In addition, the auditing standard in relation to going concern (ISA570) has been revised with effect for the 2020/21 accounts audit and we need to ensure we comply fully with the requirements of the revised standard,

Overview of our 2018-19 audit strategy

Materiality

Planning materiality
£43.0m

Materiality has been set at £43.014 million which represents 1% of 2019-20 net assets.

Performance materiality
£32.3m

Performance materiality has been set at £32.260 million, which represents 75% of materiality.

Audit differences
£2.2m

We will report all uncorrected misstatements relating to the Net Assets Statement and Pension Fund Account over £2.151 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Regulation, Audit and Accounts Committee.

Overview of our 2020/21 audit strategy

Audit scope

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

- Our audit opinion on whether the financial statements of West Sussex Pension Fund give a true and fair view of the financial position as at 31 March 2021 and of the income and expenditure for the year then ended.

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

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

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

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

We will provide an update to the Regulation, Audit and Accounts Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2021.

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



02 Audit risks



Our response to significant risks

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

Risk of manipulation of investment income and valuation*

What is the risk?

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

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

What will we do?

We will:

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

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

Financial statement impact

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

PY:
Net return on investments:
£80,836,000

Total net assets of the Fund available:
£4,301,419,000

Other areas of audit focus

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

What is the risk/area of focus?

Valuation of Property Investments

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

Valuation of Level 3 investments

We consider the valuation of Level 3 investments to be of a higher degree of inherent risk due to the unobservable inputs making up the valuations. This involves a high degree of estimation from the fund manager as audited accounts are only produced up to Q3 of the financial year.

Going Concern

There is a presumption that the Fund will continue as a going concern for the foreseeable future. However, the Fund is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 there is a need for the Fund to ensure its going concern assessment, including its cashflow forecast, is thorough and appropriately comprehensive.

The Fund is required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

In addition, the auditing standard in relation to going concern (ISA570) has been revised with effect for the 2020/21 accounts audit.

What will we do?

We will:

- Consider the work performed by the Fund's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Challenge the key assumptions used by the valuer.
- Test accounting entries have been correctly processed in the financial statements.
- Ensure the value applied to each property agrees back to the listing of deeds owned. We will view the deeds of any new properties acquired in the year, and a sample of existing property deeds;.

We will:

- Triangulate the valuation reports from the fund managers and custodians.
- Obtain audited financial statements of fund managers and obtain bridging letters for the controls reports to year end.
- Consider the work performed by the fund managers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Challenge the key assumptions used by the fund managers in valuations and consider further whether specialist support is needed to support our work in this area.
- Test accounting entries have been correctly processed in the financial statements.

We will:

- Challenge management's identification of events or conditions impacting going concern.
- Test management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- Review the Fund's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern.
- Undertake a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern.
- Challenge the disclosure made in the accounts in respect of going concern and any material uncertainties.



03

Audit materiality

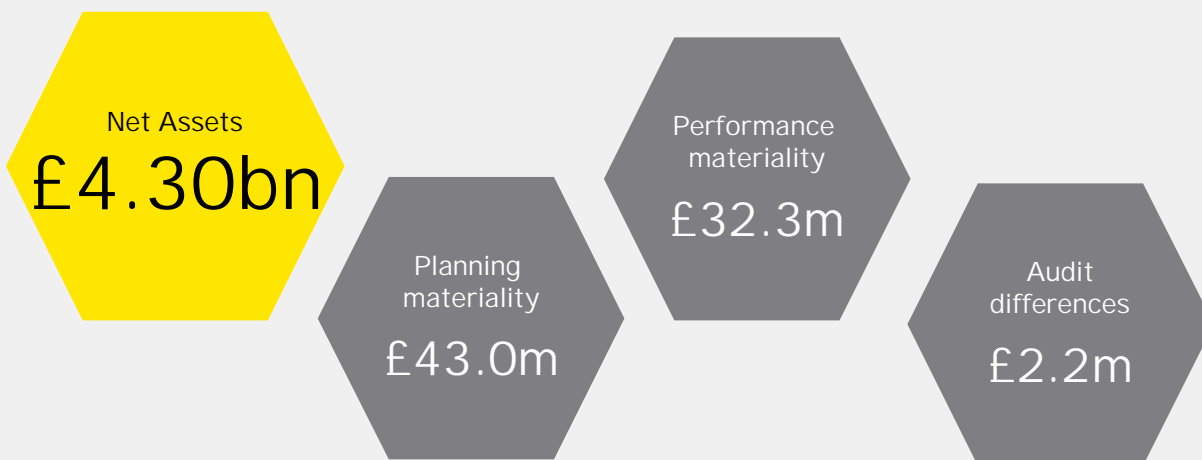


Materiality

Group materiality

For planning purposes, materiality for 2020/21 has been set at £43.0 million. This represents 1% of the net assets for 2019/20.

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



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

Key definitions

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

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £32.3 million which represents 75% of planning materiality. We apply 75% when it is not an initial audit and we have a sound understanding of the entity and past experience with the engagement indicates that a higher risk of misstatement is unlikely.

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

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



04 Scope of our audit

Our Audit Process and Strategy

Objective and Scope of our Audit scoping

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

Financial statement audit

Our objective is:

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

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

Procedures required by standards

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

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

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

For 2020/21 we plan to follow a substantive approach to the audit, as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

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

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

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

Internal audit:

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

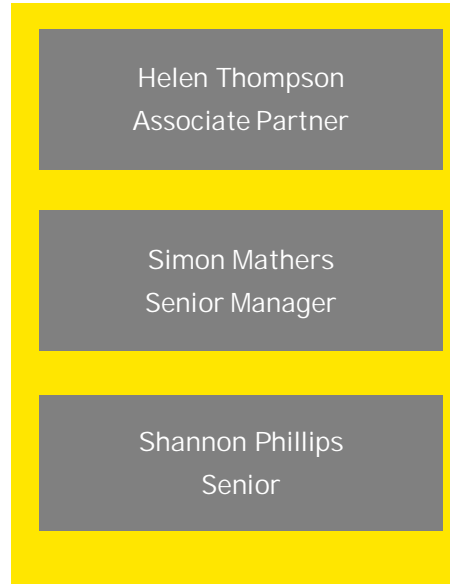
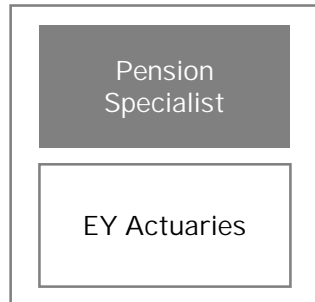


05 Audit team



Audit team

Audit team structure:



Working together with the Pension Fund

We are working together with officers to identify continuing improvements in communication and processes for the 2020/21 audit.

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

Audit team changes

Key changes to our team.

Shannon Phillips, Senior

- Shannon takes over from Edlyn Yambot as the lead senior on the engagement

Use of specialists

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

Area	Specialists
Pension Valuation	Management Specialist - Hymans Robertson EY Specialist - PWC as consulting actuary and EY Pensions
PPE Valuation	Management Specialist - Savills

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

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

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



06 Audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2020-21. The final timetable will depend on our ability to obtain sufficient, appropriate audit evidence to support our audit opinion.

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

Audit phase	Timetable	Regulation, Audit and Accounts Committee Meeting timetable	Deliverables
Planning: Risk assessment and setting of scopes Walkthrough of key systems and processes	April		
	May		
Year end audit	June		
	July	Regulation, Audit and Accounts Committee Meeting	Audit Plan
Audit Completion procedures	September		Audit Results Report
	November	Regulation, Audit and Accounts Committee Meeting	Audit opinions and completion certificates Auditor's Annual Report which will include combined commentary on key reporting themes for both the Pension Fund and County Council.



07

Independence



The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit/additional services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and ▶ An opportunity to discuss auditor independence issues.

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

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

Relationships, services and related threats and safeguards

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

Overall Assessment

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

Self interest threats

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

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

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

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

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

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

Self review threats

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

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

Management threats

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

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

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.
There are no other threats at the date of this report.

Other communications

EY Transparency Report 2020

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2020 and can be found here:

[EY UK Transparency Report 2020 | EY UK](#)



08

Appendices



Fees

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

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

	Planned fee 20/21	Final Fee 2019/20
	£	£
Scale Fee – Code work (1)	20,364	20,364
Scale Fee Rebasing	33,533	33,533
Going Concern and PBSE Assessments and Disclosures	TBC	4,000
EYRE review of the valuation of directly owned properties.	N/A	6,000
Additional fee for IAS19 assurance work on behalf of admitted bodies	8,000	5,500
Additional fee for work on the 2019 triennial valuation of the Fund that has yet to be determined and agreed by PSAA (2)	N/A	6,000
Total indicative Pension Fund fee	TBC	75,397

The agreed fee presented is based on the following assumptions:

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

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

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

(1) For 2020/21 the scale fee may be impacted by a range of factors (see page 7), on which we will update the Committee, as the audit progresses



(2) In 2019/20 we undertook additional work to gain assurance over the 2019 triennial valuation of the Fund. The triennial valuation informs both the assessment of the IAS19 liabilities in scheduled bodies’ financial statements and the actuarial present value of promised retirement benefits disclosure in the Pension Fund financial statements. This will not be required for the 20/21 audit.

Appendix B


Required communications with the Regulation, Audit and Accounts Committee




We have detailed the communications that we must provide to the Regulation, Audit and Accounts Committee.

Our Reporting to you



Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Regulation, Audit and Accounts Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.</p> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>	Audit Planning Report, July 2021 meeting of the Regulation, Audit and Accounts Committee.
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report, September 2021 meeting of the Regulation, Audit and Accounts Committee.

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

 Our Reporting to you

Required communications	 What is reported?	  When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	Audit Results Report, September 2021 meeting of the Regulation, Audit and Accounts Committee.
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Corrected misstatements that are significant • Material misstatements corrected by management 	Audit Results Report, September 2021 meeting of the Regulation, Audit and Accounts Committee.
Fraud	<ul style="list-style-type: none"> • Enquiries of the Regulation, Audit and Accounts Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • A discussion of any other matters related to fraud 	Audit Results Report, September 2021 meeting of the Regulation, Audit and Accounts Committee.
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report, September 2021 meeting of the Regulation, Audit and Accounts Committee.

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

Required communications	 What is reported?	 When and where
Independence	<ul style="list-style-type: none"> • Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence • Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Planning Report, July 2021 meeting of the Regulation, Audit and Accounts Committee. Audit Results Report, September 2021 meeting of the Regulation, Audit and Accounts Committee.
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report, September 2021 meeting of the Regulation, Audit and Accounts Committee.
Consideration of laws and regulations	<ul style="list-style-type: none"> • Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off • Enquiry of the Regulation, Audit and Accounts Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Committee may be aware of 	Audit Results Report, September 2021 meeting of the Regulation, Audit and Accounts Committee.
Internal controls	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit 	Audit Results Report, September 2021 meeting of the Regulation, Audit and Accounts Committee.
Representations	<ul style="list-style-type: none"> • Written representations we are requesting from management and/or those charged with governance 	Assurance Letter to be received shortly after year-end.
Material inconsistencies and misstatements	<ul style="list-style-type: none"> • Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report, September 2021 meeting of the Regulation, Audit and Accounts Committee.
Auditors report	<ul style="list-style-type: none"> • Key audit matters that we will include in our auditor's report • Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report, September 2021 meeting of the Regulation, Audit and Accounts Committee.

Additional audit information

Other required procedures during the course of the audit

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

Our responsibilities required by auditing standards

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

Additional audit information (continued)

Purpose and evaluation of materiality

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

Materiality determines:

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

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

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**Key decision: Not applicable
Unrestricted**

Regulation, Audit and Accounts Committee

19 July 2021

Quarterly Review of Corporate Risk Management and Risk Management Strategy

Report by Director of Finance and Support Services

Summary

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

Risks of failing to improve corporate leadership, governance and culture, recruit and retain suitably qualified and experienced Approved Mental Health Professionals (AMHP), deliver existing work plans due to COVID-19 response, and a lack of capacity to deal with strategic/organisational issues have all reduced in significance due to the effectiveness/completion of mitigating actions.

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 County Council's risk management process using a generic scenario.

Internal Audit recently conducted a review of Risk Management to seek assurances on the embeddedness of the risk management strategy and associated processes. The Council were found to be 'Reasonable'.

Recommendations

- (1) The Committee is asked to review the information detailed in the report and the current risk management strategy and provide comment as necessary.
-

Quarterly update

1 Introduction

- 1.1 The Committee has responsibility 'to monitor the effectiveness of risk management arrangements'. That role, together with a description of the Council's approach to risk management, is set out in the Constitution at Part 4 Section 2. 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.

Risk No	Risk	Action	Reason	Current Score
CR65	Corporate leadership, governance, and culture	Risk severity reduced. Risk tolerated and will continue to be monitored	Due to completed action and progress of ongoing mitigations	6
CR66	Recruiting and retaining suitably qualified and experienced Approved Mental Health Professionals (AMHP) and the increase in demand	Risk severity reduced. Risk tolerated, deescalated to ASC risk register, and will continue to be monitored	Due to successful recruitment of AMHP's	10
CR68	Services will fail to deliver existing work plans	Risk severity reduced	Due to progress of ongoing mitigations	15
CR70	Increasing demand placed on the senior officers leading to lack of capacity to deal with strategic/organisational issues	Risk severity reduced. Risk tolerated and will continue to be monitored	Due to progress of ongoing mitigations and current COVID-19 situation	12

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
CR69	Children's services will fail to deliver an acceptable provision to the community	20	20

2.3 The corporate risk register continues to be reviewed monthly by the Executive Leadership Team (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 quarterly 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
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 the County Council to prevent this from occurring
Increasing/unmanageable workload for staff due to anticipated increase in support to LTP

- 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 until at least October 21, 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 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 County Council's risk management process using a generic scenario. To support staff in better managing their risks the Corporate Risk Manager has produced a variety of resources, which have been communicated to all staff and added to the County Council Risk Management SharePoint site.
- 2.8 Internal Audit recently conducted a review of risk management to seek assurances on the embeddedness of the risk management strategy and associated processes. The Council were found to be 'Reasonable'. The table below summarises their observations and the status of each.

Observation/Risk	Action	Action Target Date	Status
County Council's risk management strategy does not meet the current needs of the organisation.	Risk appetite statement to be reviewed to support current organisational position	31 Aug 2021	Complete
	Risk Management in Practice course to discuss appetite when considering risk taking	30 Sep 2021	Complete – designed into course
Duplication of process with Member/ Senior Management time not used to best effect.	Liaise with Dem Services to ensure App C of RM Strategy and constitution are aligned. Ensure Terms of Reference for the Regulation, Audit and Accounts Committee	31 Aug 2021	Complete

	(RAAC) and Scrutiny Committees are accurate.		
	RAAC Members (post-elections) to receive a training session on risk management and their responsibility.	31 Aug 2021	Complete – covered in full Member training
	Deliver risk management training for delivery at Members day.	31 Aug 2021	Complete
Corporate Risk Management Group (CRMG) no longer convening - Non-conformance with Risk Management Strategy.	CRMG was created in the absence of a Corporate Risk Manager and has subsequently been removed as a role in the strategy. CRMG functions now carried out by the Corporate Risk Manager with support from officers when required.	31 Aug 2021	Complete
	The future structure and role of a group to support all forms of risk is under review and will be discussed further once we move away from dealing with COVID. This is likely to be considered during the 2022 annual review of the Strategy.	31 Mar 2022	Outstanding

2.9 An annual review of the County Council Risk Management Strategy (Appendix A) has been conducted, with several amendments carried out. These changes can be seen on page iv of the strategy (Documents Amendments History). The committee are requested to review and provide comment as necessary.

2.10 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.

2.11 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

- 2.12 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.
- 2.13 The committee is asked to consider the information in this report and the risk management strategy 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

Appendices

Appendix A – County Council Risk Management Strategy

Background papers

None

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Risk Management Strategy





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DOCUMENT CONTROL SHEET

Document Title	WSCC Risk Management Strategy
Author(s)	K Eberhart
Document Status	Published

DOCUMENT AMENDMENT HISTORY

Version No.	Date	Amendment Details	Approved By
1.0	1 Mar 17	WSCC RM Strategy published	KE
2.0	5 Mar 18	WSCC RM Strategy revised	KE
2.1	24 Apr 18	Para 5.3.3 Action Planning – Amended to capture that the new version risk register now incorporates the action plan	FP
2.2	9 Oct 18	Para 6.2.2 – Addition of guidance for escalating and de-escalating service and directorate risks	FP
2.3	30 Jan 19	App C – Removal of Corporate Business Manager Role	FP
3.0	8 Apr 19	Para 5.6 – reference to ELT viewing key Capital and Transformation risks quarterly	KE
		Para 6.3.1 – Guidance for inclusion of risk considerations in Decision Reports	KE
		Figure 3 – Response Guide to support Heat Matrix	KE
4.0	1 Jul 21	Fig 1 Risk Governance Framework – Inclusion of Scrutiny Committee	KE
		App D Assessment Criteria – Project/Programme impact area added	KE



RISK MANAGEMENT POLICY STATEMENT

This Policy Statement outlines the County Council's commitment to managing risk and should be read in conjunction with the West Sussex County Council Risk Management Strategy (below) and West Sussex County Council Risk Management Guide.

Effective risk management is fundamental to the delivery of the objectives of the County Council. It is an integral part of both effective corporate governance and performance management by ensuring that the risk culture, processes, and structures are in place and supported. It allows the County Council to be proactive in anticipating and managing problems, rather than reacting when they arise. In addition, it helps the County Council identify where it needs to focus its efforts and resources to achieve more successes and fewer failures.

Managing potential risks allows the County Council to be more innovative in how it delivers its services and has been built into management processes to deliver continuous improvement. It is an essential component for both our organisation and our partners to achieve strategic objectives and improve outcomes for local people. To reflect the varying needs and expectations of stakeholders, the County Council must consider the impact of its decisions by ensuring that the benefits of our decisions outweigh the risks, by encouraging a reasoned and informed approach to risk management.

Becky Shaw

Chief Executive
West Sussex County Council



1 INTRODUCTION

West Sussex County Council’s risk management approach and strategy is based on industry best practice; with alignment to the International Standard in Risk Management (ISO 31000), British Standard Code of Practice for Risk Management (BS ISO 31100) and HM Treasury Management of Risk (The Orange Book); with guidance from Axelos Management of Risk (MoR) and Association of Project Management (APM). Further information and guidance can be found in the WSCC Risk Management Guide. A list of definitions and descriptions can be found at Appendix A.

1.1 What is a Risk?

A risk can be defined as:

“An uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives”

For something to be a risk there must be an element of uncertainty. The effect of uncertainty on an organisation’s objectives is therefore a risk. Risk is ever-present and a significant degree of risk-awareness is essential if the Council is to achieve its objectives.

A risk can be either a:

- **Threat** - A risk event that has a negative impact on objectives
- **Opportunity** - A risk event that has a positive impact on objectives

Once identified and assessed, they are both managed in the same way.

1.2 What is Risk Management?

Risk management can be defined as:

“Coordinated activities that allows individual risk events and overall risk to be understood and managed proactively, optimizing success by minimising threats and maximising opportunities”

Risk management is the process of identifying what might go wrong i.e. what the trigger/source could be, assessing the potential consequences and effects, and deciding how best to minimise the risk of it materialising. If something goes wrong, proactive risk management will significantly improve the chances of keeping the negative impacts to a minimum and/or increase the positive impacts.

Risk management means adopting a planned and systematic approach to the identification, evaluation and management of the risks facing the Council and is a means of minimising the costs, disruption and reputational harm to the Council caused by unexpected events.

Risk management covers the whole spectrum of risk; not just those associated with finance, health and safety or insurance. It also includes risk associated with public image (reputation), the environment, technology, contracts/partnerships, projects etc. A detailed list of risk categories appropriate to the Council can be found at Appendix B.

1.3 Our Approach to Risk Management

To structure and formalise the risk management arrangements across all functions, West Sussex County Council has developed a systematic and logical process of evaluating business risk to ensure it is managed effectively, efficiently, and coherently across the organisation. The Council’s adopted approach sets out the methodology for identification, evaluation, and management of risk to ensure the Council can deliver its services efficiently and effectively to the residents of West Sussex.

Council-wide ownership and accountability for managing risk is critical to the success of the organisation. All directorates work to actively anticipate and manage their business risks, embracing opportunities and reducing threats in line with their risk tolerances.

In following ‘one’ approach, the risk profiles of each function are transparent, and this enables comparisons to be made and risks to be aggregated, empowering a whole organisation



approach to risk management.

Our approach is to ensure that the discipline of effectively managing risk is integrated throughout the organisation.

Members and senior officers of the council will be primarily focussed on the strategic and business-critical risks that could impact on the achievement of objectives or successful delivery of outcomes. More detailed business operations risks will be the primary concern of services and functions, where managers will be controlling and monitoring their risks and escalating these to a strategic level if they are no longer containable and manageable at a functional level.

Identified risks and risk management actions are managed through the Council's risk registers and should be regularly discussed, reviewed, and updated. Frequent risk reporting takes place across all levels of the organisation. The governance and reporting arrangements which set out what risk information is reported to which audience and when is covered in more detail in the WSCC Risk Management Guide.

1.4 Benefits of Risk Management

When implemented and maintained, effective risk management enables the organisation to:

- Prevent the frequency of 'shocks' and unwelcome surprises
- Focus attention on real and important risks
- Enhance the opportunity to successfully achieve objectives
- Ensure the effective and efficient use of resources
- Provide a better service delivery to the customer
- Internally focus on doing the right things properly
- Develop a proactive, risk aware culture
- Develop staff and organisational resilience

1.5 Risk Management Vision

West Sussex County Council's vision for risk management is to ensure that all risks to the achievement of corporate objectives are identified, assessed, and managed effectively. To achieve this, a culture must be embedded and supported where the consideration of risk occurs throughout all levels in the organisation in a consistent way.

1.6 Objectives of Risk Management

West Sussex County Council's objectives of the risk management strategy are to:

- Integrate risk management fully into the culture of the council including its key management processes such as corporate and service planning processes, project and programmes, financial and performance management.
- Ensure there is an effective framework for identifying, assessing, managing, reviewing, reporting, and communicating risks across the council.
- Ensure that Officers, Elected Members, Scrutiny and Audit Committees, and external stakeholders can obtain necessary assurance that the Council is effectively managing and mitigating the risks of not achieving key priorities
- Maintain clear roles, responsibilities, and reporting lines for risk management
- Continuously improve risk management throughout the council and proactively communicate the councils risk management approach to staff
- Ensure risk is managed in accordance with best practice

1.7 Principles of Risk Management

The key principles to support successful risk management are outlined below:

- All staff are responsible for recognising and actively reducing risk as part of all business processes
- A consistent risk management approach and language throughout the organisation



- To communicate risk across the Council, through escalation and de-escalation, in a timely and accurate manner
- Apply the principles of continuous improvement by promoting positive outcomes and learning from mistakes

1.8 Risk Appetite

Risk appetite is best defined as:

“The amount of risk an organisation is willing to accept, tolerate, or be exposed to at any point in time in order to achieve its objectives” (*HM Treasury Orange Book)

1.8.1 Risk Appetite Statement

The Councils risk appetite statement outlines the principles it will adopt regarding its approach to risk management. The risk appetite has been developed through consideration of the following areas:

- “Our Council Plan”
- Organisation culture
- Realised risks from other local government authorities

West Sussex County Council accepts that it operates within a high-risk environment and any risk taking must be done in a controlled manner. This means that all risks must be fully understood; with likelihoods and impacts addressed through effective mitigations and communications to reduce the exposure to an acceptable level.

Appetite will vary depending on the activity and risk area. Figure 3 - Summary Risk Profile represents the overall risk appetite for council, not taking into consideration any variables for specific categories of risk. Risks below this appetite will generally be tolerated to avoid assigning a disproportionate amount of resource; however outside of this there may be a need to take mitigating action or escalate/communicate if required.

Although taking risks provides an opportunity to increase the potential for success and/or support innovative activity, the Council will

always seek to control risks with at least a ‘high’ likelihood to:

- Cause significant harm to staff, service users and residents
- Significantly impact on the environment
- Significantly impact on finances
- Threaten compliance with legal and regulatory requirements
- Jeopardise the Councils ability to deliver its core purpose
- Create opportunities for fraud or corruption

The Council’s overall risk appetite (Figure 3 - Summary Risk Profile) and statement will be reviewed

annually as part of the Council’s risk management strategy review.

1.9 Risk Tolerance Threshold

Risk thresholds (between amber and red) represent the level of exposure which, when exceeded, will trigger immediate actions to reduce it to a more acceptable level. Threshold will often indicate a level where communication or escalation of the risk is required.

1.10 Risk Appetite v Risk Tolerance Threshold

Risk tolerance threshold identifies a limit in which the organisation is not prepared to go to and **must** be dealt with; unlike risk appetite which represents an acceptable level of risk to tolerate.) Risk appetite and risk tolerance threshold help an organisation determine what high, medium and low risk is (i.e. red, amber, and green on the risk heat map). Defining these levels allow risks to be prioritised and appropriate actions assigned so that the management of identified risks will be proportionate to the decision being made, or the level of impact on service delivery.

Para 5.2.3 (Summary Risk Profile (Heat Map)) illustrates the Council’s risk appetite and risk tolerance threshold using a heat map. Both the appetite and threshold of an organisation must



be periodically reviewed to ensure risk is managed and communicated effectively and efficiently, in line with the Council's risk appetite statement.

Risk appetite and tolerance threshold are scalable; what may be considered a high risk in one tier may be a low risk within another tier. The Council's appetite and tolerance threshold is the overall amount of risk judged appropriate to be tolerated or acted upon by the organisation. Lower tiers in the organisation can adapt this to reflect their risk capability, and this will facilitate risk reporting and/or escalation to senior management through exceeding agreed thresholds.

2 RISK MANAGEMENT FRAMEWORK

The risk management framework incorporates all risk management activity required to embed and operate a consistent, yet flexible, approach across the Council. These activities can be summarised in the following areas:

- **Governance** – Risk Management Strategy
- **Methodology** – Risk Management Process
- **Education** – Risk Management Training and Awareness
- **Assurance** – Internal Audit and Annual Governance Statement

The Council's approach is to ensure risk is managed effectively throughout the organisation; with Members and senior officers focussing on strategic and business critical risks, empowering services to manage and report on detailed operational risks. All risks are recorded in the WSCC format risk register and reviewed, updated, and communicated regularly. The Corporate Risk Manager is responsible for reviewing and updating the framework when necessary, ensuring it continues to add value. Through applying this framework, and Audit support, the Corporate Risk Manager will provide assurance that risk is being effectively managed across the

organisation.

3 RISK GOVERNANCE FRAMEWORK

The Risk Governance Framework (

Figure 1 - Risk Governance Framework) sets out the various groups, teams, and boards where business risk management activity and intelligence are discussed and reported.

The reporting arrangements span through all levels of the organisation, including the senior officers and Members, to ensure risk information can be escalated, de-escalated, and used as an effective tool to aid decision making. The framework interacts across all directorates and in future will span further to include our partner organisations and commissioned services.

The provision of good risk intelligence promotes discussion, encourages challenge, and enables the organisation to consider risks and opportunities as an integrated element of the day to day management operation of the business.

Directors should maintain a record of key operational risks within their service area relating to service change, projects, and significant procurement. Progress in managing these risks should be monitored on a regular basis and discussed with the relevant Cabinet Member.

Internal Audit will carry out a periodic review of the Council's risk management arrangements to provide independent assurance as to their effectiveness. Through the course of the year Internal Audit will also:

- Identify and report weaknesses in the controls established by management to manage/ monitor risks.
- Provide advice on the design/operation of the controls established by management to manage/monitor risk.

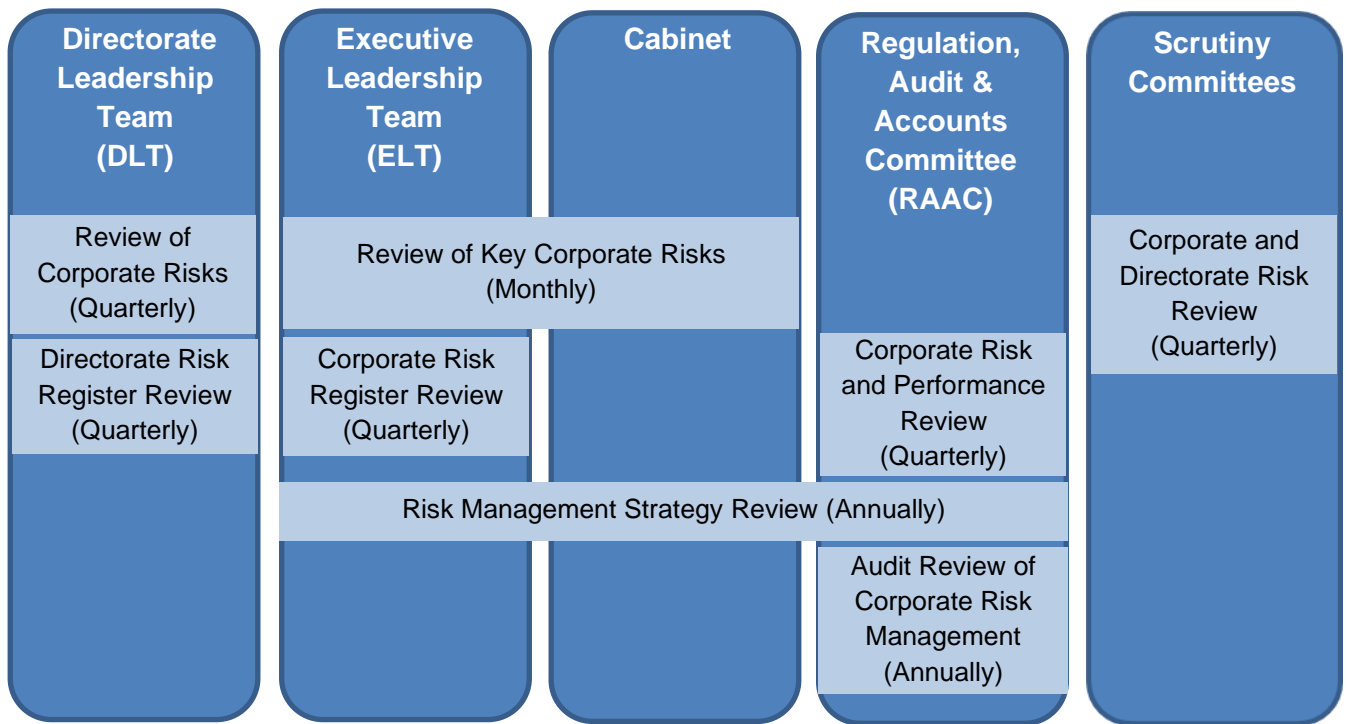


Figure 1 - Risk Governance Framework

4 ROLES AND RESPONSIBILITIES

All Members, senior leaders and employees have a role to play in ensuring that risk is effectively managed across the organisation. The risk management strategy is fully endorsed and supported by the Chief Executive and the Leader of the Council, who set the organisational tone for risk management and champion the benefits throughout the Council.

To successfully embed the management of risk into the Council's business as usual operations, it is vital to formalise the roles and responsibilities of individuals and groups involved throughout the risk management process. Appendix C outlines the key responsibilities for each stakeholder (group and individual).

5 RISK MANAGEMENT MODEL

The risk management process (Figure 2 - Risk Management Model (*adapted from HM Treasury Orange Book) is a series of logical steps which are carried out in sequence to progress through each stage of managing a risk. The process is cyclical, and it is often necessary to revisit earlier steps and carry them out again to ensure you have a complete picture of the risks to the activity/outcome you are assessing.

There are many variations of the 'Risk Management Process', with WSCC aligning itself to the process adopted by HM Treasury (Orange Book). This model focusses less on rigidity of process but encourages awareness of organisational and risk context and how key inputs influence outputs.

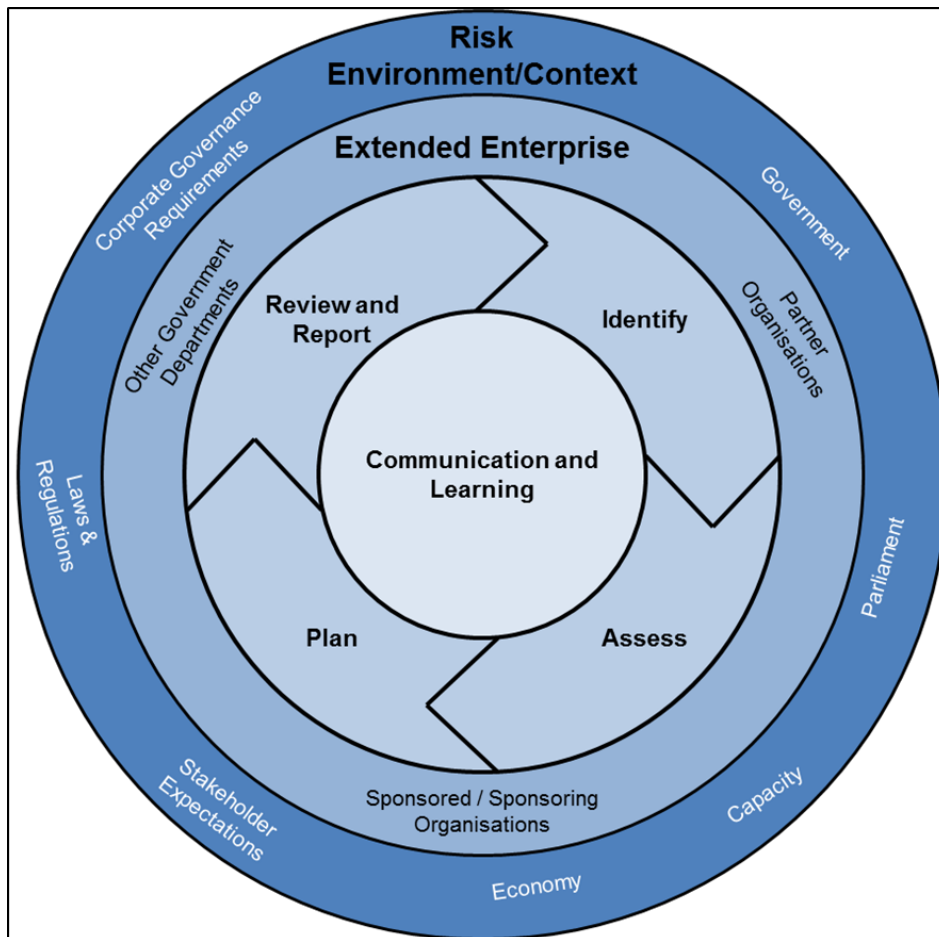


Figure 2 - Risk Management Model (*adapted from HM Treasury Orange Book)

5.1 Identify Risks

The risk identification stage provides a structured approach to inform how objectives may be affected by risk. This should be carried out iteratively; and must be sufficiently detailed, precise, and consistent to generate and record a list of comprehensive risks. It is important to establish the context around which you want to identify and assess risks i.e. an activity, objective, or outcome.

5.2 Assess Risks

Risk assessment determines the significance of a risk by understanding two factors; potential impact of the risk if it were to occur, and the likelihood of the risk occurring. Risk analysis may be undertaken with varying degrees of detail depending upon the risk, the purpose of the analysis, and the information, data, and resources available.

To ensure consistency of assessment of the probability and impact, a defined set of criteria has been produced. This criterion allows all risk to be measured against five levels of severity across 9 impact areas:

- Objectives
- Service
- Programmes
- Infrastructure
- Environment
- Finance (including claims)
- Safety
- Human Resources
- Statutory/Legal
- Reputation

The Council's directorate and corporate risk assessment criteria can be found at Appendix D.



5.2.2 Types of Risk Score

Using the risk assessment criteria, three different types of risk score can be assessed to fully understand and monitor the true nature and size of the risk: initial, target and current.

- **Initial Risk Score (pre-mitigation i.e. inherent risk)** - This is an assessment of the impact and likelihood of a risk based on its **current** status (worst case scenario).
- **Target Risk Score (post-mitigation)** - This is the desired impact and likelihood levels based on the amount of exposure the organisation, directorate or service is comfortable to tolerate (**after** additional controls have been taken into account).
- **Current Risk Score (risk score at review i.e. residual risk)** - This assessment illustrates whether the target score is on track to be achieved.

5.2.3 Summary Risk Profile (Heat map)

A heat map (Figure 3 - Summary Risk Profile) is a simple, visual tool that can be used in reporting to increase the visibility of risks and is a graphical representation of the information on the risk register; determined during analysis and scoring. A risk profile shows all key risks as one picture, so that managers can gain an overall appreciation of the total exposure to risk. The Council's corporate risk profile (below) shows the risk threshold and appetite which will immediately inform owners if mitigating action is required. The summary risk profile must be reviewed at least annually to reflect any changes in the Council's risk appetite statement and tolerable thresholds.

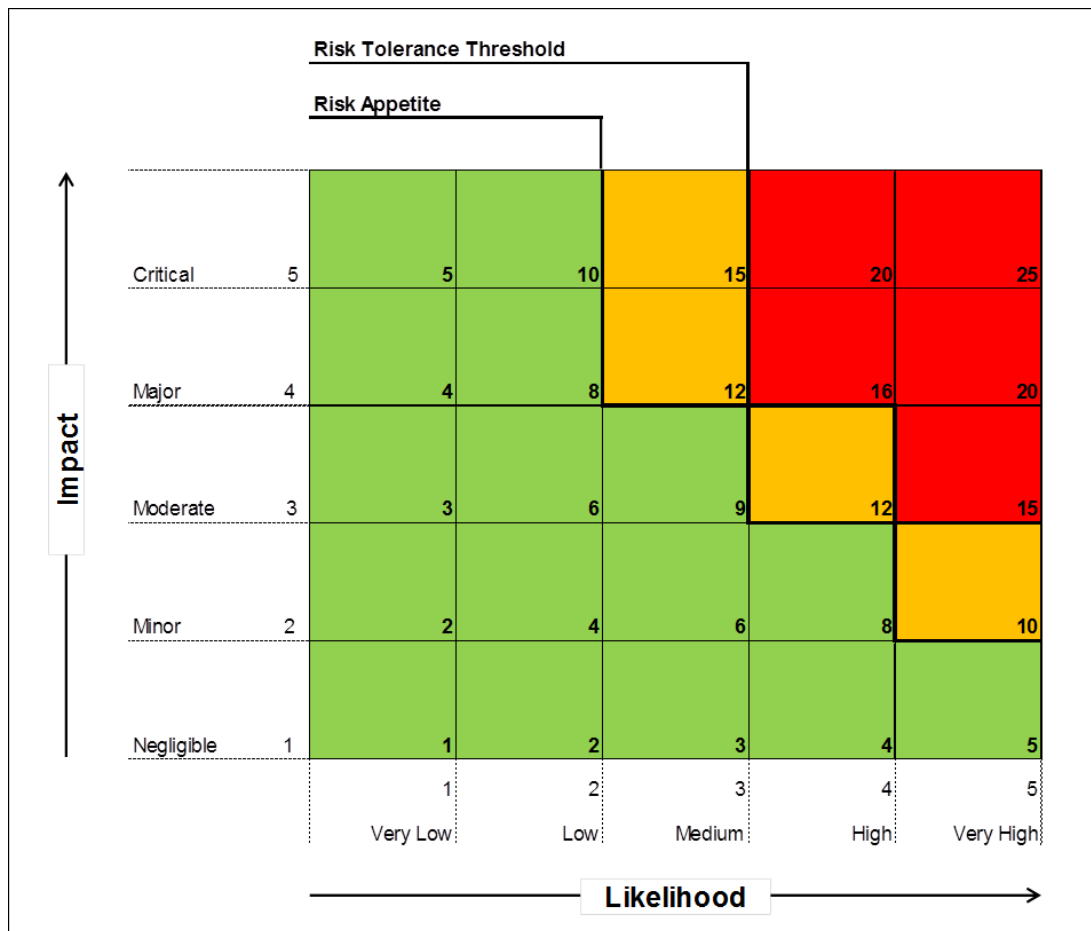


Figure 3 - Summary Risk Profile



Risk Assessment Rating			
Action Guide	Acceptable level of risk managed by routine controls at appropriate level.	Possible unacceptable level of risk exposure, requiring constant active monitoring and controls at appropriate level.	Unacceptable level of risk exposure requiring immediate corrective action to be taken at appropriate level.
Summary	Within risk appetite. Accept risk or manage/monitor.	Outside of risk appetite, but within tolerance threshold. May be tolerable but could look to reduce to within appetite.	Outside of risk appetite and outside of tolerance threshold. Requires immediate action to reduce to within tolerance threshold or risk appetite.

Figure 4 - Response Guide

5.3 Plan Responses

Once it has been determined that a risk requires additional action, a decision must be made on the best strategy that will enable the achievement of the target score.

5.3.1 Risk Response Strategies

Risk responses can be grouped into strategies as shown below in Table 1 - Risk Response Strategies

Risk Response Strategy	Examples
Tolerate Accept the risk / do nothing	<ul style="list-style-type: none"> • Cost of action disproportionate to the benefits gained • Limited ability to treat risk • Contingency plan is produced • Risk is within appetite or threshold and is tolerable
Treat Action taken to reduce impact or likelihood, or both	<ul style="list-style-type: none"> • Separation of duty. No one person can act without consent of another (remove single point of failure). • Produce contingency plan to reduce impact level • Wearing of protective clothing or training given
Transfer Reduce exposure of risk by transferring or sharing the risk	<ul style="list-style-type: none"> • Taking out insurance • Transfer to third party i.e. sub-contractor <p>Not all risks are fully transferred i.e. some risk to the Council may remain i.e. reputational</p>
Terminate Stopping the activities that gives rise to the risk	<ul style="list-style-type: none"> • Replace activity giving rise to the risk with an alternative activity <p>This strategy has limited use in the Council as termination of an activity may result in lack of service to the customer</p>



<p>Take the Opportunity</p> <p>Exploit the opportunity to deliver positive benefits / outcomes</p>	<ul style="list-style-type: none"> Undertake an action or manage a set of circumstances to increase likelihood of realising a positive outcome
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Table 1 - Risk Response Strategies

5.3.2 Risk Register

The risk register is owned by the manager for that organisational area and is a repository for all the risks that have an impact on the organisational objectives or activity.

5.3.3 Action Planning (Risk Treatment Plans)

Once the risk has been assessed, prioritised and response strategy determined; an action plan (risk treatment plan) is determined and should consider the following:

- **Response priorities** – understand the impact on other activities and availability of resources
- **Assign action owners** – to ensure individual or multiple risk responses are implemented
- **Prepare a schedule** – timeline to implement actions (agreed with action owner)

Part of the risk register, the action plan specifies the response strategy controls, assigning action owners to ensure the responses are managed, monitored, and reported.

5.4 Review and Report

The management of risk must be reviewed and reported on for two reasons:

- To monitor whether the risk profile is changing
- To gain assurance that risk management is effective
- To identify when further action is necessary

The risk owner should establish the frequency of the review and ensure that any significant

changes to the risk are reported or escalated to the appropriate levels.

The purpose of risk reporting is to present risk information in a consistent and timely manner, with the frequency and format to be determined by management needs, risk severity and organisational objectives.

The primary function of reporting on risk is to:

- Inform decision making
- Enable further analysis
- Provide oversight and opportunity to challenge

5.5 Communication and Learning

Communication and consultation should begin the instance the risk management process is entered into; with proportionate engagement with stakeholders (internal and external) paramount to successful data capture.

It is important to ensure that transferable lessons are learned and communicated to those who may benefit from them. This positive lesson will be captured and communicated across the Council for others, who encounter the same or similar risk, to have the benefit of this knowledge.

5.6 Project, Programme and Portfolio Risks

Project and programme risks are managed in the same way as other risks in the Council but there are slight differences in the approach. Risk registers or logs will still be maintained for risks to programmes or projects but will be appropriate to support the delivery of the work being carried out.

Any project, programme or portfolio should



align itself to the WSCC Risk Management Strategy; however, it should also have its own risk management guidelines, roles, and responsibilities.

Capital risks will continue to report to their respective boards; however, a summary of key risks will be viewed quarterly by ELT.

6 COMMUNICATION

6.1 Communication Levels

The Council's approach to risk management relies upon effective and consistent communication across all levels in the organisation. It is important to understand the communicative relationship between these levels to accelerate the forwarding or transferring of information. Further guidance can be found in the WSCC Risk Management Guide.

6.2 Escalation and De-escalation

A risk can be moved to a higher level in the organisation (escalated) for the following reasons:

- The risk becomes unmanageable
- The risk is outside of the appetite boundaries
- The risk remains very high after control measures have been implemented
- The risk impacts on more than one Directorate/project or programme/department
- The risk is directly related to an organisational objective

A risk can be moved to a lower level in the organisation (de-escalated) for the following reasons:

- The risk will only affect one Directorate/project or programme/functional area, and is better controlled locally
- The risk rating has decreased significantly or is not considered to be critical to the achievement of a strategic objective
- The risk can be controlled and managed at a lower level

It is important to consider the risk appetite of the level the risk is being de-escalated to as this could significantly impact how effectively it is managed (i.e. capability, resource).

Before a risk can be escalated or de-escalated, it must be clear who the risk owner is. If a new risk owner is identified, they must agree to this transfer of ownership and be contacted for a handover. At this point the risk should be re-evaluated to take into consideration the appetite of the new owner/level in the organisation.

Once a risk has been escalated or de-escalated it is removed from the preceding risk register as a risk should only be present on one risk register. There may be exceptions where a risk is required to be visible on more than one risk register; if this occurs, advice of the Corporate Risk Manager should be sought.

6.2.1 Escalation and De-escalation of Corporate Risks

On a quarterly basis the ELT will review the corporate risk register and discuss inclusions and deletions of risks proposed. Should a risk require urgent discussion and possible inclusion on the corporate risk register outside of this meeting, it is to be highlighted to the Corporate Risk Manager in the first instance. The Corporate Risk Manager will review the risk and facilitate a discussion with the Director of Finance, Performance and Procurement if required. If accepted this new risk will be assigned a new risk owner if required, articulated in the corporate risk register, and highlighted at the next quarterly ELT meeting.

6.2.2 Escalation and De-escalation of Directorate Risks

The escalation of risks to a directorate risk register should take place at the respective management team meeting. It is at the same meeting that risks can be removed from the directorate risk register; de-escalated to be managed at a service level or removed completely. The Corporate Risk Manager may be invited to attend to support risk capture and articulation; and to encourage effective conversation.



In addition, discussions regarding the escalation of an existing directorate risk to the corporate risk register should take place at this management team meeting. Should escalation be required, the details in para 6.2.1 are to be followed. The Corporate Risk Manager should be invited to attend management team meetings to support risk discussions, provide guidance and support, and advise on escalation.

6.3 Reporting

Risk reporting is the set of activities that ensures information on risk is captured, documented, communicated, and understood in a consistent way across the organisation. For this to be achieved, it is advised to create an opportunity at the management team meeting to collectively discuss key risks (not escalation initially). Risk reporting is used to provide visibility and understanding of risks to:

- Inform decision making
- Provide confidence to stakeholders
- Enable further understanding and analysis

An additional supporting document to the risk register can be produced in brief (or verbally delivered), to provide a clear representation of the current risk status. Suggested content of this is as follows:

- Highlighting key risks to the service/directorate/organisation
- What is being done to mitigate these key risks
- Emerging or new risks

6.3.1 Decision Reports

To ensure the assessments of propositions are effectively conducted, it is essential that all decision reports specify the risks associated with courses of action, including recommended mitigating actions. Tangible data specifying the impact/exposure should be included where possible. Further guidance is included within the decision report template.

7 GUIDANCE, EDUCATION AND TRAINING

Knowledge of how to manage risk is essential in embedding and maintaining an effective risk management system. The Corporate Risk Manager is responsible for developing workforce risk management capability across the organisation, through the provision of guidance, education, training, and support.

The risk management strategy and supporting guidance are reviewed and improved on a regular basis to ensure they meet the needs of the Council. Direct learning and e-learning packages of training have been developed and will be available and accessible to all Council staff. All learning needs analysis and subsequent training is developed and monitored in accordance with the Council's Learning and Development Policy.

A risk management intranet page has been developed so all documents to support the implementation of risk management can be centrally located. A blank risk register is available to download for editing purposes.

Specific training is available on request, on the following areas:

- Risk Management Process
- Risk register
- Scoring and grading
- Practical use of the register
- WSCC Risk Management Strategy

Further guidance on how to manage risk can be found in the WSCC Risk Management Guide (located on the risk intranet page).

8 QUALITY ASSURANCE

To ensure that the Council's risk management framework remains fit for purpose we continually review and update our risk management methodology. By embracing innovative ideas and changes to industry best practice, we can maintain a flexible framework to adapt to our changing operational



environment and economic conditions.

8.1 Internal Audit

Internal Audit will carry out a periodic review of the Council's risk management arrangements to provide independent assurance as to their effectiveness.

Through the course of the year Internal Audit will also:

- Identify and report weaknesses in the controls established by management to manage/monitor risks.
- Provide advice on the design/operation of the controls established by management to manage/monitor risk.

Internal Audit and RAAC will review the corporate risk register on an annual basis to inform the Internal Audit planning process.

8.2 Risk Maturity Assessments

The need for an assessment is still under consideration.

8.3 Annual Review

The risk management strategy, guidance and training materials are reviewed at least annually to ensure they continue to meet the needs of the organisation and incorporate the very latest industry best practice.



APPENDIX A GLOSSARY OF TERMS

Term	Definition
Assurance	An evaluated opinion, based on evidence gained from review, on the organisation's governance, risk management and internal control framework.
Action Owner	Ensuring individual or multiple risk responses are implemented, with updates on developments reported back to the Risk Owner. The Risk Owner delegates responsibility to the Action Owner, but still maintains overall accountability for the risk.
Cause	The reason why the risk could happen; internal or external.
Consequence	Effects arising from the risk event measured through impacts e.g. finances, reputation.
Contingency Planning	Process of identifying and planning a secondary response should the planned outcome be ineffective or doesn't reduce the risk to a tolerable level. Often used for potentially catastrophic risks.
Current Risk	Illustrates whether the target score is on track to be achieved taking into account the progress of the mitigating controls (existing and additional) and the current risk climate/context.
Emerging Risk	New or evolving risks that are difficult to characterise or assess now due to limited information being available, and/or lack of prior experience of the specific type of risk.
Event	Incidents or occurrences that arise from the cause.
Horizon Scanning	Systematic activity designed to identify, as early as possible, indicators of changes in risk.
Impact	Estimate of the potential severity of the effect on objectives, should the risk occur i.e. financial, reputational, safety.
Initial Risk	An assessment of the impact and likelihood of a risk based on its current status whether there are no mitigating controls or actions in place, or the existing controls or actions do not work as intended. This assessment determines the 'worst case scenario'.
Likelihood	Estimate of the probability of a risk occurring.
Proximity	Identifying a point in time when the risk is likely to happen.
Risk	An uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives.
Risk Assessment	The evaluation of risk regarding the impact if the risk is realised and the likelihood of the risk being realised.



Term	Definition
Risk Assessment	The evaluation of risk regarding the impact if the risk is realised and the likelihood of the risk being realised.
Risk Categories	Defined groupings of risk based on the Council's services and activities.
Risk Description	A description of the cause, event, and consequence of the risk to enable likelihood and impact to be assessed, and effective controls to be determined.
Risk Management	Coordinated activities that allow individual risk events and overall risk to be understood and managed proactively, optimizing success by minimizing threats and maximizing opportunities.
Risk Owner	The individual who is accountable for monitoring the risk and ensuring mitigating actions are being carried out.
Risk Register	A repository for capturing and recording risks and associated information.
Risk Actions/Mitigations	An activity or measure that is expected to reduce the impact or likelihood of a risk event.
Secondary Risk	An additional risk that may materialise as a direct result of implementing a risk response
Target Risk	The desired impact and likelihood levels based on the amount of exposure the organisation, directorate or service is comfortable to tolerate It requires the assessment of the impact and likelihood of a risk after additional mitigating controls have been taken into account.

(*adapted from HM Treasury Orange Book)



APPENDIX B RISK CATEGORIES

Categories	Description
<p>Political</p>	<p>Global, European, national, sub-regional or local politics.</p> <p>Consider election cycles, policy direction, political reorganisations, political relationships and styles, activism, war, and terrorism.</p>
<p>Governance</p>	<p>Corporate governance and decision-making arrangements.</p> <p>Consider the constitution, codes of conduct, leadership, culture, and behaviours, checks and balances, and member-officer relations.</p>
<p>Managerial/ Professional</p>	<p>Managerial and professional needs & situation.</p> <p>Consider recruitment and retention, succession planning, management style, management systems (e.g. project management, performance management), staffing, reliance on interims/agency staff/consultants, morale, capacity, skills, professional judgement, absence management, grievance and disciplinary policies, and employee relations.</p>
<p>Legislative/Regulatory</p>	<p>Current and future legislative & regulatory arrangements.</p> <p>Consider new and pipeline legislation and the Council's audit and regulatory environment. May also relate to the Council's own legal and regulatory powers.</p>
<p>Competitive</p>	<p>Current and future market situation and the Council's competitors.</p> <p>Consider exposure to the market, competitiveness/value for money of services, spotlight seeking (for pathfinders, awards, etc.) and competition with nearby or benchmark organisations.</p>
<p>Reputation</p>	<p>Council's reputation with government, partners, the media, and the public.</p> <p>Consider loss resulting from damages to the Council's reputation; increased operating, capital, or regulatory costs; consequences to an adverse or potentially criminal event even if the Council is not found guilty.</p>
<p>Economic</p>	<p>Current and future economic situation.</p> <p>Consider global, national, and local economy (e.g. economic cycles, the economic base, employment and earnings patterns, migration, and inflow patterns).</p>
<p>Social</p>	<p>Current and future social situations and decisions.</p> <p>Consider global, national, and local demographics and social trends (like age profile, ethnic profile, health trends, crime trends, skills base and educational provision and attainment).</p> <p>Also consider impact of adopting/implementing a particular service or product.</p>



Categories	Description
<p>Environmental</p>	<p>Potential harm to the environment caused by the Council or partners activities, current infrastructure, or controls.</p> <p>Consider the physical environment (e.g. like waste, drainage and flooding, disease, pollution, contamination, seismic activity, air quality, water quality, energy use and efficiency, noise).</p>
<p>Customer/ Citizen</p>	<p>Customer expectations and satisfaction.</p> <p>Consider the need to meet changing needs and expectations of the public and employees. It also covers complaints and litigation culture.</p>
<p>Partnership/ Contractual/ Supplier</p>	<p>Council's partnerships, contracts, and supply chain.</p> <p>Consider procurement, contract and relationship management, governance, funding, skills, quality, and effectiveness.</p>
<p>Technological</p>	<p>Threats to assets and processes to maintain effective business operations.</p> <p>Consider strategy, innovation, obsolescence, the nature of systems, support, maintenance, access, security, data protection and reporting.</p>
<p>Financial</p>	<p>Financial situation, constraints, processes, and systems.</p> <p>Consider the adequacy of funding, gearing, financial planning, financial delegations, budgetary control, monitoring and reporting, commitments, cash and treasury management, taxation, pension funds, insurance.</p>
<p>Legal</p>	<p>Potential for losses due to legal or regulatory action.</p> <p>Consider compliance with legislation and its legal advice and support.</p>
<p>Physical</p>	<p>Potential of harm due to inadequate/unsuitable products or associated management.</p> <p>Consider the asset base (i.e. buildings, vehicles, drainage, highways, bridges, plant, and equipment) and its health & safety and security systems.</p>



APPENDIX C ROLES AND RESPONSIBILITIES

Role	Responsibility
Cabinet – Leader and individual Cabinet Members	<ul style="list-style-type: none"> Assurance and performance management of Council Plan and budget (Revenue and capital), seeking assurance that corporate risk is effectively managed
Chief Executive	<ul style="list-style-type: none"> Approve the Risk Management Strategy Accountable to the County Council for the effectiveness of corporate risk management
Regulations, Audit & Accounts Committee (RAAC)	<ul style="list-style-type: none"> To monitor the effectiveness of risk management arrangements, including annually agreeing the Council’s risk approach as detailed in the Risk Management Strategy
Elected Members and Scrutiny Committees	<ul style="list-style-type: none"> To undertake the scrutiny of proposed decisions and the performance of the Council’s services against the agreed outcomes, objectives and measures; including the scrutiny of how effectively relevant corporate and service risks are managed
Executive Leadership Team (ELT)	<ul style="list-style-type: none"> Manage the Corporate Risk Register Ensure all Directorate risks and action plans are up to date Provide assurance of compliance with the risk management strategy Periodically review and update the Council’s risk appetite
Directorate Leadership Team (DLT) - also referred to as either Senior Management Team (SMT) or Senior Leadership Team (SLT)	<ul style="list-style-type: none"> Ensure corporate risks in their respective business area are kept up-to-date and record the current risk exposure Ensure adherence with the Risk Management Strategy Take ownership of risks within their directorate and ensure risk registers are regularly discussed, reviewed, updated, and escalated as appropriate Promote the benefits of effective risk management
Director of Finance, Performance and Procurement	<ul style="list-style-type: none"> Overall management of all arrangements for an effective risk management function Approver for escalation and de-escalation of risks to/from the corporate risk register (outside of ELT schedule)
Director of Law and Assurance	<ul style="list-style-type: none"> Assurance of the Councils risk management function in accordance with industry best practice
Service Managers	<ul style="list-style-type: none"> Manage risks effectively in their service area, in accordance with the risk management framework Where necessary escalate risks; and accept de-escalated risks Ensure their staff have an understanding and training on risk management Promote the benefits of risk management across their service and communicate the corporate approach to managing risk



Role	Responsibility
<p>Employees</p>	<ul style="list-style-type: none"> • Manage risk as part of their job and report risks to their managers • Develop understanding of risk management across the Council • Maintain awareness of risks, their impact, and costs, and manage these through the adopted risk management process
<p>Corporate Risk Manager</p>	<ul style="list-style-type: none"> • Manage the administration of risk management and review and develop the strategy and process in accordance with best practice • Provide advice and support to the Executive and Directorate Leadership Teams, and Service Managers on the identification, analysis, prioritisation, and progress of risk • Develop guidance, tools, and training to support the business to manage risk effectively • Report on the identification and progress of strategic risks to the Regulations, Audit & Accounts Committee (RAAC)
<p>Internal Audit</p>	<ul style="list-style-type: none"> • Provide advice and guidance on the management of risk relating to the design and operation of systems of internal control



APPENDIX D RISK ASSESSMENT CRITERIA

Risk Likelihood Criteria			
Likelihood	Score	Frequency	Description
Very High	5	Common occurrence at WSCC or other local authorities.	There is strong evidence (or belief) to suggest that the risk will occur during the timescale concerned.
High	4	Has occurred at WSCC or other local authority many times.	There is significant evidence (or belief) to suggest that the risk will occur during the timescale concerned.
Medium	3	Has occurred at WSCC or other local authority several times.	There is some evidence (or belief) to suggest that the risk may occur during the timescale concerned.
Low	2	Has occurred at WSCC or other local authority on a small number of occasions.	There is little evidence (or belief) to suggest that the risk may occur during the timescale concerned.
Very Low	1	Has occurred at WSCC or other local authority once/never.	There is no evidence (or belief) to suggest that the risk may occur during the timescale concerned.



Risk Impact Criteria						
Domain	Impact Area	Impact				
		5	4	3	2	1
		Critical	Major	Moderate	Minor	Negligible
Purpose	Objectives	Critical failure or delay in delivering key Council objectives and national policies.	Major failure or delay in delivering Council objectives and national policies.	Moderate failure or delay in delivering Council objectives and national policies.	Minor failure or delay in delivering Council objectives and national policies.	Insignificant failure or delay in delivering Council objectives and national policies.
	Service	Loss of key service >14days.	Loss of key service 7-14 days.	Loss of key service for <7 days.	Minor service interruptions.	Insignificant service interruptions.
	Programmes	Associated service loss for a significant period. Project(s) on hold or terminated. Failure to meet project acceptance criteria.	Significant disruption to any associated service activity. Significant impact on project(s) acceptance criteria.	Disruption to any associated service activity. Impact on project(s) acceptance criteria.	Minor disruption to any associated service activity. Minor impact on project(s) acceptance criteria.	Failure to meet a minor acceptance criterion, but does not disrupt project(s) or any service activity.



Risk Impact Criteria						
Domain	Impact Area	Impact				
		5	4	3	2	1
		Critical	Major	Moderate	Minor	Negligible
Property	Infrastructure	Long term infrastructure damage	Medium term infrastructure damage	Some medium-term infrastructure damage	Minor, short term infrastructure damage	Negligible infrastructure damage
	Environment	Long term environmental damage	Medium term environmental damage	Some medium-term environmental damage	Minor, short term environmental damage	Negligible environmental damage
Pounds	Financial (inc. claims and revenue)	Losses >£1m Loss of more than 35% of service budget >30% increase in project/programme budget (not including allocated/planned contingencies)	Losses £501k to £1m Loss of 20-35% of service budget 15-30% increase in project/programme budget (not including allocated/planned contingencies)	Losses £151k to £500k Loss of 10-20% of service budget 10-15% increase in project/programme budget (not including allocated/planned contingencies)	Losses £51k to £150k Loss of 5-10% of service budget 5-10% increase in project/programme budget (not including allocated/planned contingencies)	Losses < £50k Loss of up 5% of service budget <5% increase in project/programme budget (not including allocated/planned contingencies)



Risk Impact Criteria						
Domain	Impact Area	Impact				
		5	4	3	2	1
		Critical	Major	Moderate	Minor	Negligible
People	Safety	Incident leading to death. Multiple permanent injuries or irreversible health effects.	Major injury leading to long-term incapacity/disability. Requiring time off work for >14 days.	Moderate injury requiring professional intervention. Requiring time off work for 4-14 days.	Minor injury or illness, requiring minor intervention. Requiring time off work for <4 days	Minimal injury requiring no/minimal intervention or treatment. No time off work.
	HR	Non-delivery of key objective/service due to lack of staff. Ongoing unsafe staffing levels or competence. Loss of several key staff. No staff attending mandatory training on an ongoing basis.	Uncertain delivery of key objective/service due to lack of staff. Unsafe staffing level or competence (>5 days). Loss of key staff. Very low staff morale. No staff attending mandatory/ key training.	Late delivery of key objective/ service due to lack of staff. Unsafe staffing level or competence (>1 day). Low staff morale. Poor staff attendance for mandatory/key training.	Low staffing level that reduces the service quality.	Short-term low staffing level that temporarily reduces service quality (< 1 day).



Risk Impact Criteria						
Domain	Impact Area	Impact				
		5	4	3	2	1
		Critical	Major	Moderate	Minor	Negligible
Profile	Statutory/ Legal	Multiple breaches in statutory duty. Serious findings by audit/inspection; serious court enforcement or prosecution.	Major findings by audit/inspection. Court enforcement or prosecution.	Significant findings by audit/inspection. Minor court enforcement or prosecution.	Minor findings by audit/inspection. Minor court enforcement or prosecution.	Insignificant findings by audit/inspection.
	Reputational	Prolonged adverse national media coverage. Long term reduction in stakeholder confidence. Intervention by commissioners.	Some adverse national media or prolonged local media coverage. Medium term reduction in stakeholder confidence.	Some adverse local media coverage. Short term reduction in stakeholder confidence.	Some adverse local media coverage. Element of stakeholder concern.	Local interest/rumours. Potential for stakeholder concern.

**Key decision: Not applicable
Unrestricted**

Regulation Audit & Accounts Committee

19 July 2021

Internal Audit Annual Report & Opinion 2020-21

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 the annual audit opinion (2020-21) summarising internal audits opinion on the Council's framework of governance, risk and control.

Recommendations

- (1) That the Committee approve the annual audit report and opinion for the year ended 2020-21.

Proposal

1 Background and context

- 1.1 Internal Audit is an assurance function whose primary purpose is to provide an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance, in support of the objectives of the Council.
- 1.2 The annual audit plan is prepared to take into account key areas of risk and was approved by the Regulation, Audit & Accounts Committee (RAAC). The internal audit plan has been delivered in accordance with the Public Sector Internal Audit Standards (PSIAS).
- 1.3 Audit work has been undertaken to obtain all information and explanations considered necessary to provide sufficient assurance that the control environment is both reasonable and effective. Whilst no assurance can ever be absolute, on the basis of audit work completed, it is the Head of Internal Audit's opinion that the County Council's framework of governance, risk management and control is 'reasonable'.

Risk	Mitigating Action (in place or planned)
There are risks associated with services not addressing key recommendations arising from the audit findings.	Follow up audit review will be undertaken to ensure that agreed actions have been implemented. A report detailing the status of high priority Internal Audit recommendations will be presented to ELT and each meeting of this Committee for monitoring to ensure that key risks are addressed in a timely manner.

Katharine Eberhart

Director of Finance and Support Services

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Appendices

Appendix A – Internal Audit Annual Report & Opinion 2020-21

Background papers

None

Annual Internal Audit Report & Opinion

2020-21

West Sussex County Council



Southern Internal Audit Partnership

Assurance through excellence
and innovation

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1. Role of Internal Audit

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

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

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



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

‘Independent, objective assurance and consulting activity designed to add value and improve an 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 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 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.

2. Internal Audit Approach

To enable effective outcomes, internal audit provides 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. A full range of internal audit services is provided in forming the annual opinion.

The approach to each review is determined by the Head of the Southern Internal Audit Partnership and will depend on the:

- Level of assurance required;
- Significance of the objectives under review to the organisation's success;
- Risks inherent in the achievement of objectives; and
- Level of confidence required that controls are well designed and operating as intended.

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the County Council on the framework of internal control, risk management and governance in operation and to stimulate improvement.



The impact of COVID-19 during the year has had a significant impact on the way we have worked and interacted. The enforced central government directive *'if you can work from home, you must do so'* has required the Southern Internal Audit Partnership to adopt a revised operating model and innovative approach to virtual auditing.

Work contributing to my 2020/21 annual opinion has all been undertaken virtually, optimising technology and virtual platforms to share, monitor and observe operations to substantiate our findings.

I am confident that the revised operating model has not compromised quality or SIAPs ability to complete assurance work throughout the year or the conclusion drawn. I would wish to extend my appreciation to County Council officers with whom we have worked during the year for their support, cooperation, and seamless transition to the virtual audit approach without which the delivery of an annual opinion would not have been possible.

3. Internal Audit Opinion

The Head of the Southern Internal Audit Partnership 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 concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year (assurance & consultancy);
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- the results of work of other review bodies where appropriate;
- the extent of resources available to deliver the internal audit work;
- the quality and performance of the internal audit service and the extent of compliance with the Standards; and
- the proportion of the County Council's audit need that has been covered within the period.

Annual Internal Audit Opinion 2020-21

"I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of West Sussex County Council's internal control environment.

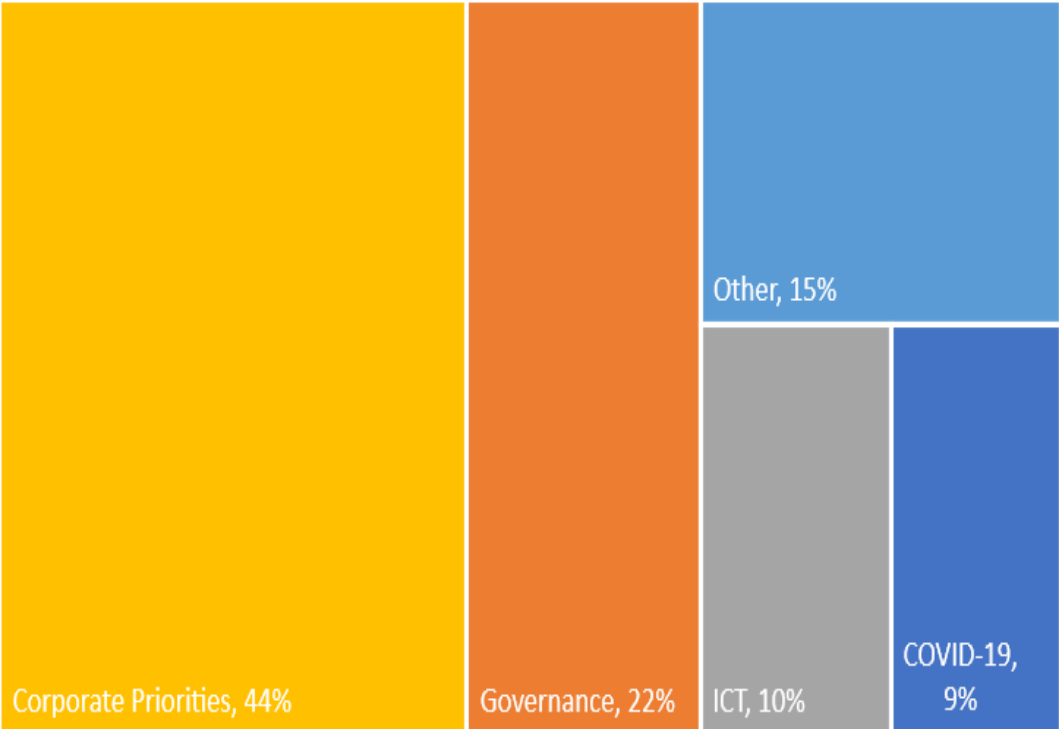
In my opinion, West Sussex County Council's framework of governance, risk management and control is 'Reasonable' and audit testing has demonstrated controls to be working in practice.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement."

4. Internal Audit Coverage and Output

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the County Council’s activities and to support the preparation of the Annual Governance Statement.

Audit Reviews by Type



Work has been planned and performed so as to obtain sufficient information and explanation considered necessary in order to provide evidence to give reasonable assurance that the internal control system is operating effectively.

The 2020-21 Internal audit plan, approved by the Regulation, Audit & Accounts Committee in July 2020, was informed by internal audits own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the organisation.

The scale of COVID-19 coupled with the speed of its impact and the wide-ranging challenges presented has necessitated new and different ways of working across the County Council. Such challenges and subsequent resolutions bring with them new and emerging risks that management need to consider, manage, and mitigate. The plan has remained fluid throughout the year to maintain an effective focus.

In delivering the internal audit opinion internal audit have undertaken 35 reviews during the year ending 31 March 2021.

Due to the ongoing pressures presented by the COVID-19 pandemic and in response to the announcement from Central Government in early January of further lockdown measures Sussex declared a ‘major incident’.

From experiences of the first lockdown West Sussex County Council concluded that in prioritisation of their resources they did not feel they had 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 was tasked 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 reported to the Executive Leadership Team and the Regulation Audit & Accounts Committee that the professional and regulatory expectations on local government bodies to ensure that their internal audit arrangements conform with PSIAS had not changed and heads of internal audit still needed 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 was approved by ELT and the Chairman and Vice Chairman of RAAC following the request from the S151 Officer in January 2021.

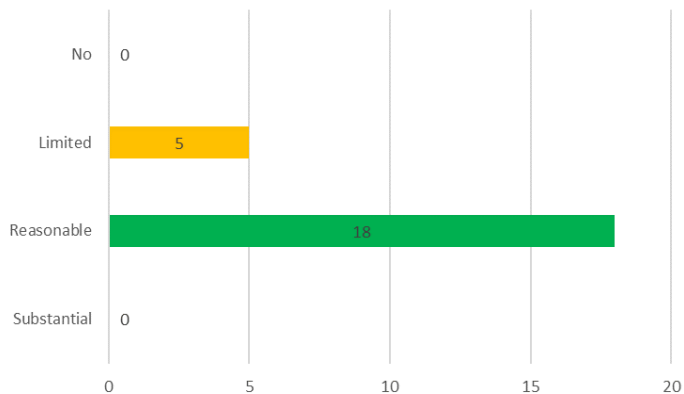
In completion of the revised plan, I feel that sufficient work has been carried out to provide an opinion on West Sussex County Councils framework of governance, risk and internal control for 2020/21.

Work is substantially complete, and an opinion has been formed for 4 reviews, however, final reports have not yet been agreed. I do not expect the outcomes of these reviews to adversely impact my annual opinion.

- Procurement (Sub £100k) (Reasonable)
- Cloud Service Provisioning (Reasonable)
- School Thematic Review (Reasonable)
- Central Government Grants (allocation) (TBC)

Fieldwork remains in progress in respect of 1 review (Dual Use Agreements). It is fully anticipated that assurance work will be completed in the near future and will be reported to Senior Management and the Regulation Audit & Accounts Committee as part of our next progress report.

There have been 30 completed reviews:



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 - 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.

*7 reviews did not culminate in an audit opinion as they were a combination of position statements; advisory; grants / claims.

A list of the 2020-21 assurance reviews undertaken and their respective opinions is provided in Annex 1

5. Key Observations

There were no 'No Assurance' opinions issued during the year. In general, internal audit work found there to be a sound control environment in place across a majority of review areas that were working effectively to support the delivery of corporate objectives, however, there were some areas identified that provide challenge to the organisations risk environment:

Management of restructures

Policies and procedures were found to be in place providing information and guidance to staff and managers on the restructure and redundancy processes, however, review highlighted some areas of omission and timely update.

Additionally, there was found to be non-compliance with existing policy and process in the following areas:

- Equality Impact Assessments could not be found for two of the restructures sampled, and some protected characteristics were not included in the EIAs reviewed.
- The Council's Redundancy Policy requires employees at risk of redundancy to be issued with a letter stating that they are at risk, followed by a later letter confirming they are to be made redundant. Testing highlighted that for five staff in one of the restructures sampled the letters issued combined both the at risk and confirmation notification in one letter.
- Before a restructure can commence, an Authority to Proceed form should be completed and signed by the Head of Service, the Director of Finance, the Director of HR and the Chief Executive to agree the process. One restructure reviewed found the form held by HR had not been signed, although continued to proceed.

S75 Governance

The review focused on the governance framework for the Section 75 Agreement for the commissioning and pooled funding of various services between West Sussex County Council (WSCC) and West Sussex Clinical Commissioning Groups (CCGs).

Testing highlighted that the Overarching Partnership Agreement in relation to the Section 75 Agreement for the commissioning and pooled funding of services had diminished over time resulting in lack of clarity in respect of the agreed governance framework and performance measurement.

The Terms of Reference in the Agreement state that the Joint Commissioning Strategy Group (JCSG) should oversee the development of joint

commissioning intentions, monitor progress against these intentions and receive regular reports on performance, however, whilst financial performance was monitored and reported, there was no formal process for monitoring or reporting on the operation or overall effectiveness of the arrangements against Joint Commissioning Intentions.

At the time of the audit the pooled/non pooled budget had not been formally agreed for 2020/21 due to the exceptional circumstances of COVID 19, however, it was noted that the 2019/20 budget was not formally approved until 28 February 2020.

Establishment Thematic Review

This review focused on money handling at adult establishments. Six residential homes that hold an active resident's property and active amenity account formed the sample. Each residential home manager was supported by CAPITA employed administrators to undertake administrative tasks including reconciliations of the various accounts which should be overseen and agreed by the establishment manager.

Whilst it was found that a majority of residential homes followed similar procedures in relation to administering service user monies, the processes notes were not standardised across the residential homes and not routinely kept up to date. Residential homes were not always aware of corporate policies and procedures and formal records of staff training was not always held.

For one residential home, the reconciliation(s) highlighted a large discrepancy between the folios of individual service users and the bank balance, and cash held. Additionally, there were instances where individual service users accounts were in a deficit balance.

For two of the residential homes sampled, there was no evidence of an appropriate sign off from the manager to achieve effective segregation of duties between the reconciliation preparer and authoriser.

Health and Safety (COVID)

This review focussed on the governance arrangements and the processes in place regarding health and safety to help ensure the physical and mental wellbeing of staff during the Covid-19 pandemic.

There was found to be robust governance structures in place to direct and control activities related to Covid-19 staff health and safety with risk registers detailing remedial actions and responsibilities to reflect the latest staff H&S COVID-19 risks and a suite of risk assessment templates to facilitate homeworking and returning to workplaces. Building Covid-19 risk assessments for all Council hub buildings had also been undertaken and deemed compliant with the latest guidelines.

There have also been comprehensive corporate communications and signposting towards support facilities available to managers and staff during the pandemic.

Since the first lockdown there has been a reliance on line managers to carry out many vital health and safety activities towards staff on behalf of the Council. However, there was no further mandatory health and safety training for line managers to aid them in delivering these obligations.

Line managers were responsible for the completion of staff risk assessments for both home working and returning to the workplace. These assessments were not being carried out as per guidelines in many cases. In some cases, an outdated version of the risk assessment form was being used which did not take account of the latest government guidelines.

None of the home workers sampled had carried out a separate Homeworking Health and Safety Self-Assessment as required by the Council's Corporate Guidance for Working at Home.

Additionally, employee return-to-work risk assessments were not independently reconciled to those individuals returning to work, therefore increasing the risk that staff return to the workplace when it is unsuitable for them to do so.

Children's – P-Cards

This review focussed on the use of P-cards within Children's Services. Whilst currently conforming to corporate process, a number of areas were highlighted where the Service could strengthen their control framework to improve their oversight and management of P-card spend.

There was no formal process in place to ensure P-card holders who leave the department have had their P-cards cancelled or to ensure substitutes or permanent replacements have been arranged for any reviewing managers no longer employed. Additionally, there was no regular review to confirm whether P-cards with low value or volume of spend were still required. Whilst an exercise was commenced to identify and close P-cards determined as no longer required, the closure of the cards had yet to be completed at the time of the audit.

There were no controls in place to demonstrate a clear business need for a new P-cards prior to issue or that the reviewing manager and default cost centre were appropriate. Additionally, there was no monitoring of the number of P-cards or volume of transactions a manager is responsible for reviewing to ensure effective review remains feasible, or a process to follow if that is not the case.

There was a disconnect between P-card spend and client identification in the main client system (MOSAIC).

P-card holders are required to scan and upload receipts in support of P-card transactions and confirm they have reviewed their own transactions ahead of subsequent management review and approval. Corporate Finance e-mail non-complying staff and produce the monthly P-Card Report tracking compliance, however, no one within Children's Services was on the distribution list for the management information and there was no officer within Children's Services assigned responsibility to work with Corporate Finance and ensure persistent non-compliance is addressed and escalated, as necessary.

With any form of off-contract, high volume transactional spend, there is potential for targeted fraudulent activity, however, there was no assigned responsibility within Children's Services for an officer with specialist knowledge of the service's needs and associated risks to review transactions for potential fraud or be a liaison point for the Corporate Finance team who centrally monitor fraudulent flags.

It should be noted that as a result of an inspection by Ofsted in 2019, West Sussex Children's Services was found to be inadequate, and is subject to intervention. The issues found are not solely financial but are also linked to social work practice. There is now a permanent senior leadership team in place who are driving an improvement journey. There has been senior management engagement throughout the audit process and they have developed a series of robust actions which are covered in the report below.

6. Anti-Fraud & Corruption

The County Council is committed to the highest possible standards of openness, probity and accountability and recognises that the electorate need to have confidence in those that are responsible for the delivery of services. A fraudulent or corrupt act can impact on public confidence in the County Council and damage both its reputation and image.

The Council maintains a suite of strategies and policies to support the effective management of the prevention, detection and investigation of fraud and corruption (Anti-Fraud & Corruption Strategy and Response Plan; Whistleblowing Policy and Anti Bribery Policy).

Counter-fraud activity during the year has delivered a programme of proactive and reactive work to complement the internal audit strategy and annual plan focusing resource against assessed fraud risks in addition to new and emerging threats.

A copy of the Annual Fraud Report is attached as an addendum to this report.

7. Quality Assurance and Improvement

The Quality Assurance and Improvement Programme (QAIP) is a requirement within 'the Standards'.

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a QAIP to enable the internal audit service to be assessed against the Standards and the Local Government Application Note (LGAN) for conformance.

The QAIP must include both internal and external assessments: internal assessments are both on-going and periodical and external assessment must be undertaken at least once every five years. In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020.

In considering all sources of evidence the external assessment team 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.’

8. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments], I can confirm through endorsement from the Institute of Internal Auditors that:

‘the Southern Internal Audit Partnership conforms to the, Definition of Internal Auditing; the Code of Ethics; and the Standards’

There are no disclosures of Non-Conformance to report.

9. Quality control

Our aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. In complementing the QAIP this was achieved in 2020-21 through the following internal processes:

- On-going liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success;
- On-going development of a constructive working relationship with the External Auditors to maintain a cooperative assurance approach;
- A tailored audit approach using a defined methodology and assignment control documentation;
- Review and quality control of all internal audit work by professional qualified senior staff members; and
- An independent external quality assessment against the IPPF, PSIAS & LGAN.

10. Internal Audit Performance

The following performance indicators are maintained to monitor effective service delivery:

Performance Indicator	Target	Actual
Percentage of internal audit plan delivered (to draft report)	95%	97%
Positive customer survey response		
<ul style="list-style-type: none"> West Sussex County Council 	90%	96%
<ul style="list-style-type: none"> SIAP – all Partners 	90%	98%
Public Sector Internal Audit Standards	Compliant	Compliant

Customer satisfaction was collated for SIAPs EQA and is an assessment of responses to questionnaires issued to a wide range of stakeholders including members, senior officers and key contacts involved in the audit process (survey date May 2020).

11. Acknowledgement

I would like to take this opportunity to thank all those staff throughout the Council with whom we have made contact in the year. Our relationship has been positive, and management were responsive to the comments we made both informally and through our formal reporting.

Neil Pitman
 Head of Southern Internal Audit Partnership
 June 2021

2020-21 Audit Reviews and Opinions

Substantial Assurance	Reasonable Assurance	Limited Assurance	No Assurance
	Market Underwriting PPE Cell Risk Management Debt Recovery / Write off Pensions (Employer Contributions) Highways Statutory Inspections Climate Change Strategy Children, Young People and Learning Transformation Programme (Governance) Special Guardianship Allowances School Traded Services Approved Mental Health Professionals Adults Safeguarding Post COVID19 Recruitment of Interims Health and Safety - FRS Children Safeguarding (QAF) Contract Management Cyber Security (risk treatment) Organisational Assurance & Governance (FRS)	Health and Safety (COVID) Establishment Thematic Review S75 Governance Management of restructures Children's – P-Cards	

*7 reviews did not culminate in an audit opinion as they were a combination of position statements; advisory; grants / claims

**Key decision: Not applicable
Unrestricted**

Regulation Audit & Accounts Committee

19 July 2021

Annual Fraud Report 2020-21

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 the annual fraud report 2020-21 summarising the outcome of counter fraud activity undertaken during the year ending 31 March 2021.

Recommendations

- (1) That the Committee note the annual fraud report for the year ended 2020-21.

Proposal

1 Background and context

- 1.1 The Council has a responsibility to embed effective standards for countering fraud and corruption across the organisation, supporting good governance and demonstrating effective financial stewardship and strong public financial management.
- 1.2 The Southern Internal Audit Partnership work with the County Council in the review and investigation of any reported incidents of fraud and irregularity. Given the size and diversity of the organisation, there has been a relatively low level of reactive fraud work required within the County Council during the year ending 31 March 2021.
- 1.3 Work has also been undertaken on a suite of proactive initiatives to explore, prevent, and detect fraud risks across the organisation.

Risk	Mitigating Action (in place or planned)
<p>Fraud and corruption is left undetected or unreported resulting in a financial loss to the Council and the public purse.</p>	<p>The County Council maintains a suite of strategies and policies to support the effective management of the prevention, detection and investigation of fraud and corruption (Anti-Fraud & Corruption Strategy and Response Plan; Whistleblowing Policy and Anti Bribery Policy).</p> <p>The Southern Internal Audit Partnership facilitate a programme of proactive and reactive work to complement the internal audit strategy and annual plan focusing resource against assessed fraud risks in addition to new and emerging threats.</p>

Katharine Eberhart

Director of Finance and Support Services

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Appendices

Appendix A – Internal Audit Annual Fraud Report 2020-21

Background papers

None



**Southern Internal
Audit Partnership**

Counter Fraud Unit

Annual Counter Fraud Report 2020-2021

Prepared by: Neil Pitman, Head of Partnership
Iona Bond, Counter Fraud Manager

May 2021

1. Forward

Leaders of public service organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management.

Published in October 2014, the CIPFA Code of Practice on Managing the Risk of Fraud & Corruption sets out the principles that define the governance and operational arrangements necessary for an effective counter fraud response.

It is these principles that underpin the Southern Internal Audit Partnership's approach to support the management of the risk of fraud and corruption within the County Council.



The County Council promotes a zero tolerance culture to fraud and corruption:

'West Sussex County Council is determined that the culture and tone of the organisation is one of honesty, openness and absolute opposition to fraud and corruption. The Council's expectation on propriety and accountability is that members and staff at all levels will observe the highest standards in ensuring adherence to legal requirements, rules, procedures and practices.' (WSCC - Anti Fraud & Corruption Strategy)

The County Council maintains a suite of strategies and policies to support the effective management of the prevention, detection and investigation of fraud and corruption (Anti-Fraud & Corruption Strategy and Response Plan; Whistleblowing Policy and Anti Bribery Policy).

Counter fraud activity during the year has delivered a programme of proactive and reactive work to complement the internal audit strategy and annual plan focusing resource against assessed fraud risks in addition to new and emerging threats.

2. Reactive Fraud Activity

The Southern Internal Audit Partnership work with the County Council in the effective review and investigation of any reported incidents of fraud and irregularity. All such reviews are undertaken by professionally accredited (CIPFA CCIP/ ACFS) staff, in accordance with the Council's Anti-Fraud & Corruption Policy and Response Plan.

Recent history has demonstrated that given the size and diversity of the organisation, relatively low levels of activity have been required in respect of reactive fraud work within the County Council.

Analysis is provided highlighting the fraud types that have been subject to investigation by the Southern Internal Audit Partnership across the County Council over the previous three years.

TYPE	18/19	19/20	20/21
SOCIAL CARE	9	12	1
SCHOOL RELATED	1	3	0
PROCUREMENT	3	0	1
PENSIONS	1	0	1
P-CARD	4	2	0
EMPLOYEE/ RECRUITMENT	4	3	1
BLUE BADGE	3	4	2
MANDATE	5	4	1
OTHERS	2	2	2
TOTAL	32	30	9

It should be acknowledged that the figures relate to areas of investigation and not proven fraud. The 'fraud types' evident in the table are reflective of national trends and as such are not issues unique to the County Council.

3. Proactive Approach

Whilst the established process to reactive fraud assists the County Council in responding to notified incidents or suspicions of fraud and irregularity, it is equally important to ensure proactive initiatives are appropriately explored to understand, prevent, and detect fraud risks across the organisation.

During the year we have revised and redesigned our approach to themed based proactive reviews. These now take a more holistic overview of controls that are designed specifically around fraud prevention/detection. The results of these reviews are presented to management and designed to highlight specifically where fraud controls are less robust or are omitted. Reports contain case study examples of where fraud within the public sector have occurred and provide best practice/recommended practice checklists for management. Themed areas covered during 2020-21 include procurement and mandate fraud. The following table outlines the completion of planned proactive work for 2020-2021:

Planned Activity for 2020-2021	Scope	Completed	Comment
National Fraud Initiative	To facilitate the timely delivery of the upload NFI 2020 data and review of matches.	✓	All data uploads successfully completed in accordance with the Cabinet Office deadlines. Match reports released in January 2021 and investigation into these is ongoing.
Proactive Fraud Review – Direct Payments	Control mapping of the key stages within the direct payment process to identify those areas particularly exposed to fraud risk.	On-going	Control mapping to identify the key areas of fraud risk within the process has been completed. The results will be collated into a high level summary report identifying the key fraud risk areas that the Council is exposed to and will be supported by a fraud risk checklist.

Planned Activity for 2020-2021	Scope	Completed	Comment
CIPFA Fraud Survey	Completion of the annual CIPFA fraud survey	✓	Completed Q2 in line with the revised timescale set by CIPFA.
Proactive fraud Review – Mandate Fraud	Control mapping of the key stages within the payment process regarding any changes to supplier bank accounts to identify those areas particularly exposed to fraud risk.	✓	Generally found to be meeting 'good practice' expectations with some opportunities identified for enhancements to the existing framework.
Proactive fraud Review – Procurement	To review existing processes and controls against the good practice guidance issued by the MHCLG in June 2020, 'MHCLG review into the risks of fraud and corruption in local government procurement'.	✓	Generally found to be meeting 'good practice' expectations with some opportunities identified for enhancements to the existing framework.
Training & Awareness	Develop an effective fraud awareness training programme for Members and Officers.	✓	Delivered Procurement Card training virtually via MS Teams in light of the COVID-19 pandemic. This included a recorded session that can be rolled out to any members of staff that have not been able to attend any of the sessions. An eLearning course on general fraud awareness has been developed which forms part of the suite of mandatory training for all staff.
Annual Report on Fraud & Irregularity	To produce an end of year report to those charged with governance.	✓	

The scheduled proactive audit of Payroll Expenses was deferred to accommodate the review of Procurement. Payroll expenses is now planned for 2021-22

Advice – We continue to respond to requests for advice and assistance relating to potential fraud/control issues. During 2020/21 in addition to the reactive and proactive work summarised above we have provided 98 separate pieces of advice/assistance across all areas of the County Council’s operations.

4. Ongoing initiatives

We have maintained a number of initiatives throughout the year to ensure the Southern Internal Audit Partnership remains responsive to the fraud needs of the County Council and maintains consistently high standards:

- Facilitate a ‘Fraud Hotline’ (telephone and email) for members of staff or the public to report instances of suspected fraud;
- Fraud Awareness Bulletins, providing oversight of emerging fraud risk threats and advice;
- Compliance with the Public Sector Internal Audit Standards;
- Compliance with the CIPFA Code of Practice on Managing the Risk of Fraud & Corruption;
- Responsible Authority within the County Council’s Whistle blowing Policy (Confidential Reporting Policy).

5. Acknowledgement

I would like to take this opportunity to thank all those staff throughout the County Council with whom we have made contact in the year. We are particularly appreciative in what has been an extremely challenging year in light of the COVID-19 pandemic for their ongoing support and assistance in enabling us to undertake our work during the year. Our relationship has been positive and management were responsive to the comments we made both informally and through our formal reporting.

Neil Pitman
Head of Southern Internal Audit Partnership
June 2021

**Key decision: Not applicable
Unrestricted**

Regulation, Audit and Accounts Committee

19 July 2021

Accounts Payable Review

Director of Finance and Support Services

Summary

A detailed review of information held on the Council's purchase ledger system has been undertaken covering the period November 2016 to December 2019. The review seeks to identify errors or inaccuracies in the payments system and to recover any funds where applicable.

Recommendation

The Committee is asked to note the outcome of the audit recovery work carried out in 2020/21 in respect of supplier statements, duplicate payments and VAT corrections.

Proposal

1. Introduction

1.1 A detailed review of information held on the council's purchase ledger system was undertaken during 2017/18, covering the period April 2011 to November 2016 and resulted in approximately £0.3m being recovered. In line with good practice, the Council has undertaken a similar review in 2020/21 and this report provides an update on that project.

2. Background

2.1 The contractor that undertook the financial review (recovery audit) was procured through the Crown Commercial Service Framework Agreement and was awarded to Meridian Cost Benefit Ltd in November 2019, based on their experience in the public sector and their success rate in previous projects. They also carried out the previous review and were familiar with our processes and IT systems. Meridian have carried out over 300 purchase ledger projects in the last 10 years, with over £50m recovered, 60% of which has been in the public sector.

Data from the Council's financial system, covering the period November 2016 to December 2019, was shared with Meridian in January 2020. The project was then slightly delayed due to Covid-19 difficulties, for example, access to data, staff and the reprioritisation of activities. Meridian provided the first weekly report in August 2020.

3 Overall Recovery

3.1 Over the last 10 months, Meridian have conducted a full purchase ledger audit on behalf of the Council covering three distinct workstreams - supplier statements, duplicate payments and VAT corrections and this review is now concluded, although a small number of potential recoveries are still being pursued. A total of £365,042 has been confirmed as recovered, details of recoveries are set out below.

	2018 Final recovery	2018 Number of claims	2021 Final recovery	2021 Number of claims	As % of total £ recovered in 2021
	£		£		%
Supplier Statements	£102,486	59	£297,610	63	81
Duplicate Payments	£126,397	57	£5,863	6	2
VAT Corrections	£70,606	20	£61,569	20	17
Total	£299,489	136	£365,042	89	100

3.2 Meridian have advised that generally recovery rates have gone up by about 33% in the last three years and particularly since March 2020, when Covid restrictions have changed working practices (processes and controls) including migration to working from home.

3.3 Meridian have indicated that the overall recovery for the Council was at the lower end that they would have expected and typically they would have anticipated recoveries from an organisation of our size of between £300,000 to £500,000.

4 Supplier Statements

4.1 Meridian have reported that across all clients (private and public sector) over 65% of recoveries come from the Supplier Statement and Complex Supplier work which Meridian do, with less than 35% from duplicates, errors and VAT recoveries.

4.2 Recovery from reviewing supplier statements is particularly resource intensive as over 98% of all the work undertaken recovers no value, it simply confirms that our accounts and the suppliers accounts agree. It is worth noting that many of these recoveries are not errors, for example these are unposted credit notes that are not recorded within the accounting system or have not been recovered.

4.3 Meridian approached around 750 suppliers (with our prior approval) and achieved recovery from 20 suppliers (63 individual claims), which represented a conversion rate of just 2.67%, which is somewhat lower than Meridian normally see which is around 2% to 4%. This equated to £297,610 which was

significantly higher than achieved in 2018 (£102,486), but it is in line with the average recovery rates of this type.

- 4.4 Based on the complexity and resource required for this type of work, it is recommended that this aspect of work continues to be included in any future external recovery audit. Meridian recommend that recoveries from this area reduce over time and in large organisations like WSCC should be undertaken approximately every 24 months.

5 VAT Corrections

- 5.1 Meridian also investigated the Accounts Payable system for VAT processing errors and identified 20 instances, totalling £61,569, where no VAT had been reclaimed but should have been, arising from processing issues rather than technical VAT errors. For example, where a VAT marker was omitted from a payment request. Meridian have stated that this figure is similar to the previous exercise and is within the parameters they would expect. This VAT has now been reclaimed as part of our usual monthly VAT return. For context, over the same period approximately £200m of VAT was recovered from HMRC.
- 5.2 There are a number of mitigating actions which the Council has introduced over recent years to ensure that the Accounts Payable team have a good understanding of VAT, including training for new members of the team. In addition, the current forms used to request manual payments is currently being automated and will include a requirement to include a valid VAT marker. Reporting is also being reviewed to include the identification of payments where no VAT was recovered. The Council also has a dedicated VAT Accountant who provides advice and support both to the Accounts Payable team and more generally across the Council. Individual members of staff have received guidance where applicable. There is also a lot of detailed VAT information available to all staff on the Council's intranet site, along with a dedicated e-mail address. However, given the potential risk of processing errors, it is recommended that VAT is included within the scope of any future external recovery audit and as previously mentioned.

6 Duplicate Payments

- 6.1 The level of identified duplicate payments were extremely low, and Meridian have indicated that the volume and value of identified errors was less than they would expect for an organisation of our size and complexity. Only six errors were identified, totalling £5,863, compared to the 2018 figure of £126,397. Meridian have stated that this is significantly less than they would expect and indicates that significant successful internal work has been undertaken and existing controls are robust.
- 6.2 There are sound controls in place within the current process to ensure that most potential duplicate payments are identified at the input stage when the details from an invoice are entered into the Accounts Payable system in SAP. In addition, a Duplicate Payments report has been produced for a number of years, which highlights payments for the same amount allocated to the same invoice number over the period of a year. The report covers all payments made, both directly through the Accounts Payable team along with payments made through the Council's feeder systems, including payments for utilities, library books, early years provision and payments to providers both within adults and children services.

- 6.3 The Authority also participates in the bi-annual National Fraud Initiative (NFI) exercise, which also highlights potential duplicate payments requiring further investigation. Historically, this has been very positive with very few actual duplicate payments identified, and the results of this year's NFI are expected very soon.
- 6.4 Looking forward, the Council currently uses SAP but is in the process of implementing Oracle Fusion management information system with a planned go-live date of 2022. As we migrate to a new accounting system, the duplicate payment exercise will require revisiting following the implementation of the new Oracle Fusion. A comparative exercise will be necessary in order to identify potential duplicates made in the final months of using the old SAP system and new transactions being processed in Oracle.

7 Finance & Resource Implications

- 7.1 Meridian charge a fee based on a predetermined sliding scale calculated as a percentage of actual recoveries achieved (net of VAT). The Meridian fee to date linked to the value of transactions recovered is approximately £63,000. Total recovered to date is £365,042.
- 7.2 There has also been a need for the Council to provide some support to the audit recovery work, with the majority of the work carried out by Meridian.

8 Risk implications and mitigations

- 8.1 The Council was in full control of the actions taken during the recovery audit which Meridian carried out. In addition, there are a number of controls in place, to both identify and track the recovery of actual duplicate payments, track and recover surplus credits and prevent inaccurate VAT coding.

Katharine Eberhart

Director of Finance and Support Services

Contact Officers

Vicky Chuter, Financial Reporting Manager, 033 022 23414

Background Papers

None

**Key decision: Not applicable
Unrestricted**

Regulation, Audit and Accounts Committee

19 July 2021

Treasury Management Compliance Report – First Quarter 2021/22

Report by Director of Finance and Support Services

Summary

In accordance with treasury management governance arrangements, this report details compliance against planned parameters as approved within the annual Treasury Management Strategy Statement (TMSS).

During the first quarter of 2021/22 the County Council complied with all of the relevant statutory and regulatory requirements related to its treasury management activities. The Director of Finance and Support Services confirms that there were no breaches of the approved TMSS (including the Annual Investment Strategy) during the period.

Recommendation

The Committee is asked to review and comment on the Treasury Management Compliance Report.

Proposal

1. Introduction

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

2. Compliance Report

2.1 Throughout the first quarter of 2021/22 the County Council complied with the relevant statutory and regulatory requirements which require officers to identify and where possible quantify the levels of risk associated with its treasury management activities. Additionally, no counterparty that the County Council held investments with during the quarter was negatively impacted by credit rating updates as published by Fitch, Moody's and Standard & Poor's, credit default swap/equity price trends and general media alerts.

2.2 **Borrowing:** At 30 June 2021 the County Council’s Public Works Loan Board (PWLB) long-term borrowing for capital purposes totalled £471.3m (£474.8m at 31 March 2021). During the first quarter of 2021/22:

- (a) No new external borrowing for capital purposes was undertaken during the period; however £3.5m (plus interest) was repaid to the PWLB in final repayment of the £70m borrowing taken during April 2011.
- (b) No external debt rescheduling was undertaken during the period.
- (c) Excluding money held on behalf of the Chichester Harbour Conservancy (and its associated charities) and approved overdraft facilities with the County Council’s main provider of banking services (Lloyds), no short-term borrowing was undertaken for cash flow purposes. The County Council’s policy of funding daily cash flow shortages from balances held in short-term Money Market Funds was maintained throughout the period.

2.3 **Investment:** The average level of County Council funds available for treasury investment during 2021/22 (to 30 June) was £394.1m. Actual levels of investments, including cash balances held in the County Council’s main Lloyds business bank accounts, amounted to £378.4m at 30 June 2021 (£414.6m as at 31 March 2021). Cash balances available for investment remain at elevated levels, a consequence of Capital, Revenue & Emergency Covid-19 funding received ahead of spend committed throughout the remainder of 2021/22.

2.4 UK banking legislation places the burden of rescuing failing banks disproportionately onto unsecured creditors (including local authority investors) through the potential bail-in of unsecured bank deposits. The use of unsecured bank deposits and short-term Money Market Funds however remains an integral part of the County Council’s investment strategy in maintaining adequate cash-flow liquidity; ensuring that there were enough funds to meet all financial obligations (including those relating to Covid-19) as they arose. During the first quarter of 2021/22 this included the arrangement of short term investments (up to one year) with both financial institutions and local authorities; and appropriate liquidity being maintained in Money Market Funds. As a consequence, the disposition of bank unsecured/other investments at 30 June 2021 as compared with 31 March 2021, is detailed below:

Counterparty Type	Mar-21 £m	Mar-21 %	Jun-21 £m	Jun-21 %
Banks Unsecured (Deposits)	76.3	18.4	74.7	19.7
Short-Term Money Market Funds	150.0	36.2	87.5	23.1
Total Bank Unsecured	226.3	54.6	162.2	42.8
Bank Secured (greater than 1 year)	10.0	2.4	10.0	2.6
Non-Bank (less than 1 year)	125.0	30.2	140.0	37.0
Non-Bank (greater than 1 year) – (i)	15.0	3.6	15.0	4.0
Internal Investments	376.3	90.8	327.2	86.4
Externally Managed - Multi Asset	15.3	3.7	27.5	7.3
Externally Managed – Property	23.0	5.5	23.7	6.3
TOTAL INVESTMENTS	414.6	100.0	378.4	100.0

(i) *Greater than one at commencement of investment.*

2.5 The full breakdown of the County Council’s investment portfolio at 30 June 2021 is shown in **Appendix A**. This includes an additional £12m long-term investment into the County Council’s Multi-Asset Income Funds (Fidelity and

NinetyOne; £6m per fund) that was approved by the Director of Finance and Support Services during the first quarter of 2021/22 and actioned in early May.

- 2.6 In demonstrating compliance with the County Council's creditworthiness policy (as contained within the approved 2021/22 "Annual Investment Strategy") the movement in the investment portfolio (actual cash position) by the credit rating of the financial institution, or the credit rating of the specific investment (for example covered bonds) if higher than the individual counterparty rating, is shown below:

Institution / Investment Credit Rating	Mar-21 £'m	Jun-20 £'m
AAA (i)	160.0	97.5
AA-	15.0	15.0
A+	46.3	44.7
A	15.0	15.0
A-	10.0	10.0
Local Authority (No Rating)	130.0	145.0
Internally Managed	376.3	327.2
Externally Managed (AAA)	0.0	0.0
Externally Managed (Other)	38.3	51.2
Total Investments	414.6	378.4

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

- 2.7 Furthermore, the Director of Finance and Support Services confirms that during the first quarter there were no breaches of the following additional exposure limits as approved within the 2021/22 Annual Investment Strategy, including:
- (a) Up to a maximum of £90m (£30m per individual sovereign) may be invested in non-UK organisations (excluding investments held in short-term Money Market Funds and externally managed pooled funds). **Actual:** £15.0m invested with Australian banks at 30 June 2021.
 - (b) Up to a maximum of £25m may be invested with UK Registered Social Landlords (Housing Associations). **Actual:** £10.0m at 30 June 2021.
 - (c) Up to a maximum of £100m may be invested in negotiable instruments (bonds, certificate of deposits etc.) held in a nominated custody account. **Actual:** £10.0m at 30 June 2021.
 - (d) Up to a maximum of £175m may be invested in short-term Money Market Funds (excluding externally managed pooled funds). **Actual:** £87.5m at 30 June 2021.
 - (e) Up to a maximum of £100m may be invested in externally managed pooled funds; of which £60m may be invested in such funds not holding a AAA credit rating. **Actual:** £51.2m total investment at 30 June 2021 (all of which is invested in unrated multi-asset income and property funds).
 - (f) Up to a maximum of £100m to be made available for long-term strategic investment based on forecast levels of PFI/MRMC reserves (as reported in the County Council's Treasury Indicators). **Actual:** £76.2m at 30 June 2021.

3. Risk implications and mitigations

3.1 Covered in main body of report.

Katharine Eberhart

Director of Finance and Support Services

Contact Officers

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Jon Clear, Treasury Management Officer, 033 022 23378

Appendices

Appendix A – The County Council’s investment portfolio as at 30 June 2021.

Background Papers

None

Investments held as at 30 June 2021

Investments held with counterparty's approved within the County Council's 2021/22 Treasury Management Strategy (together with prevailing credit ratings and maximum monetary and duration limits) at 30 June 2021, are set out below:

Total Investments for period = £378.4m

Table 1: UK Banks (Unsecured) – Total £59.7m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	Interest Rate	Amount
Goldman Sachs International Bank	A+	£15m	1 Year (i)	05/02/21	05/08/21	181	36	0.115%	£15.0m
Handelsbanken Plc: 35-Day Notice Account	AA-	£15m	1 Year	n/a	n/a	n/a	n/a	0.05%	£15.0m
Lloyds Bank Plc: Business Accounts	A+	£15m	1 Year	n/a	n/a	n/a	n/a	0.00%	£0.2m
Lloyds Bank Plc	A+	£15m	1 Year	19/02/21	13/08/21	175	44	0.11%	£14.5m
National Westminster Bank Plc	A	£15m	1 Year	03/08/20	03/08/21	365	34	0.27%	£5.0m
National Westminster Bank Plc	A	£15m	1 Year	05/02/21	04/02/22	364	219	0.09%	£10.0m

- (i) *The 2021/22 Treasury Management Strategy approves investment durations up to a maximum of one year for unsecured deposits in UK Banks holding a A+ long-term credit rating. However, given Goldman Sachs International Bank's elevated CDS price (in comparison with other approved UK banks) the County Council currently only considers deposits up to a maximum six month duration; in line with recommended exposure limits received from Link Group (Link Asset Services).*

Table 2: UK Banks (Secured) – Total £10.0m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	Interest Rate	Amount
Nationwide Building Society (Covered Bond)	AAA	£25m	10 Years	02/08/19	02/08/22	1,096	398	0.48%	£10.0m

Table 3: Non-UK Banks (Unsecured) – Total £15.0m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	Interest Rate	Amount
Australia and New Zealand Bank (Australia)	A+	£15m	1 Year	22/07/20	22/07/21	365	22	0.32%	£5.0m
Australia and New Zealand Bank (Australia)	A+	£15m	1 Year	22/01/21	21/01/22	364	205	0.10%	£5.0m
Australia and New Zealand Bank (Australia)	A+	£15m	1 Year	22/04/21	22/04/22	365	296	0.14%	£5.0m

Table 4: UK Local Authorities – Total £145.0m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	Interest Rate	Amount
Barnsley Metropolitan Borough Council	n/a	£25m	20 Years	05/11/19	05/11/21	731	128	1.45%	£5.0m
Blackpool Council	n/a	£25m	20 Years	25/09/20	24/09/21	364	86	0.30%	£5.0m
Brent Council	n/a	£25m	20 Years	08/02/21	07/02/22	364	222	0.10%	£10.0m
Brent Council	n/a	£25m	20 Years	26/02/21	24/02/22	363	239	0.15%	£5.0m
Croydon Council	n/a	£25m	20 Years	03/11/20	02/11/21	364	125	0.30%	£10.0m
Haringey Council	n/a	£25m	20 Years	12/03/21	11/03/22	364	254	0.22%	£10.0m
Hillingdon Council	n/a	£25m	20 Years	05/08/20	04/08/21	364	35	0.25%	£10.0m
Luton Borough Council	n/a	£25m	20 Years	25/11/20	24/11/21	364	147	0.30%	£5.0m
Plymouth City Council	n/a	£25m	20 Years	19/04/21	14/04/22	360	288	0.26%	£10.0m
Plymouth City Council	n/a	£25m	20 Years	06/05/21	06/05/22	365	310	0.12%	£5.0m
Slough Borough Council	n/a	£25m	20 Years	15/01/21	14/01/22	364	198	0.30%	£10.0m
Slough Borough Council	n/a	£25m	20 Years	28/05/21	27/05/22	364	331	0.15%	£5.0m
Southwark Council	n/a	£25m	20 Years	18/01/21	18/01/22	334	202	0.11%	£5.0m
Southwark Council	n/a	£25m	20 Years	05/03/21	05/01/22	306	189	0.12%	£5.0m
Tameside Metropolitan Borough Council	n/a	£25m	20 Years	27/11/20	26/11/21	364	149	0.25%	£10.0m
Thurrock Council	n/a	£25m	20 Years	04/08/20	04/08/21	365	35	0.50%	£10.0m
Thurrock Council	n/a	£25m	20 Years	02/10/20	01/10/21	364	93	0.42%	£10.0m
Wokingham Borough Council	n/a	£25m	20 Years	30/07/20	29/07/21	364	29	0.30%	£10.0m
Wokingham Borough Council	n/a	£25m	20 Years	25/08/20	24/08/21	364	55	0.25%	£5.0m

Table 5: UK Housing Associations (RSLs) – Total £10.0m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	Interest Rate	Amount
Metropolitan Housing Trust (MTVH Group)	A-	£15m	5 Years	05/09/19	06/09/21	732	68	1.40%	£10.0m

Table 6: Short-Term Money Market Funds – Total £87.5m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	Interest Rate	Amount
Aberdeen Standard Sterling Liquidity Fund	AAA	£25m	<i>Note (ii)</i>	n/a	n/a	n/a	n/a	0.01%	£25.0m
Blackrock Sterling Liquidity Fund	AAA	£25m	<i>Note (ii)</i>	n/a	n/a	n/a	n/a	0.01%	£25.0m
Deutsche Sterling Liquidity Fund	AAA	£25m	<i>Note (ii)</i>	n/a	n/a	n/a	n/a	0.00%	£12.5m
Federated (UK) Sterling Liquidity Fund	AAA	£25m	<i>Note (ii)</i>	n/a	n/a	n/a	n/a	0.01%	£25.0m

(ii) No defined maturity periods for short-term Money Market Funds; withdrawals based on cash flow liquidity requirements.

Table 7: Pooled Funds (Externally Managed) – Total £51.2m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	2021/22 EIR (iii)	Market Value
Fidelity Multi-Asset Income Fund	n/a	£15m	<i>Note (iv)</i>	11/12/18	n/a	933	n/a	4.00%	£14.0m
Ninety-One Diversified Income Fund	n/a	£15m	<i>Note (iv)</i>	05/12/18	n/a	939	n/a	4.18%	£13.5m
CCLA (Local Authorities' Property Fund)	n/a	£15m	<i>Note (v)</i>	28/02/17	n/a	1,584	n/a	4.00%	£9.7m
Hermes Property Unit Trust (HPUT)	n/a	£15m	<i>Note (v)</i>	28/08/18	n/a	1,038	n/a	3.58%	£9.4m
Lothbury Property Trust (LPT)	n/a	£15m	<i>Note (v)</i>	03/09/18	n/a	1,032	n/a	2.63%	£4.6m

(iii) Estimated 2021/22 return (EIR) based on information received from the respective Fund Managers during the first quarter.

(iv) Minimum three year investment horizon for externally managed multi-asset income funds.

(v) Minimum five year investment horizon for externally managed property funds.

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**Key decision: Not applicable
Unrestricted**

Regulation, Audit and Accounts Committee

19 July 2021

Annual Governance Statement 2020/21

Report by Director of Law and Assurance

Electoral division(s): Not applicable.

Summary

The report advises of the requirements for the Annual Governance Statement 2018/19. It includes a draft Statement for approval at Appendix a.

Recommendation

- (1) That the draft Statement be supported subject to any observations from the Committee.
-

Proposal

1 Background and context

- 1.1 The Accounts and Audit Regulations require the publication of an Annual Governance Statement (AGS). This statement has been produced in line with guidance issued in 2016 by CIPFA / SOLACE on best practice for developing and maintaining a locally adopted Code of Governance. A Corporate Code of Governance was approved by the Governance Committee at a meeting on 12 September 2016.
- 1.2 Corporate Governance is the process by which the County Council ensures and gives assurance that it is doing the right things, in the right way, in a timely and accountable manner. It comprises the systems, processes, culture and values by which the County Council operates and through which it accounts to its communities.

2 Proposal details

- 2.1 The draft AGS for the County Council for 2020/21 outlines:
 - the scope of governance responsibilities
 - the purpose of the governance framework
 - a description of the governance framework
 - arrangements for review of the effectiveness of the governance framework
 - Governance issues that need to be addressed.

2.2 Information is gathered from a number of sources, internal and external. The draft Statement was discussed with senior officers and internal auditors. It is now presented to this Committee for consideration as a draft, prior to the final draft being submitted to the Committee for approval in September 2021 alongside the approval of accounts. The later timescale is due to the effects of the public health emergency.

2.3 Updates on the main Governance issues identified in last year’s Action Plan are included in each section of the draft Statement, including progress on improving corporate governance following the critical inspections that took place in 2019/20.

3 Other options considered (and reasons for not proposing)

3.1 Not applicable.

4 Consultation, engagement and advice

4.1 The external auditor will be consulted on the draft Annual Governance Statement so that the auditor’s comments can be taken into account prior to the submission of the final draft to the Committee in September 2021.

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 these risks.
There are reputational risks from a failure to adopt a comprehensive AGS and action plan	This plan is ready for approval and has the commitment of the senior leadership team who will be responsible collectively for its implementation.

7 Policy alignment and compliance

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

Tony Kershaw

Director of Law and Assurance

Contact Officer: Charles Gauntlett, Senior Advisor, Democratic Services, 033022 22524 or charles.gauntlett@westsussex.gov.uk

Appendices

Appendix A - Draft Annual Governance Statement 2020/21

Background papers

None.

Annual Governance Statement 2020/21

Executive Summary

The Annual Governance Statement (AGS) explains the processes and systems which give assurance for the effectiveness of the County Council's discharge of its responsibilities. It covers the period 1 April 2020 to 31 March 2021.

During this period work continued to address weaknesses in governance identified through earlier external inspections of Children's Services and the Fire and Rescue Service. Improvements have been driven through the Good Governance Project.

The year was dominated by the continuing national public health emergency and the impact of this event on the Council's governance is also addressed.

A summary of assurance is given for each of the seven principles on which the Statement is based. At the end of the narrative on each principle are the actions to address the issues identified within the year which will further strengthen the governance arrangements for the County Council.

The Purpose of the Governance Assurance Framework

1. The County Council must ensure it functions in accordance with the law and proper standards and that public money is safeguarded, correctly accounted for and used economically and efficiently. It must show how it can offer assurance as to the proper governance of its affairs (including as pensions administrator), the effective exercise of its responsibilities and the sound management of risk.
2. The Council has adopted a Code of Corporate Governance, consistent with the principles of the Chartered Institute of Public Financing & Accounting (CIPFA) Framework: Delivering Good Governance in Local Government. It meets the requirements of the Accounts and Audit Regulations 2015.
3. The governance framework comprises the rules, procedures, systems and processes by which the Council is managed and controlled. The quality of the framework underpins trust in public services. The Annual Statement shows how the Council uses the framework to give assurance to members, partners, stakeholders and residents and provides an opportunity for the County Council to examine the framework to assure itself that the arrangements for its governance are robust.

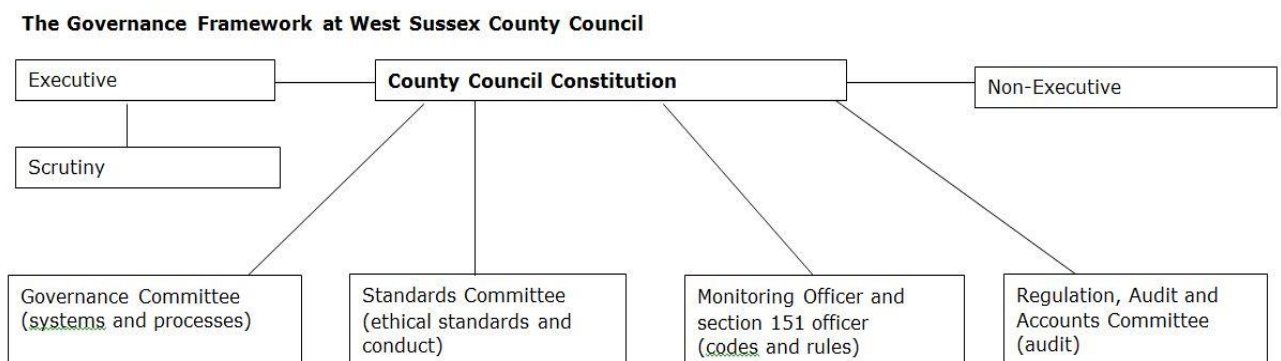
The Governance Assurance Framework Principles

4. There are seven principles and sub-principles of Corporate Governance adopted by the Governance Committee set out below. Assurance for how they are met is provided in the text below each principle in the report. Further work to be done is highlighted and also set out in the appendix.

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

The County Council’s Governance Framework

- The framework covers the allocation of functions, the rules for how they are carried out and the mechanisms for tracking that this happens correctly. The relationship of responsibilities is shown here:



Public Health Emergency

- In March 2020, a national public health emergency was declared by the Government in response to the global coronavirus pandemic. This persisted throughout the period covered by this report. The County Council was prepared through its Resilience and Emergencies planning. Services were quickly refocused to prioritise preserving life and essential services and the implementation of additional service and interventions in response to the national priorities. This response was led through a resilience command chain with the Executive Leadership Team and external partners providing strong strategic oversight at Gold level, with directors managing tactical planning at Silver level and Bronze level service continuity and delivery groups. The incident is ongoing into 2021/22 and the County Council will continue to prioritise its response whilst it works on recovery and plans for service continuity. This disruption to normal corporate business and the service, resource, staffing and financial consequences will be assessed as part of corporate planning and

will influence the commitments made in this Statement, which will be kept under review.

7. A number of additional governance arrangements were implemented to manage decision making and resource allocation in response to the emergency and to manage funding streams and grant allocations from central government. There were supplementary procurement measures requiring governance for assurance that payments and financial commitments made in response to the impact of the emergency on suppliers and service providers were managed correctly and in a timely way. In so far as possible these are covered in the report where relevant to the area of assurance being addressed.
8. Assurance for use of resources has been provided through staff working remotely through the County Council's secure IT network and use of virtual meetings through an end to end encrypted network. Guidance has been issued to managers on working with remote teams so that regular communication is in place. The Employee Support Programme has been advertised regularly to staff via a variety of channels to help to promote good staff welfare during this period of remote working.

Section A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Assured

The County Council has high standards for sound governance as set out in law, government guidance and the courts. It promotes a culture of compliance.

The Council's codes of conduct set out expectations and requirements for behaving with integrity for both members and officers. Action was taken to provide assurance that they continue to be implemented fully and correctly.

In this and in other sections of the Statement the governance issues raised by the 2019 Children's Commissioner's report are addressed. Where relevant, actions identified in the Council's 'Good Governance' project are also set out.

9. The **Governance Committee** oversees the democratic arrangements of the County Council and reviews and advises the County Council on the Constitution. The Responsibility for Functions (including the Scheme of Delegation) and Standing Orders require members and officers to ensure that all decisions are compliant with internal policies and procedures as well as with law and regulation. These give authority and certainty to the allocation of responsibilities as set out in the Constitution.
10. Part 5 of the Constitution contains the Code of Conduct for members. A parallel code for officers sits in the suite of Human Resources policies. The Council has also adopted policies relating to responsibilities for ethical behaviour including equality and sustainability. Decision-making is supported by advice from officers and internal guidance that should ensure compliance with these policies.

11. The statutory roles of the Chief Financial Officer (s.151 officer) and the Monitoring Officer are set out in the Constitution and in the scheme of delegation. They provide oversight of propriety and lawfulness. They have a direct reporting line to the Chief Executive and are involved in all major decision-making as part of the Executive Leadership Team and as well as being signatories to all key and other significant decisions.
12. The **codes of conduct** define the standards of behaviour for members and officers. All members undertake training from the Monitoring Officer on the member code of conduct. Member conduct is monitored by the Standards Committee, which has a remit to deal with complaints of breaches of the member Code of Conduct. All members complete the register of interests and receive quarterly reminders on the subject of personal interest declarations and it is a standing item on all formal meeting agendas for both officers and members.
13. The Council has a **whistleblowing policy** to offer a route for challenges to processes or actions within the Council where complainants need confidentiality. The use and effectiveness of the policy is overseen by the Standards Committee. Following its refresh in early 2020 action has been taken to improve its accessibility and visibility for staff and to provide advice and guidance to officers responsible for dealing with referrals under the policy. This has involved independent assurance and benchmarking for the Council's arrangements. This work has particular significance in light of the more critical issues raised by the Children's Commissioner's report relating to the Council's internal culture.
14. Officer interests, including gifts and hospitality, should be published on the County Council's website annually. This has not happened for some time. Mechanisms for recording officer interests, gifts and hospitality were last reviewed in June 2018 and endorsed by the Standards Committee. A system for recording is in place. It requires regular action by Directors to facilitate publication as currently this is not consistent across the organisation. Action is taken each year as part of the AGS work to reinforce the importance of this process. Due to further changes to the senior leadership team during 2020 it has continued to be a challenge to secure and maintain a consistent approach but more recent stability in senior leadership has improved this.
15. The Council's Standing Orders on Contracts and Procurement and the Financial Regulations and Procedures provide rules for lawful and sound processes for contract and spending decisions. These are managed by the Monitoring Officer and Chief Financial Officer in consultation with the Regulation Audit and Accounts Committee and supported by a group of officer subject matter experts sitting as the Procurement Board. This provides a single process for procurement planning, compliance with due process and consistency of best practice. Some elements of these will be addressed as part of the 'streamlined decision-making' workstream from the good governance review – the aim being to make aspects of procurement activity simpler and more accessible to officers engaged in commissioning.

16. The Officer Scheme of Delegation is held under regular review by the Chief Executive and the Monitoring Officer, with any new delegations needing the agreement of the Governance Committee. During 2020/21 the senior management structure has seen greater stability and this has brought notable improvement within Children’s Services as a pillar of its improvement programme.
17. Following the appointment of a new Chief Executive in January 2020 an external review of governance was commissioned starting in February, which carried on into 2020/21. This ‘good governance’ work provides an opportunity to review these areas of strategic governance and action which may be needed to address inconsistencies or ineffectiveness in policy or practice and as part of the Council’s culture, including its arrangements for ensuring compliance.

Principle A (integrity and compliance)

Action	Owner
i. To ensure full implementation of officer interests and gifts	Director L&A
ii. To complete the implementation of agreed workstreams and proposals from the good governance review.	Chief Executive
iii. To review the scheme of delegation as part of the good governance review	Director L&A

Section B: Ensuring openness and comprehensive stakeholder engagement

Assured

The County Council exists to serve its residents and is dependent on a wide range of stakeholders for working effectively in partnership. Work is underway in a number of areas to enhance and improve a range of the Council’s partnership arrangements.

Consultation and engagement mechanisms are in place and are used effectively.

The County Council has clear decision-making processes and rules and procedures to enforce them which emphasise openness and transparency. This has been tested and shown to be resilient during the pandemic and its impact on ways of working.

Recent changes to improve the scope and focus of partnership working in specified areas, most significantly in relation to joint commissioning with the NHS and in relation to services for children in need and the responsibilities of the Council as corporate parents for children in its care will continue to be developed.

Decision-making and Scrutiny

18. The **County Council** is the ultimate decision-making body and the principal forum for political debate. All County Council meetings take place in public and are webcast. The County Council sets the strategic aims that form the Policy Framework. It also determines the Council's budget following a well-developed process of member engagement and scrutiny. The form and timing of member engagement in the budget planning process for the 21/22 budget was widely welcomed by members, with all member sessions in July, October and January.
19. The **Executive** takes decisions on most matters of Council policy and service delivery. For the Cabinet, most cabinet level decisions are now being taken collectively. The non-executive responsibilities of the council are discharged through its **non-executive committees** as described in the Scheme of Delegation. The County Council appoints members to **scrutiny committees**, by which the Executive is held to account through member overview and scrutiny. Scrutiny committees are politically proportionate. Chairmen and vice-chairmen are now appointed by the relevant committee. Influential scrutiny is achieved by having significant decisions or proposals previewed. Proposals may also be called in for scrutiny after a decision has been proposed in final form. All Scrutiny meetings take place in public and are webcast. Webcasts are available for up to six years of the County Council meetings and for all of its committees, all of which have been webcast since the beginning of the pandemic.
20. **The Forward Plan** describes all significant (key) decisions planned to be taken in the following four months and is published and updated at least monthly. The Forward Plan is used by Scrutiny Committees to help plan business. As decisions become more significant in terms of service changes and savings proposals there is a greater need to ensure early awareness by and engagement for all members.
21. Decision-making operates with a presumption of openness. Cabinet and Committees are held in public and individual executive decisions are published on a daily basis on the Council's website. The Council uses an electronic notification system to automatically notify subscribers to meetings or actions by the Council in which they have expressed an interest. Agendas and reports for Cabinet and committee meetings are published at least five clear working days in advance – exceptions are explained in public documents. The use of powers to exempt information from publication or allow a committee to meet in private is minimised to when necessary and only after senior officer authorisation.
22. Decisions and agendas are held on the website for six years. The content management system, Modern.Gov, is the principal method of publishing the Forward Plan, decisions, agendas and minutes. Members and staff now have portable devices which can easily access Modern.gov information. The Constitution also prescribes the rules and constraints around urgent decisions (including those not notified in the Forward Plan) and the form and content of decision reports. This system is not conducive to openness

and transparency and its use is kept to a minimum and reported to the next County Council meeting.

23. 2020/21 was a year dominated by the COVID-19 emergency with Council business and democratic processes moving online and with meetings held virtually. This was achieved successfully and the meeting and decision-making arrangements were largely uninterrupted. Local decision making through County Local Committees (CLCs) reverted to informal elected member engagement only. The County Council prioritises transparency and democratic accountability and so Council committees had a full programme of meetings, with only a small number of formal meetings being cancelled at the start of the pandemic. The move to remote working has created the opportunity to develop new approaches, with more virtual briefings for councillors and engaging digitally with stakeholders and witnesses, with learning from this to be built into future ways of working. The Governance Committee has reviewed meeting arrangements at each of its meetings during the year, with a focus on ensuring openness and transparency, as well as managing capacity for meetings.
24. **Communication to the public** is via the Council's website, in public meetings and through social media. The Council's website was last revised in April 2015 and a drive for 'digital by design' (i.e. online services for residents) is being pursued as part of plans for service transformation and re-design to support residents' needs. Public consultation on proposals is addressed below. The extent of progress in the digitization of customer and resident engagement with the Council will need to be monitored.

Stakeholders and Partnership

25. The County Council works with a range of stakeholders. This includes a range of public bodies, local authorities, the NHS and Sussex Police. Other tiers of local government are important partners in many areas of service delivery, strategic planning and community development. There are both formal and informal forums in place for regular liaison with elected members and senior officers in the district and borough councils, including regular meetings of all of the leaders of the councils (West Sussex Leaders' Board), to discuss issues of common interest and regular meetings of all chief executives (West Sussex Chief Executives Board). The governance and scrutiny route for the council partnership to manage and deliver the retained business rate pool have been settled.
26. Regular meetings with other partners, most notably the NHS Clinical Commissioning Group, are held at various levels and between Members and officers on operational, commissioning and service planning. For a number of years the Council has operated a joint service commissioning and pooled budget agreement with the NHS to cover a range of social care and NHS services. Due to expected changes in NHS commissioning plans and a review of Council priorities it is expected that the systems and arrangements for joint commissioning will be reviewed during 2021/22. The terms of reference and membership of the **Health and Wellbeing Board**, the principal forum for health and social care liaison and partnership, have been revised to enhance its role. In addition, a Joint

Health and Wellbeing Strategy was developed to set out the Board's vision and this is being promoted and disseminated within the Council and through various corporate and partnership initiatives.

27. In the area of **Children's Services** the partnership arrangements were noted in 2019 as inadequate and the areas of focus for partnership working largely limited to operational practice. As part of the action arising from the Ofsted Report and subsequent Children's Commissioner Report reviews of children's services are receiving a more effective focus on partnership and joint working. Significant work has been identified and plans for improvement continue to be brought to an Improvement Board chaired by the Children's Commissioner. A comprehensive improvement plan is in place for delivery. Good progress has been made in 2020/21 and in December 2020 the Secretary of State agreed to pause the Children's Trust process, with all responsibility for Children's Services remaining with the County Council.
28. The formal **County Local Committee** meetings were cancelled during 2019/20 due to the pressure on Council business and officer capacity caused by the public health emergency. However, informal engagement was carried out with councillors on business normally carried out by these committees. Innovative ways to engage with local communities through more informal approaches were also explored, including through the use of digital technologies. Plans to replace county local committees with more flexible and informal arrangements, building on learning and experience from 2019/20 are being developed and a trial model should be ready for the Autumn 2021.
29. The County Council has set out its commitment to working in partnership with residents, businesses, communities, the voluntary and community sector and local authority partners through a number of initiatives. It has a set of partnership principles with the voluntary sector for the commitment to more effective ways of working together, building stronger alliances and empowering joint action. A workstream project commenced as an output of the good governance review to further enhance and clarify the Council's local community and partnership arrangements, led by the Council's Director of Communities.

Consultation and engagement in West Sussex

30. The County Council is committed to working with residents, businesses, communities, service users and partners to help prioritise what it does, to have a say over the approach and to get involved in delivery and change. This requires sound arrangements for engagement and consultation.
31. The Council uses a variety of ways to engage residents and other stakeholders - publications (printed and digital), press releases or social media to keep people informed of plans or decisions. The Council uses various methods to seek people's views: questionnaires, public events, workshops, focus groups, satisfaction surveys, and feedback forms.

32. **Consultation and Engagement Quality Assurance** is a set of processes to ensure services are supported to plan and implement projects which are robust and produce reliable valid data upon which decisions can be made. It includes methodological and ethical requirements and, before projects go live, services must seek advice to ensure they have assurance for consultation and engagement.

Formal consultation

33. Formal consultation will generally only be undertaken where there is a statutory duty or legitimate expectation, and where there is a service or policy need to do so. Consultations are carried out in accordance with current national [Consultation Principles guidance](#), and the Council's [Statement of Community Involvement](#). Individual services are required to maintain open channels of communications with relevant stakeholder groups and representative bodies where relevant to service planning.
34. All formal public consultations and engagement projects are made accessible online using the 'Your Voice' consultation hub software. They are also published on the County Council's News and Press Release webpages. The Council ensures compliance with the public sector equality duty when processing and securing formal key decisions although consistency and appropriateness of use requires further attention to ensure consistent compliance.
35. The information gathered is analysed and considered as part of the decision-making process, the protocol for which can be found in the [Constitution](#). Analysis reports and decisions are made available on the 'your Voice' engagement hub webpages as a means of closing the 'feedback loop' and increasing trust in decision-making processes.
36. Action was taken to increase the effectiveness of public engagement and communication including the need to raise awareness of the need to comply with new online accessibility legislation. Work on improving understanding of, and compliance with the public sector equality duty has been completed.
37. The County Council has a **Petitions Scheme** describing how petitions from residents are dealt with by the County Council. These enable a petitioner to speak with a cabinet member or at a committee, or to the County Council if prescribed thresholds for signatures are reached. A response is made to each petition, explaining what the County Council will or will not do in response.

Governance Review and issues for Assurance

38. In light of the recommendations from the Children's Commissioner's report of November 2019 a review of the Council's governance, leadership and culture was undertaken. This has taken stock of a number of areas of concern which have implications for the County Council's improvement plans in critical areas of service, including those raised in the inspection report from Her Majesty's Inspectorate of Constabularies and Fire and

Rescue Services (HMICFRS) in 2019 and the recommendations from the 2018 corporate Peer Review. These were built upon by a comprehensive governance review which has led to a number of current projects and workstreams.

39. Actions on these matters are covered in the relevant sections of this Statement with additional commentary as necessary to explain the detail of the area of improvement required. Good progress has continued throughout 2020/21 to make the required improvements.

Principle B (openness and engagement)

Action	Owner
i. Implement actions arising from the Good Governance Review	Chief Executive
ii. Implement relevant governance actions on openness, culture and collaborative working from Improvement Plan for FRS	Chief Fire Officer
iii. Implement actions from the Children First Improvement Plan relating to partnership working	Executive Director of Children’s Services
iv. Complete project on partnership and community engagement arrangements as part of good governance review	Director of Communities
v. Complete work on equality impact assessment in decision making	DLA
vi. Complete promotion and training linked to revised whistleblowing policy.	DLA
vii. Implement final proposals and actions from review of scrutiny and learning from good governance review	DLA

SECTION C: Defining outcomes in terms of sustainable economic, social and environmental benefits

Assured

The County Council has settled arrangements to define outcomes and monitor performance against agreed measures. These cover the strategic aims for supporting the economy, complement the social value policy of the Council and are built against a theme to address sustainability to support the Council’s climate change commitments.

In setting policies and strategies, the County Council takes a long term view of outcomes, taking into account sustainable economic, social and environmental aims and has effective, comprehensive performance monitoring in place.

The corporate document ‘Our Council Plan’ was prepared and was adopted by the Council at a meeting in February 2021, taking into account both the development of the Council’s culture and services through the Good Governance Project and the reprioritisation of services and spending in light of the significant challenges experienced as a result of the public health pandemic. The Plan covers the period 2021-25 and performance will be monitored in a structured, timely and transparent way by both the leadership team and by members in the Executive and through scrutiny.

40. 'Our Council Plan' 2021-2025 outlines the priorities for the County Council and how they are to be assessed in terms of delivery and measures to monitor performance. It was confirmed by the County Council in February 2021 and will be subject to quarterly performance monitoring by both executive and scrutiny members. The Plan was developed by the Cabinet and Executive Leadership Team with the engagement of elected members, scrutiny committees and staff at all levels. Measures and targets were developed and approved as part of the agreed plan and are published on-line as well as being reported and scrutinised in public.
41. The Council Plan is implemented through the Directorate Business Planning process and arrangements for more focused performance reports to Cabinet Members, scrutiny committees and the Executive Leadership Team have been settled. Performance monitoring is undertaken principally through the Performance and Resources Report.
42. **Performance and Resources Report** - Detail of its use and the data monitoring and analysis undertaken by the Council are shown in section D. Active monitoring of performance is undertaken through regular reviews of business plans and with all staff through individual staff performance conversations. These arrangements link to performance and regular reviews of business plans. On a quarterly basis the Cabinet reviews the Performance and Resources Report and it is scrutinised by the Scrutiny Committees. (See also paragraphs 48-49).
43. A review of how well the Council's performance is monitored by members, both executive and scrutiny will be undertaken during the year as the work of performance management is carried out. This is to ensure member have the tools, skills and support to undertake effective performance monitoring and the verification of performance reports and other sources of assurance in the context of agreed priorities.
44. The County Council is committed to championing the economy of the area. One of its priorities is to ensure West Sussex is a prosperous place and for the county to continue to thrive through support businesses. The **Economic Growth Plan**, agreed in June 2018, sets out the County Council's priorities in driving economic growth to support a prosperous place. The Plan covers the period 2018 to 2023 but, in determining which activities and investments to prioritise over the period, a longer-term view of opportunities and challenges is taken. This has become an area of particular focus in relation to the re-setting of priorities in light of the public health emergency and a new **Economic Strategy** has been approved in response to the impact assessment of the emergency.
45. Partners and stakeholders contributed to the development of the Economic Growth Plan, including the district and borough councils, the Coast to Capital Local Enterprise Partnership, the South Downs National Park Authority, further and higher education institutions, and business representative organisations. This has been covered in the rapid work undertaken to develop the new strategy. Working with these partners is crucial in the Council's determination to support the business community and ensure growth for the West Sussex economy and requires further attention to the partnership areas of focus referenced in Section B above.

46. Following the County Council’s Notice of Motion on [climate change](#) adopted in April 2019, an ambitious 10 year **climate change strategy** was formulated, with two key aims for the organization to be both carbon neutral and climate resilient by 2030. This was approved during 2020 after member engagement and scrutiny.
47. The internal Climate Change Board was set up to own and oversee delivery on climate change ambition on behalf of the Executive Leadership Team. The governance around the Board was audited for effectiveness in spring 2021 and was rated as ‘Reasonable.’
48. The creation of [Our Council Plan](#) (2021–2025) is underpinned by the ambitions of the Council in responding to the challenges of climate change. All Directorates have been tasked to reflect this ambition in their 2021-22 Business Plans, to embed the ownership of climate change activity across the organisation. Quarterly reporting to Cabinet and monthly management reporting (internal) will highlight progress on key climate change indicators.
49. The Council has a **Social Value Policy** which identifies and explains the benefits of ensuring that policies, business plans and service procurements consider and address their impact upon local communities, the local economy, the lives of residents and the places of the County. The policy was first developed in 2015 and has been incorporated into procurement practice and processes, any impact being recorded in published decision reports.

Principle C (defining outcomes and benefits)

Action	Owner
i. Complete arrangements for monitoring and reporting corporate performance relating to Our Council Plan priorities	Chief Executive
ii. Implement plans for member roles in performance management arrangements	DLA & Chief Financial Officer
iii. Completion of governance for climate change strategy	Director of Environment & Public Protection
iv. Develop arrangements for reporting and monitoring output from the new Economic Strategy	Executive Director Place

SECTION D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Assured

Sections D and E should be read together with particular reference to the governance challenges raised by the various reviews and external service inspection reports on which much progress has continued to be made during 2020/21.

Interventions for improvement in relation to Children's Services and the Fire and Rescue Service have continued to be a particular focus aligned with the challenge to address capacity and capability in these service areas and in other critical areas of the County Council. Significant progress has been made and follow-up inspections have been positive in confirming that the County Council is improving, while still needing to improve further.

The County Council takes decisions on interventions based on the priorities agreed in 'Our Council Plan'. In areas identified for improvement systems for governance, oversight and scrutiny of interventions will continue to be given particular focus. These include the continuing improvement journeys for Children's Services and also for the Fire and Rescue Service. Proposed interventions are recorded through Directorate Business Plans for timely outcome delivery, overseen by the Management Team.

50. All Directorates are expected to prepare and monitor Business Plans which set out the actions required to meet the outcomes set in the Our Council Plan and the targets measures and milestones used to monitor their delivery. These are in place and will be reviewed regularly and will be updated and refreshed as needed.
51. The public facing **Performance Dashboard** provides details on progress on the key indicators of the 'Our Council Plan'. This is underpinned by the business assurance framework which, together with the corporate performance dashboard provide assurance that the Council's priorities are implemented. The Cabinet reviews the performance dashboard as part of the Performance and Resources report and it is scrutinised by the Scrutiny Committees.
52. The **Performance and Resources Report** provides an overview of performance against the agreed priorities within Our Council Plan and tracks financial performance to ensure intended outcomes are kept in focus and expenditure controlled. The Performance and Resources Report focuses on the delivery of:
 - Our Council Plan and Performance Measures
 - Medium Financial Term Strategy and in-year budget
 - Culture and Workforce
 - Service and Corporate Improvement
 - Corporate Risk Management

53. Executive (member or officer) **decision reports** provide the public record of all significant decisions to implement service plans and spend. They are required to show the intended outcomes, the rationale for the proposal, implications for Council resources, other options considered, advice received and consultation undertaken and how risks are managed.
54. The Executive is supported by a number of officer boards chaired by senior officers to ensure oversight of strategic areas of Council business on behalf of the Executive Leadership Team. These boards co-ordinate subject matter expertise as well as overseeing arrangements for the delivery of priorities at an officer level prior to member consideration. They comprise a board to oversee capital programme planning, the climate change strategy and one for strategic procurement.
55. Additional action is underway as part of the project for streamlined decision making (good governance) to clarify the governance of these Boards and their fit within the Scheme of Delegation and how they interact so as to provide greater understanding of their purpose and output for both officers and members and to ensure their effectiveness in delivering corporate aims in a timely and transparent way.
56. Ofsted has continued to carry out regular inspections of the Council's Children's Services following the critical findings in its report in early 2019. The output from these inspections inform the continued improvement interventions for the service. The Department for Education's and appointment of a Commissioner to report on the County Council's capacity and capability to improve remains. The Commissioner's most recent reports record continued improvement and this led to the decision by the Department to pause any direction for the Council to establish a Children's Trust – showing significant confidence in the governance and corporate commitments to sustained improvement.
57. The implementation of the improvement plan adopted following the inspection of the Council's Fire and Rescue Service by Her Majesty's Inspector of Constabulary and Fire and Rescue Services (report published on 20th June 2019) has been recognised as showing sustained success. Regular member updates to full Council, Cabinet and scrutiny on improvement activity are taking place. External oversight of the work on governance was lifted in light of the significant improvements recorded.

Principle D (interventions for outcomes)

Action	Owner
i. Children's Improvement Plan implementation	DCS
ii. Fire and Rescue Improvement Plan implementation	CFO
iii. Implementation of new corporate performance and business planning processes against the Council Plan	Chief Executive
iv. Review of Officer executive Boards governance	DLA
v. Review of capital governance arrangements	DLA & Dof F&SS

SECTION E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

Assured

There have been continued actions taken in 2020/21 in areas related to leadership to reinforce service improvement in Fire and Rescue Service and Children's Services and the overall assurance for corporate capability and capacity to improve.

Officers and members are expected to have a clear sense of their purpose, roles and responsibilities in line with the Council's vision and the suite of policies and processes which support it. This has been reinforced by the work on the West Sussex Plan and the business planning activity underpinning its delivery.

The Chief Executive and the Executive Leadership Team manage the County Council's workforce, skills and resource planning. All officers are expected to have their performance monitored and their development needs identified and addressed. Specific attention is paid to programmes for leadership development. Recent reviews of the aims and form of delivery have been implemented. Work continues to enable the Council's leaders to promote a positive and supportive culture and to provide the means of enhancing or reinforcing good leadership skills.

A system is in place to ensure that all elected members have an understanding of their roles and responsibilities when appointed or elected to particular positions within the Council. Members are expected to be able to fulfil the expectations and demands of their roles as local member and those to which they may be appointed. Members are also expected to meet the expectations for development, knowledge and awareness as set by the Council's Member Development Group. Areas of focus for review are identified. Significant training and support has been given to members to help them to focus on the strategic nature of their roles. This has been a particular focus of attention in the preparation for the Council election in May 2021 and the induction of members following the election.

58. Arrangements for the County Council's member appointments to specific roles are open and set out in the Constitution. The Council elects the Leader who decides the composition and responsibilities of the Cabinet. The Council makes appointments to all committees. Changes can be made at each Council meeting. All terms of reference are published. There is a system for reviewing and refreshing all constitutional terms of reference for committees and boards which transact Council business.
59. **Member roles** – Executive and non-executive roles are defined and published within the Constitution on the Council's website and as part of the Members' Information Network database (the Mine). The member induction and training programmes cover these. All member development sessions have attendance and feedback recorded.

60. The knowledge and development needs of members are identified and addressed through a cross-party **Member Development Group** (MDG). This group reports to the Governance Committee and oversees the delivery of a planned programme of development to meet member training needs, taking into account members' views on priorities through surveys and feedback. It reviews the impact of member development work and identifies areas for improvement. Its reports and proposals are published as part of the Governance Committee's business.
61. MDG has recently addressed the strategy for member development and has led on work to achieve Charter status for the council's member development programme. The application for Charter status was granted by South East Employers in November 2020 following an external assessment process. Overall, the assessment concluded that there is an impressive commitment and passion for learning throughout West Sussex county Council, that there is a clear Councillor Development Strategy and the learning programme supports the Council's agreed priorities. A key requirement of the Charter is that all members should complete a Training needs Assessment, a specific training plan to identify their individual development needs and to record when this has been completed. These are all in place.
62. A full induction programme was designed and agreed in planning for the May 2021 elections. This covered members' strategic and local community roles, scrutiny skills, as well as specific training on the Code of Conduct, safeguarding and corporate parenting. More tailored induction is provided for members in specialist roles, including new members of the Executive and of Planning Committee, Pensions Panel and the Staff Appeals Panel.
63. Specialist training is given to members according to the roles they carry out. This includes training for Cabinet Members (the executive), scrutiny, members of the Regulation, Audit and Accounts Committee, Planning Committee, Rights of Way Committee and the Pensions Panel and Staff Appeals Panel. Disclosure and Barring Checks (DBS) remain part of the induction of new members following the May 2021 election. Enhanced DBS checks are carried out for members in adults and children's services related roles. Training on adults and children's safeguarding is being provided for all members, with an online training module also available. Training was also provided to ensure awareness of data protection and IT security responsibilities.
64. In 2020/21, support and advice has been provided to members to ensure more measurable impact of service performance oversight and purposeful scrutiny. This has been informed by the learning and experience of the approach to performance management by the establishment of a new Fire and Rescue Services Scrutiny Committee, which first met in June 2020. All members were also closely involved in the development of the Council's corporate plan and the design of its performance measures.
65. During 2020/21 the MDG led work to promote local democracy as part of a three-year programme leading up to the May 2021 elections. This programme focused on the provision of information to people thinking of

standing for election; an exploration of the barriers to people standing for election and ways to address these; a review of councillor roles; promotions of the role of county councillors and the Council to the wide public; and a programme of engagement with the West Sussex Youth Cabinet. A key element of this programme was the 'Be A Councillor' project, that led to a website and events aimed at encouraging people from diverse backgrounds to stand for election in 2021. This also sought to raise awareness of the opportunities and requirements of the role, so that those elected would have a good understanding in advance.

66. The MDG also led on the development of a comprehensive induction programme for councillors for after the May 2021, to be predominately delivered on virtual platforms due to the public health pandemic. This induction programme was based on a set of principles agreed by the Governance Committee which sought to ensure a first class member-led programme which takes a phased and balanced approach to ensure all members have the training, information and support they need.

Officers

67. Statutory roles include the designation of the Chief Executive as Head of Paid Service, the Director of Law and Assurance as the Monitoring Officer, and the Director of Finance and Support Services as Chief Financial Officer. Other critical statutory and leadership roles and their responsibilities are described in the Council's scheme of delegation. These include the Executive Director of Children, Young People and Learning and the Executive Director of Adults' and Health. All Directors and Executive Directors are required formally each year to give assurance as to their compliance and that of their Service with a range of requirements and expectations of them as senior leaders within the Council. This was not completed across the entire leadership team during a period of disruption in 2020 but will be restored for future Governance Assurance statements.
68. There has been greater stability in the Executive Leadership Team since the start of the Good Governance project. The Monitoring Officer and Chief Financial Officer have a place on the Executive Leadership Team, which comprises the three executive directors in addition to the Chief Executive, Director of HR and Organisational Development and the Chief Fire Officer. The Director of Public Health who reports to the Executive Director for Adults' and Health regularly attends ELT to ensure public health is embedded across the County Council and its partnerships. Leadership by this group has also been required for the Council's response to the continuing public health emergency during 2020/21. Established emergency resilience processes and systems were deployed and have been used effectively to ensure sound and clear management of the Council's responsibilities.
69. All levels of management within the Council have a designated role profile and these profiles are accessible via the Council's intranet (the Point). Officers are given copies of their roles on appointment and are supported through induction training, their personal development review and supervision in understanding and developing their roles. Internally

published HR procedures cover all aspects of performance and procedure to support managers.

70. Personal development priorities are agreed through a personal development review process. There is an established programme of induction training for new staff. Training is available increasingly through an online learning system and mandatory annual refresher online training is heavily promoted to all staff. Leadership skills and development for senior officers has been addressed as part of the development of the workforce strategy (the People Framework) led by the interim Director of Human Resources.
71. Issues of capacity and service resilience to ensure service effectiveness are covered through workforce planning as part of directorate business planning. This has been thoroughly refreshed as part of the development in 2020/21 of the West Sussex Plan. Areas of particular risk are identified. Specific attention has been required over recent years to manage challenges in adults' and children's social care where both recruitment and retention have been problematic with expected adverse impact on service quality and consistency. Action to address these issues remains an area of particular focus. A broader workforce strategy has now been put in place.

Principle E (capacity and leadership)

Action	Owner
i. leadership skill development	D of HR & OD
ii. People Framework roll out and implementation	D of HR & OD
iii. member skills development following good governance review and scrutiny review	DLA
iv. Complete delivery of programme for member skills and knowledge post May 2021 election	DLA

SECTION F: Managing risks and performance through robust internal control and strong public financial management

Assured

Risk management is robust overall and risks are being considered during business planning and decision-making processes, corporately and across all services. This has recently been refreshed as part of the new business planning process adopted alongside Our Council Plan.

Service and corporate performance management has been addressed in earlier sections of the report in the context of the comprehensive review of performance during 2020/21 as part of the development of the new Council Plan.

The County Council has robust internal financial controls in place, displays strong public financial management and operates systems to manage risks and performance in the most effective manner.

Health and Safety is the focus of a recent and ongoing review to ensure improved systems and compliance.

72. The Constitution sets out the rules to ensure robust internal control over the Council's finances. The system and arrangements for financial performance management and budget monitoring demonstrate sound internal monitoring and control and have formal and well published arrangements for member and officer oversight and transparency.
73. The system of internal financial control is based upon a framework of comprehensive financial regulations and procedures which comply with the CIPFA "Good Practice Guide for Financial Regulations in a modern English Council". Control is maintained through regular management information, supervision, and a structure of delegation and accountability. External audit of the Council's accounts in 2019/20 concluded that arrangements remained robust, but a qualification was delivered on a value for money conclusion on an 'except for' basis, relating to arrangements for informed decision-making. The 2020/21 has not yet been given, although xxx is indicated. The Council's financial management arrangements conform to the governance requirements of the CIPFA 'Statement on the Role of the Chief Financial Officer in Local Government 2010.' A continuous review is maintained. A full review of Financial Regulations and Procedures was undertaken and a new version of Financial Regulations was approved in 2018. A further review is planned during 2021/22 as part of the Smartcore project.
74. Each Director is required to conduct a full review of internal governance systems for their area of responsibility, through an assurance mapping process. The statements made, based on the assurance mapping, are checked to identify Council-wide governance issues. Evidence of assurance given is supplemented in the Annual Assurance Statement for each directorate. These include actions for improvement. From both sources, significant governance implications are included in the Statement's action plan (this document). It is expected that, with a more settled leadership team, this task will be completed in a more timely and comprehensive way this year than in recent years.
75. The officer scheme of delegation is critical for the effectiveness of controls of spending and performance. It is kept under review by the Director of Law and Assurance. Directors are required to ensure and confirm the effectiveness of the scheme of officer onward delegation and have worked with the Director of Law and Assurance to ensure that there is shared understanding of the operation of delegations and the need to continually review them. This does however remain an area for further action and is planned as part of the streamlined decision-making project arising from the good governance review. Areas of action for greater clarity and assurance in relation to officer delegations are identified elsewhere in this report.
76. The County Council annually reviews the effectiveness of its governance framework including the system of internal control. The review is informed by the Head of Internal Audit's annual report 2020/21, by the external auditor and other agencies and inspectorates. These findings are brought together within this document and are reported annually to the Regulation, Audit and Accounts Committee. The Director of Law and

Assurance is responsible for ensuring the effectiveness of the internal assurance arrangements and the implementation of actions identified by those arrangements. The Regulation, Audit and Accounts Committee undertakes the functions of an audit committee. This includes review of the work and findings of Internal Audit. The audit arrangements which support and reinforce financial controls and assurance are fully addressed in section G below.

77. The **Risk Management Strategy** is set out in the Constitution (Part 4 section 2) and describes the allocation of responsibilities between officers and elected members. It also summarises the system the Council has for identifying, managing and categorising corporate risk. The operation of the scheme and concerns arising are reported quarterly to the Regulation, Audit and Accounts Committee as part of the system for reporting on the effectiveness of risk management arrangements. That Committee is responsible for reviewing the effectiveness of the Council’s risk management arrangements. This also forms part of the Performance and Resources Report reported to Cabinet and the Executive Leadership Team and scrutinised by the Scrutiny Committees.
78. There is a separate requirement for material risks connected with proposals, policies and spending decisions to be formally identified with actions taken to manage such risks in all recorded and published decision reports (see paragraph 50 above). The arrangements for managing corporate risk include clarity on the role of the executive leadership is monitoring and taking responsibility for risk and in ensuring that the Cabinet are advised and updated on risk. The responsibility for being assured about the effective management of risk is also made clear in reports to scrutiny committees in relation to proposals and policies presented for scrutiny.
79. Risk management is delivered through robust directorate controls including the business planning process, supported by the Corporate Risk Register. The s.151 Officer who carries the operational officer responsibility for risk management. The Chief Executive is accountable to the Council for the effectiveness of the risk strategy.
80. The area of Health and Safety management and the corporate assurance arrangements for good Health and Safety policy and practice has been the subject of a significant review in the context of sound risk management and internal governance arrangements are now working well.

Principle F (risk and performance)

Action	Owner
i. Finalise review and plans for corporate risk register oversight and monitoring in light of performance management changes.	D of F&SS
ii. Refresh compliance and consistency in scheme of onward delegation from Directors	DLA

SECTION G: Implementing good practices in transparency, reporting and audit, to deliver effective accountability

Assured

The County Council has transparent processes in place through publication of the Forward Plan of key decisions, of agendas and reports of its meetings and those of its committees. This includes key decision reports on the website and the prominence given to reporting and enforcing of audit recommendations through the Regulation, Audit and Accounts Committee which meets in public.

The County Council has effective open data reporting arrangements to ensure the accessibility of significant spend, contractual and other data relevant to financial performance. This has also been addressed through the development of the performance management reporting arrangements linked to the implementation of Our Council Plan.

81. All meetings of the Council and of the committees which discharge executive, non-executive or scrutiny functions take place in public and have their reports and minutes published on the Council's website. Cabinet, Cabinet Member and Committee decisions, agendas and reports are published on the website and are available to the press and public. This is driven by the publication of the Forward Plan of key decisions. A limited number of reports are considered in private session only when the subject meets the prescribed criteria. A summary of these is published and the rationale for non-disclosure made available.
82. The County Council has several separate bodies of which it is a part, which in 2020/21 included the LEP Joint Committee, the Local Government Pension Scheme ACCESS Joint Committee and the Sussex Police and Crime Panel. Each of these bodies abide by the Nolan principles and publish their agendas and minutes in an accessible place, which are linked from the County Council's website.

Review and Audit

83. The Regulation, Audit and Accounts Committee undertakes the functions of an audit committee. This includes review of the findings of Internal Audit. The Committee meets regularly and in public and holds officers to account for the timely implementation of audit recommendations.
84. Internal Audit provides an annual assurance opinion based on their delivery of a risk based internal audit plan. This includes adherence to established policies, procedures, laws and regulations. These are reported to the Regulation, Audit and Accounts Committee. The overall opinion for 2020/21 is 'reasonable'.
85. The Head of Internal Audit reports to the Director of Finance and Support Services. He also has direct access to the Chief Executive, Executive Directors and other directors and has well-established reporting lines to members through the Regulation, Audit and Accounts Committee and

quarterly to the Executive Leadership Team. Internal Audit is provided through an arrangement with Hampshire County Council, giving greater independence, resilience and capacity for this function.

86. Specific issues of performance or effectiveness in particular areas of critical service delivery or council governance have been raised during the year's internal audit work and have been summarised in the annual audit report. This includes areas where limited or no assurance has been given. To the extent that the findings and recommendations are relevant to matters not otherwise covered in this Statement they are set out here and captured as part of the action plan to ensure alignment with the actions addressing issues of governance and internal process.
87. The Internal Audit annual report highlights specifically those areas where a limited assurance review has been issued, which link to areas identified in this Statement:
- Omissions in process (compliance) in the 'Management of Restructures' review
 - The absence of effective governance in the 'S75 Governance' review

Principle G (transparency audit and accountability)

Action	Owner
i. Internal audit recommendations for governance	Director of Law and Assurance

Main Governance Issues for action or to note

88. In formulating this year's AGS a number of forms of evidence have been reviewed. Several of these are reported and monitored through the Regulation, Audit and Accounts Committee. The main governance issues requiring attention are summarised at the end of each section as set out above.
89. An action plan is attached at part of the Appendix (final column), which sets out how the Council will address governance issues in the year ahead. We are satisfied that these actions will deliver the improvements necessary and we will continue to monitor, evaluate and report on progress as part of our next annual review.

Paul Marshall Leader of the Council September 2021

Becky Shaw Chief Executive September 2021

Annexe - Sources of Assurance and Actions

Key:

CIPFA = The Chartered Institute of Public Financing & Accounting

FSS = Finance and Support Services

HR&OD = Human Resources & Organisational Development

L&A = Law and Assurance

MDG = Member Development Group

RAAC = Regulation, Audit and Accounts Committee

SOLACE = Society of Local Authority Chief Executives

Table of assurance for Principle A: Integrity and Compliance

Source of assurance	Where found	Who is responsible	Role	last review/ action planned*
Constitution	Web and Intranet	Governance Committee and Director L&A	A single source for rules and procedure for lawful sound business and meeting management.	A review was undertaken in 2021 arising from the Good Governance project and is due to be approved by the County Council in July 2021
Codes of Conduct	Constitution	Standards Committee & Director L&A	Defines standards of behaviour and how to enforce	Minor changes are due to be approved by the County Council in July 2021.
Whistleblowing Policy	Constitution	Standards Committee & Director L&A	Defines process to report breaches of rules or standards confidentially	Fully revised for approval by Governance Committee June 2020. Continuing Action to promote and monitor.
Anti-fraud and corruption strategy	Intranet	RAAC & Director F&SS	Statutory obligations recorded and enforced	November 2015. Reviewed every 3 to 5 years. Review planned for 2021/2.
Anti-bribery policy	Intranet	Director L&A	Statutory obligations recorded and enforced	November 2015. Reviewed every 3 to 5 years. Review planned for 2021/2.
Register of Member Interests	Website	Director L&A	Statutory list of interests.	Entries updated on an on-going basis. Regular reminders to members to review. A revised form in line with best practice and accessibility standards is in use following the May 2021 election.
Register of Officer Interests	Website	Director L&A	Record of financial and conflicting business interests	New system from March 2017 to be further refreshed and reinforced in 2021.
Corporate Complaints Policy	Website	Chief Executive & Standards Committee	Describes mechanism for handling all complaints.	Complete system review completed 2017/18. A new annual report on complaints was provided for Standards Committee in Summer 2020.
Staff Discipline policy	Intranet	Director HR&OD	Defines rules of conduct and procedures to manage	New HR policies to achieve single framework established in 2019.
Data Protection Policy	Intranet	Director L&A	Defines rules and procedures to protect data.	Revised for the new law 2018. Review of practice and training to mitigate risk completed and revised guidance and training in place.

Source of assurance	Where found	Who is responsible	Role	last review/ action planned*
Freedom of Information policy	Intranet	Director L&A Director of Communities	Defines rules and procedures	January 2018. No action planned
Data Security & Accepted Use Policy	Intranet	Director F&SS	Defines rules and procedures	September 2014 Mandatory annual refresher training. No action planned
Standing Orders on Procurement and Contracts	Constitution	Director L&A and RAAC	To prescribe the rules for all contracts and procurement activity	Revision took place in 2021 in light of the withdrawal from the European Union.
Procurement Board (officers)	Intranet	Director F&SS	To manage and plan strategic procurement	Procurement Pipeline and systems for monitoring in place. Action to clarify internal governance between officer boards within Good Governance underway

Table of Assurance for Principle B: Openness and Stakeholders

Source of assurance	Where found	Who is responsible	Role	last reviewed/ action planned*
Scheme of Delegation	Constitution	Governance Committee & Director L&A	To fully define who takes what decisions and how and how recorded.	December 2019. Action required to clarify officer onward delegations and in context of senior officer boards within Good Governance Underway as streamlined decision making workstream.
Forward Plan	Web site	Director L&A	Describes planned key decisions for next 4 months	Revised format 2021 implemented.
Protocol on decision making	Constitution	Director L&A	Describes arrangements for sound decisions.	Reviewed with Constitution July 2018. Will refresh as part of streamlined decision making workstream.
Scrutiny Committee business planning	Scrutiny Committee reports	Performance and Finance Scrutiny Committee, Scrutiny Manager	Records planned scrutiny work.	Continuous with annual work programme published. Revised in 2021 to give oversight to individual scrutiny committees.
Openness and access to meetings/ decisions.	Constitution and Website	Director L&A	Describes rules and process for ensuring transparency of business.	Constitution revised 2018. Web casting of meetings extended to all formal meetings in 2020.
Consultations & community liaison forums	Intranet, Website & Press releases	Head of Communications & Engagement	Communication to public	New community liaison channels are being explored in 2021 with learning from pandemic response
Consultation Q&A system	Intranet	Chief Executive	Provide system and guidance for service consultation	Review in 2015. Review of Statement of Community Involvement in 2018. No action planned
Partnership meetings, briefings and liaison	Held by relevant directorate	Relevant Director	Communication to partners	Continuous review and proposal to track external engagement plans better. Partner engagement review within Good Governance underway*.
Equality Policy	Website	Chief Executive.	Source of guidance for ensuring	Policy partly reviewed 2018. Further and fuller review required*. Respect

Source of assurance	Where found	Who is responsible	Role	last reviewed/ action planned*
	And decision making protocol	Relevant Director (for decisions) Director of HR (for staff)	compliance with public sector equality duty	and Dignity at Work policy under development.*
Health and Wellbeing Board arrangements	Constitution	Director of PH	Forum for strategic joint business and service oversight	Complete review of Board 2018 – 19 & new H&W strategy from April 2019.
West Sussex Compact and Partnership Principles	Website	Director of Communities	Communication to partners	Partnership principles refreshed in 2018. Established partnership working with district and borough councils. Being reviewed as part of good governance in partnerships project.

Table of Assurance for Principle C: Sustainability

Source of assurance	Where found	Who is responsible	Role	last reviewed/ action planned*
Our Council Plan	Website	Cabinet & Chief Executive	Describes the measure and targets for key corporate & service aims	The County Council agreed current Plan in February 2021. Quarterly reports to members and annual Reports to Council.
Social Value Policy	Website	Director of F&SS	Sets aims for social economic and community benefits of council business	Full review in procurement activity completed 2019.
Climate Change Strategy	Website	Director of E&PP	Sets Council's commitment to becoming carbon neutral and climate resilient by 2030	The Strategy approved 2020.

Sources of Assurance for Principle D: Optimising Interventions

Source of assurance	Where found	Who is responsible	Role	last reviewed/ action planned*
Performance and Resources Report	website	Chief Executive & Cabinet and Director F&SS	Reviews financial and operational performance	Reviewed 2020. Newly introduced in 2021.
Executive Decisions process	Website	Director of L&A	To record rationale, legality and financial compliance of decisions.	Format revised 2018. New publication system by Modern.gov 2018.
Business Plans	Share Point	All Directors	Record of actions and objectives for delivery of Our Council Plan	Annual. Action taken to ensure better coordination of plans between Directorates* implemented
Executive Officer Boards	Intranet	Executive Leadership Team	Manage strategic business delegated to officers	Action underway as good governance workstream to clarify scope of officer delegations and ensure more transparency*
Capital Programme Governance	Constitution	Executive Director Place and Director F&SS	Provide sound systems for capital programme	Revision February 2019. Further review on planned programme re-set as part of good governance.

Source of assurance	Where found	Who is responsible	Role	last reviewed/ action planned*
Service Improvement plans governance and assurance	Records of decisions and Improvement Board agendas.	Executive Director CS & CFO	Provide plan and assurance for delivery of improvements from external inspection.	Arrangements for monitoring and scrutinising effectiveness of plans ongoing

Sources of Assurance for Principle E: Leadership Capability

Source of assurance	Where found	Who is responsible	Role	last reviewed/ action planned
Scheme of delegation	Constitution	Governance Committee Chief Executive Director L&A	Formal allocation of key roles and functions, including Statutory and senior officers	April 2019 with minor revisions in December 2019. Actions identified above for clarity for officer boards and onward delegation schemes generally*.
Budget, including medium term financial strategy	Council agenda	County Council Executive Director Resource Services & Director F&SS	To agree a sound budget and financial strategy.	February 2021
Member Development Programme	Held by Director L&A Member Information Database	Governance Committee & Director L&A & MDG	Plan and record all member training.	Continually by MDG (sub-group of Governance). Reports regularly and uses member feedback. Will review any action needed in autumn 2021 following induction from May 2021.
Human Resources policies	Intranet	Director HR&OD	Describe all officer duties, rules and requirements.	Review planned within Good Governance as culture and leadership areas People Framework and respect and dignity at work policy in place.
Workforce Planning arrangements	HR policies and Directorate plans	Relevant Director	Provides rationale and scheme for ensuring resilience and capacity.	Particular focus on service improvement plans. People Framework completed 2021*.
Staff role profiles	Intranet	Heads of Service	Describe all officer roles	Updated as roles change.
Member Induction Programme	Intranet	Member Development Group Director L&A	To determine the content of the programme	Plans in 2020, for induction programme for post May 2021.
Specialist Member training	Committee business programme	Director L&A	Non-executive committees and appeals panel	Underway to be completed after 2021 election including individual member training needs analysis for all members.
Officer Performance management	Intranet	Director HR&OD & all Directors for delivery	To manage performance and development	Review undertaken 2021 in line with the Good Governance review.
Performance Management Policy	Intranet	Director HR&OD	clear system for addressing poor performance	As above*.

Sources of Assurance for Principle F: Risk and Performance

Source of assurance	Where found	Who is responsible	Role	last reviewed/action planned
Governance Statement	RAAC agenda	RAAC Director L&A	Captures all sources of governance assurance	Annual (this document)
Assurance mapping	N/A	Director L&A Director F&SS	Internal checklist for service governance	New checklist was refreshed in 2020.
Local Code of Corporate Governance	Governance agenda	Governance Committee Director L&A	To confirm the corporate governance principles in place	Aim as output from Good Governance.
Risk Management Strategy	Constitution	Chief Executive	Strategic aims and objectives for corporate risk management	Approved by RAAC 2018. No action planned. Better clarification on risk roles for members is due to be added to the Constitution in July 2021.
Risk Management systems	RAAC agenda	Director F&SS	Operational systems for meeting RM strategy aims	Last review 2018. Action since for systems for risk management to be more consistent.
Health and Safety Policy	Intranet	Director of HR &OC	Provides rules, procedures and systems for assurance in relation to health and safety at work and in relation to property risk.	Internal review 2018 has led to revised governance.
Audit Function	Constitution	RAAC Director F&SS	To manage and ensure the effectiveness of Audit.	Annual internal quality review. External review is required every five years. Internal Audit service re-procured 2018
Performance and Resources Report	Website	Chief Executive & Director F&SS	Reviews financial and operational performance	Revised 2020. No action planned
Treasury Management Strategy	Council agenda	Director F&SS	For sound strategy to limit risks to borrowings and investments.	Reviewed and updated by Council February 2021.
Financial Regulations and Procedures	Constitution	Director of F&SS RAAC	To prescribe the rules for all financial transactions	New version agreed by RAAC July 2018. To be reviewed as part of Smartcore project in 2021/22
Resilience and Emergency arrangements	Intranet	Chief Fire Officer	To provide safe systems and procedures to manage local and civil emergencies	Action plan implemented. Will review post Covid.

Sources of Assurance for Principle G: Audit and Transparency

Source of assurance	Where found	Who is responsible	Role	last reviewed/action planned*
Audit Function	Constitution	RAAC Director F&SS	To manage and ensure the effectiveness of Audit.	Annual internal quality review (due 2019*) External review is required every five years (due March 2020)
External Audit of Accounts	Audit Report	RAAC and Director of F&SS	To give external assurance to the quality of the Council's accounts and accounting practice	Assurance given to 19/20 accounts with one value for money qualification on an 'except for' basis.

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