

Public Document Pack

Tony Kershaw
Director of Law and Assurance

If calling please ask for:

Adam Chisnall on 033 022 28314
Email: adam.chisnall@westsussex.gov.uk

www.westsussex.gov.uk

County Hall
Chichester
West Sussex
PO19 1RQ
Switchboard
Tel no (01243) 777100



4 March 2022

Regulation, Audit and Accounts Committee

A meeting of the Committee will be held at **10.30 am on Monday, 14 March 2022** at **County Hall, Chichester, PO19 1RQ.**

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

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Director of Law and Assurance

Agenda

1. Declarations of Interest

Members and officers must declare any pecuniary or personal interest in any business on the agenda. They should also make declarations at any stage such 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.

2. Minutes of the last meeting of the Committee (Pages 5 - 10)

The Committee is asked to agree the minutes of the meeting held on 17 January 2022 (cream paper).

3. Urgent Matters

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

4. External Audit

The Committee is asked to consider the 2021/22 Outline Audit Plans for West Sussex County Council and the West Sussex Pension Fund from the External Auditor Ernst & Young (EY).

- (a) **West Sussex County Council 2021/22 Outline Audit Plan** (Pages 11 - 28)

(b) **West Sussex Pension Fund 2021/22 Outline Audit Plan** (Pages 29 - 62)

5. **Financial Statements 2021/22 - Plans and Progress** (Pages 63 - 104)

Report by the Director of Finance and Support Services.

The Committee is asked to note the project plans for the County Council and Pension Fund accounts and consider progress to date. The Committee is also asked to consider the draft accounting policies for both the County Council and Pension Fund accounts for 2021/22 and approve them for application in preparing this year's accounts.

6. **Internal Audit Progress Report** (Pages 105 - 132)

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

The Committee is asked to note the Internal Audit Progress Report.

7. **Internal Audit Plan 2022/23** (Pages 133 - 152)

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

The Committee is asked to approve the Internal Audit Plan 2022-23 (Q1) and the Counter Fraud Plan 2022-23.

8. **Internal Audit Charter 2022/23** (Pages 153 - 164)

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

The Committee is asked to approve the Internal Audit Charter 2022-23.

9. **Quarterly Review of Corporate Risk Management** (Pages 165 - 176)

Report by the Director of Finance and Support Services.

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

10. **Draft Annual Governance Statement 2021/22** (Pages 177 - 220)

Report by the Director of Law and Assurance.

The Committee is asked to note the Action Plan update and flowchart. The Committee is also asked to support the draft Statement for 2021/22 subject to any comments from the Committee.

11. **Work Programme 2022/23** (Pages 221 - 224)

Programme by the Director of Law and Assurance.

The Committee is asked to agree the outline work programme for 2022/23 and agree any further priority items for addition to the programme.

12. **Date of Next Meeting**

The next meeting of the Committee will be held at 10.30 am on 18 July 2022 at County Hall, Chichester.

To all members of the Regulation, Audit and Accounts Committee

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Regulation, Audit and Accounts Committee

17 January 2022 – At a meeting of the Regulation, Audit and Accounts Committee held at 10.30 am at County Hall, Chichester, PO19 1RQ.

Present: Cllr N Dennis (Chairman)

Cllr Boram, Cllr Greenway, Cllr Montyn, Cllr Turley, Cllr Wall and Mr Parfitt

Absent: Cllr Dunn

Also in attendance: Cllr Hunt (virtual)

Part I

32. Declarations of Interest

32.1 None.

33. Minutes of the last meeting of the Committee

33.1 The Chairman informed the Committee that he had written to the Scrutiny Chairmen as per the final bullet in minute 28.3. The Chairman of the Fire & Rescue Service Scrutiny Committee confirmed that his committee monitored risks and added items to the work programme as required.

33.2 Resolved – That the minutes of the meeting of the Committee held on 8 November 2021 be approved as a correct record and that they be signed by the Chairman.

34. External Audit

34.1 The Committee welcomed Helen Thompson, External Auditor from Ernst & Young (EY), to give a verbal External Audit Progress Update for 2020/21 and 2021/22.

34.2 Mrs Thompson began by giving an update on the status of the 2020/21 audit completion. The certificate had still not been issued due to the delay from HM Treasury in issuing guidance for the Whole of Government accounts. The other delay was linked to the work following the objection raised on the accounts. EY's work on this had been drafted and sent to Public Sector Audit Appointments Limited (PSAA) for review. With regard to fees, the Pension Fund fee had been billed and paid whereas the County Council fee information was waiting on guidance from PSAA.

34.3 The Committee queried if the work on the objection had added significant costs to the audit. – Mrs Thompson confirmed that the work had added significant costs as it was charged at a high rate from EY due to the seniority of auditors performing the work. EY had agreed with County Council officers that when the work was completed the full costs of the specific objection works would be made clear.

34.4 Mrs Thompson proceeded to update the committee on the progress of the 2021/22 audit. The timetable of the audit had been agreed and would mean that the Pension Fund audit would complete in July, and the County Council audit would complete in September. The aim would be to bring a report to the September committee meeting that was as complete as possible. The deadline for the 2022/23 audit was not currently clear. EY had been engaging with officers on the 2021/22 audit and would provide a further update at the March committee meeting.

34.5 The Committee made comments including those that follow.

- Queried if the current audit would include different processes to the previous audit, such as less remote working. – Mrs Thompson confirmed that no significant changes in approach were expected. The work for the previous audit in respect of the County Council's change in valuer was significant, and so the current audit would take less focus on the valuer. It was hoped that a hybrid approach would take place with on site work undertaken where needed, subject to Government advice.
- Sought an opinion on the County Council's position with regard to deadlines. – Mrs Thompson confirmed that the County Council was good with deadlines and was in a better position than other local authority audits.
- Asked if the recent audits of KPMG and Carillion would impact the approaches taken to local authority audits. – Mrs Thompson explained that the examples given were not completely linked to EY's approach to local authority audits, but gave reassurance that EY always considered the findings of other audits to see if there could be approaches that would be worth considering.

34.6 Resolved – That the update be noted.

35. Internal Audit Progress Report

35.1 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).

35.2 Mr Pitman, Head of Southern Internal Audit Partnership, introduced the report and gave an update on the overdue high priority actions for Children's Services P-Cards. The delay in action was linked to a transfer of responsibilities linked to staffing. Internal Audit had been assured that a project was working on the actions with an aim to complete by February.

35.3 Mr Pitman also updated the Committee on the no assurance audit for Hammonds Residential Home. Service officers had been unable to attend the committee meeting to give an update due to the impact of the Covid-19 Omicron variant. Officers had confirmed they would attend the March committee meeting to provide an update. Assurances had been given that actions were being taken to address and prioritise the issues.

35.4 Mr Pitman informed the Committee that he would share an updated table of actions (Annexe 2) to Committee members after the meeting.

35.5 The Committee made comments including those that follow.

- Queried if the issues at Hammonds were unique or could lead to issues at other care homes. – Mr Pitman explained that the issue had originated from a wider thematic review which had found the issues to be unique to Hammonds.
- Requested that in future reports it would be useful if the report outlined the potential risks to service to assist committee members in understanding the impact of the issues. – Mr Pitman agreed to include this for future reports.
- Sought clarity on the other parties involved in the Agreement of Budgets work. – Mr Pitman explained that this referred to Adults and the Health Service and was linked to a wider review of commissioning in place and compliance. The work had been delayed due to service pressures in relation to Covid-19.

35.6 Resolved – That the Committee notes the Internal Audit Progress Report (December 2021).

36. Internal Audit Quarter Four Plan

36.1 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).

36.2 Mr Pitman introduced the report which outlined the Audit plan with additional entries for quarter four.

36.3 The Committee made comments including those that follow.

- Queried when the Key Performance Indicators (KPIs) had been reviewed and if they were still fit for purpose. – Mr Pitman reported that the KPIs had been considered as part of the wider West Sussex Plan, where due diligence had also been looked into. The KPIs had been found to still be fit for purpose during this review. Cllr Hunt confirmed that updates to the Council Plan and KPIs were part of the upcoming budget papers.
- Questioned the date of the last Public Sector Internal Audit Standards (PSIAS) assessment of the Southern Internal Audit Partnership and if September 2015 was correct. – Mr Pitman apologised that the date was incorrect and resolved to correct for future reports.
- Asked how many of the reviews for quarters two and three were complete. – Mr Pitman confirmed that the progress report gave detail on progress and confirmed that the majority of quarter three reviews were nearing completion. It was felt that there was sufficient resource to complete the quarter four reviews with no delays.

36.4 Resolved – That the Committee approves the Internal Audit Plan 2021-22 (Q4).

37. Treasury Management Compliance Report - Third Quarter 2021/22

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

37.2 Mrs Chuter, Financial Reporting Manager, introduced the report and informed the Committee that there had been no policy breaches within the quarter.

37.3 The Committee made comments including those that follow.

- Commented that the interest for some funds were less than the inflation rate. – Mrs Chuter confirmed that some rates were lower than inflation but added that the bank rate increase would help.
- Noted that there were investments with Slough Borough Council who were in financial difficulties, and asked if this would impact the County Council. – Mrs Chuter confirmed that no implications were expected and that a recent deposit had matured in January for £10m with no issues. Mrs Chuter added that the County Council had never lost funds when investing with local authorities.

37.4 Resolved – That the report be noted.

38. Quarterly Review of Corporate Risk Management

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

38.2 The Committee welcomed Mr Laird, Chief Information Officer & Head of IT, who was in attendance to give an update on cyber security.

38.3 Mr Laird began by highlighting that cyber security was rated at 25 on the risk register to reflect risks in the cyber environment. The County Council used various technologies to undertake its duties which were subject to various risks such as financial implications, data theft, ransom ware attacks, inadvertent access of personal data, etc. There were also software vulnerabilities, physical thefts and phishing scams. The County Council response to these risks required constant vigilance and liaison with Internal Audit to explain necessary mitigations. It was also necessary to ensure that technology was appropriately invested in, and that policies were in place to ensure compliance.

38.1 The Committee made comments including those that follow.

- Queried the consideration to the risk of intentional attacks from staff within the County Council. – Mr Laird explained that the risk was recognised and that mitigations included separation of duties and the monitoring of access to systems. Systems were audited to look for trails and behaviours, and this was also assisted by monitoring technology.
- Sought clarity on the backup arrangements to ensure services to vulnerable residents could continue if an incident to the network occurred. – Mr Laird explained that the move to cloud based systems added more security to this area. Mitigations were in place to safeguard the County Council website in the chance of an attack.
- Questioned the impact on supply chains in the event of an attack. – Mr Laird explained that the criteria for new contracts gave consideration to supply chains during cyber attacks. Ms Eberhart, Director of Finance and Support Services, confirmed there were appropriate business continuity arrangements in place.

- Asked what consideration was given to backdoor attacks on software. – Mr Laird confirmed that there was a specialist IT team trained in this area to look for vulnerabilities. The County Council also engaged in penetration testing to look into additional vulnerabilities.
- Noted the recent attack on Chichester District Council’s planning portal and queried if the County Council IT team was aware. – Mr Laird confirmed that he was aware of the attack, but gave reassurance that the County Council’s systems were set up differently and not subject to the same vulnerability.
- Queried if the change to home working during the Covid-19 response had led to any challenges for security and if any lessons had been learned. – Mr Laird confirmed that the platform had been considered carefully ahead of lockdown and was found to be secure. There had been no significant security challenge during the period. It was noted that the lack of working in public areas such as trains and cafes would have reduced risks.

38.5 The Committee thanked Mr Laird for his attendance and the thorough explanation into how the risk was recognised.

38.6 Mr Pake, Corporate Risk and Business Planning Manager, introduced the report and explained that there had been no significant changes from the previous meeting. A new risk for Climate Change was being drafted and would be available for the next committee meeting.

38.7 The Committee made comments including those that follow.

- Raised concern for CR58, for which the Chairman of the Health and Adult Social Care Scrutiny Committee confirmed that it was high on their scrutiny agenda. – Ms Eberhart confirmed that the risk was considered carefully as part of the budget and also the Medium Term Financial Strategy (MTFS). Cost provisions needed to be considered for the future despite the unknown factors.
- Queried the consideration given to the risk of bus service deregistration and the requirement that the County Council may need to pick up routes that were not viable for private companies. – Mr Pake confirmed that the risk was being considered within the directorate.

38.8 Resolved – That the Committee notes the information detailed in the report and the current Corporate Risk Register.

39. Annual Governance Statement Action Plan 2020/21 Update

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

39.2 Mr Gauntlett, Senior Advisor – Democratic Services, introduced the report and explained that the action plan allowed the committee to monitor the actions for the Annual Governance Statement. The report included updates for all current actions and gave an encouraging picture on governance arrangements.

39.3 The Committee made comments including those that follow.

- Queried if the deadlines for March 2022 would be met. – Mr Gauntlett reported that progress to date had been encouraging and that there was confidence that the deadline would be met. Any outstanding actions would be reported to the committee along with any appropriate mitigation actions.
- Asked if major changes were anticipated from the Good Governance Review. – Mr Gauntlett explained that the Good Governance Review covered a broad range of improvements and that a report on a New Code of Governance would be considered by the Governance Committee. Work was also being done internally to produce an officer guide to decision making. Ms Eberhart confirmed that workshops had taken place to ensure that the guide would cover all necessary areas.
- Queried the progress for Councillor mandatory training and if there were considerable gaps. – Mr Gauntlett confirmed that take up had been good and that a report would be going to the February Governance Committee with training statistics. The Democratic Services Unit monitored Councillor training and held Training Needs Analysis reports for each Councillor.

39.4 Resolved – That the Committee notes the Action Plan update.

40. Date of Next Meeting

40.1 The Committee noted that its next scheduled meeting would be held at 10.30 am on 14 March 2022 at County Hall, Chichester.

The meeting ended at 12.00 pm

Chairman

West Sussex County Council

Outline Audit Plan

Year ended 31 March 2022

March 2022



Building a better
working world

Agenda Item 4a

4 March 2022



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

Dear Committee Members

Outline Audit Plan

We are pleased to attach our Outline Audit Plan.

Its purpose is to provide the March 2022 meeting of the Regulation, Audit and Accounts Committee with an overview of our plans and fee for the 2021/22 audit. We are currently undertaking our detailed planning procedures so the risks and areas of audit focus detailed as part of this Outline Plan remain subject to change. We will provide the Committee with a full audit plan, including any changes to our risk assessment, at its next meeting in July 2022.

Our audit is undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

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

Yours faithfully

A handwritten signature in black ink that reads "Helen Thompson". The signature is fluid and cursive.

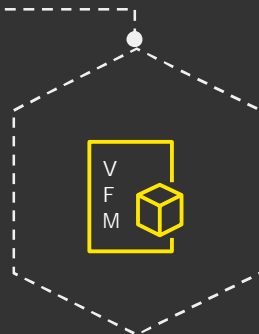
Helen Thompson, Associate Partner
For and on behalf of Ernst & Young LLP
Enc

Contents

01 2021/22 Audit



02 VFM



03 Fee



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 2021/22 Audit



2021/22 financial statements audit

Planning for 2021/22

We have met the Chief Executive, Director of Finance and Support Services and other key members of the finance team regularly through December 2021 and into January and February 2022 to discuss both the conclusion of our 2020/21 audit and emerging risks relevant to 2021/22. We issued an unqualified opinion on the Council's 2020/21 financial statements and identified no Value for Money matters to report by exception in our audit report dated 4 November 2021. We are not yet able to certify completion of the 2020/21 audit as we have not been able to perform the procedures required by the National Audit Office on the Council's 2020/21 Whole of Government Accounts (WGA) submission. This is because HM Treasury are continuing to review the online 2020/21 WGA Data Collection Tool and update the guidance that is available for preparers. Based on the last available update, it is unlikely that we will be able to complete the required 2020/21 WGA procedures until Summer 2022.

For 2021/22, the timetable for audit and publication of the financial statements has been amended by the Department for Levelling Up, Housing and Communities paper titled "Measures to improve local audit delays" published in December 2021. This extends the publication date for audited local authority accounts from 31 July to 30 November. Due to the ongoing impact of later deadlines and completion of audits from 2020/21, we have only recently commenced our planning for the 2021/22 audit and therefore have not yet fully completed our risk assessment procedures. We set out in this report our initial considerations of the risks and areas of audit focus for the audit based on our planning work undertaken to date and discussions with officers. We will update these risks as our planning progresses and take into account the risks suggested by the NAO in the Auditor Guidance Note 06 - Local Government Audit Planning, which has not yet been released for 2021/22. Our final assessment of risk will be presented in our full 2021/22 Audit Plan which we intend to present to the July 2022 meeting of the Regulation, Audit and Accounts Committee.

Wider public sector audit context

Recognising the increasing pressure on all auditors in the current climate the Department for Levelling Up, Housing and Communities (DLUHC) and CIPFA/LASAAC have both published papers relating to audit firms and timely completion of audits.

DLUHC

The DLUHC paper published in December 2021 recognises that challenges remain around the timeliness of local audit, which was one of the key issues highlighted in the Redmond review. As the National Audit Office (NAO) outlined in its 2020 report Timeliness of Local Auditor Reporting on Local Government in England, a variety of complex factors are contributing to audit delays. These include:

- Audit firms are struggling with a net loss of qualified staff, with many qualified accountants choosing to leave the audit sector entirely.
- Increasing workload and regulatory pressure on auditors. The NAO found that the additional requirements of new International Financial Reporting Standards (IFRS), along with increased expectations from the Financial Reporting Council (FRC) following high-profile corporate failures such as Carillion and Patisserie Valerie, had combined to produce a significant increase in audit work.

In addition to the challenges faced by auditors, in the face of competing workload pressures, some local authorities have diverted staff resources away from completing working papers and preparing accounts, while the quality of processes within the finance functions of some local authorities has affected their preparedness for audit. These issues have been exacerbated by the impact of the COVID-19 pandemic.

Considering the complexity of the drivers behind audit delays, it is clear that a whole system response is needed, with local bodies, audit firms, regulatory bodies and code-setters working collectively to implement solutions across the sector. The paper therefore sets out a series of additional measures committed to by government and other key stakeholders to support improved timeliness and the wider local audit market. These commitments are set out in Appendix A.

2021/22 financial statements audit (continued)

CIPFA/LASAAC

The CIPFA/LASAAC paper explores proposals for change to the 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom and the 2022/23 Code that might serve to improve current issues around timeliness of the publication of audited financial statements. Two key proposals of this report include:

1. To allow local authorities to pause professional valuations for operational property, plant and equipment for a period of up to two years (though the initial proposal is for the 2021/22 financial year). This approach also explores the use of an index to be used to increase or reduce that valuation; and
2. To defer the implementation of IFRS 16 Leases (standard) for a further year and not make the planned changes to the 2022/23 Code to implement that standard.

This paper is currently out for consultation with a deadline of 3 March 2022.

Materiality

Our application of materiality

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

We set our planning materiality for the Council at £31.877m, which is based on 1.8% of gross revenue expenditure reported in the 2020/21 accounts. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.

We will report to the Committee all audit differences in excess of £1.594m.

These figures will be updated upon receipt of the draft 2021/22 financial statements.

Overview of our 2021/22 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters. 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
Misstatement due to fraud or error	Fraud risk	No change in risk or focus	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.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	Fraud risk	Reduction in risk and change in focus	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure. At the time of writing the Council is not forecasting it will incur material Revenue Expenditure Financed from Capital Under Statute or place material reliance on the Flexible Use of Capital Receipts scheme in 2021/22. If that continues to be the case we consider this both reduces the level of risk and the scope of our work in this area compared to prior years.</p>
Operational land and buildings classified as Property, Plant and Equipment (PPE).	Significant risk, but potentially subject to change due to CIPFA LASAAC proposals.	No change in risk or focus	<p>The valuation of operational land and buildings classified as PPE is likely to represent a material figure within the Council's financial statements. The valuation is reliant on the work of the Council's external professionally qualified valuer and based on information provided by the Council, which includes a number of judgements and assumptions.</p> <p>Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.</p> <p>The recognition and scope of this risk is subject to the current CIPFA/LASAAC proposals currently under consultation (see page 6). As part of our 2020/21 Audit Results Report we recommended that the Council should take a more granular approach to the valuation of Horsham Enterprise Park in 2021/22 that is based on a development appraisal of the actual consented scheme. The need for the Council to do this will also be dependent on the outcome of the CIPFA/LASAAC consultation.</p>

Overview of our 2021/22 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters. 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
Non-operational land and buildings classified as investment property (IP) and surplus assets.	Significant risk, not subject to change due to CIPFA LASAAC proposals.	No change in risk or focus	<p>The valuation of non-operational land and buildings classified as IP and Surplus Assets are likely to represent material figures within the Council's financial statements. The valuation is reliant on the work of the Council's external professionally qualified valuer and based on information provided by the Council, which includes a number of judgements and assumptions.</p> <p>Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.</p> <p>The recognition and scope of this risk is not impacted by the current CIPFA/LASAAC proposals currently under consultation (see page 6).</p>
Pension Liability 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.</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) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>
Going Concern Disclosure	Inherent risk	No change in risk or focus	<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 during 2021/22 there is a need for the Council to ensure its going concern assessment, including its cashflow forecast, is robust and appropriately comprehensive.</p> <p>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.</p>

Overview of our 2021/22 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters. 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
Accounting for Covid-19 related government grants	Inherent risk	No change in risk of focus	<p>The Council has continued to receive 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 2021/22. Some new grants have also been received in 2021/22.</p> <p>We will continue to consider the approach taken by the Council and in particular whether it is acting as agent or principal in administering the grant, whether grant conditions and restrictions exist and have been met or not. and whether the accounting treatment adopted in the financial statements properly reflects this.</p>
Teachers' Pensions liability	Area of audit focus	New area of focus	<p>We became aware in September 2021 that the Council reported a breach of the Teachers' Pension Regulations to the Pensions Regulator in June 2021. This relates to a failure over a number of years dating back to 2007 to auto-enrol some part time and casual teaching staff onto the pension scheme as required following a change to regulations in 2007. The underlying failure to auto-enrol was fully rectified from September 2017, so this is not a continuing issue. Work completed by a professional actuary in September 2021 fully scoped the number of records and individuals impacted historically. The Council was not, however, able at that point in time to quantify the cost of the breach until further work had been completed by the Teachers' Pensions Service and impacted individuals were contacted to confirm whether or not they intend to join the scheme. We raised a related recommendation for improvement as part of our 2020/21 Auditor's Annual Report.</p> <p>We will assess the progress made by the Council during the year to quantify the value of the liability and review the accuracy of the provision or contingent liability included in the 2021/22 financial statements by reference to the supporting work undertaken by the actuary, Teacher's Pensions Service and Council to contact impacted individuals. We will also ensure that both the liability and issue are adequately disclosed in the financial statements together with details of assumptions made and the level of estimation uncertainty in the quantification of any provision.</p>



02

Value for Money



Value for money

Council responsibilities for value for money

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

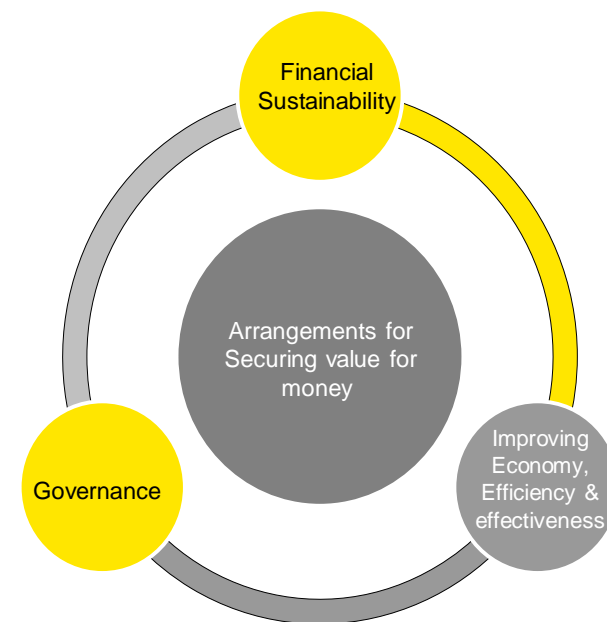
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in an annual governance statement. In preparing its annual governance statement, the Council tailors the content 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. The 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 they 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.





Value for money risks

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

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

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

We should also be informed by a consideration of:

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

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 we are required to refer to this by exception in the audit report on the financial statements.

We are also required to include the commentary on arrangements in our 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.

Where we have sufficient evidence to determine that there is a significant weakness on VFM related arrangements we are able to report that weakness, and an associated recommendation for improvement, at that time and not wait until we issue our Audit Results Report on the audit of the statement of accounts.

Status of our work

We have not yet fully completed our value for money procedures for 2021/22. A full update following completion of our planning work will be included within our detailed audit plan, but at this stage we are not aware of any risks of significant weaknesses in the Council's value for money arrangements which we wish to bring to your attention. We will, however, follow-up on progress made against the recommendations for improvement raised as part of our VFM narrative commentary reported as part of our 2020/21 Auditor's Annual Report, which were fully accepted by management.



03 Fees



Fees

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for the Department for Levelling Up, Housing and Communities.

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 2021/22	Final fee 2020/21	Final Fee 2019/20
	£	£	£
Scale Fee - Code work	£90,561	£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	£66,426
Revised Proposed Scale Fee agreed by the Council to date	£156,987	£156,987	£156,987
Risk based fee variations (see Note 2)	TBC	TBC	£60,500
Total Fees	TBC	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 still 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. We are yet to fully quantify 2020/21 risk based fee variations and agree them with the Council. We will provide an update in due course.

We have not included any additional fee proposal for the 2021/22 audit while the PSAA are continuing to consider the 2019/20 scale fee variation proposals. We will provide an update to the Committee when we circulate our full audit planning report.




04 Appendices

Department for Levelling Up, Housing and Communities - Measures to improve local audit delays

The following commitments are made within the Department for Levelling Up, Housing and Communities paper titled- Measures to improve local audit delays:

1. FRC to publish updated Key Audit Partner (KAP) guidance by spring 2022, including new routes for an experienced Registered Individual to become a KAP;
2. Work with CIPFA to further develop the proposal for a new local audit training diploma in local government financial reporting and management aimed at different levels of auditor, and a new technical advisory service that could provide support to firms, and in particular new entrants;
3. DLUHC to provide further funding of £45 million over the course of next Spending Review period to support local bodies with the costs of strengthening their financial reporting, new burdens related to appointment of independent members and other Redmond recommendations and increased auditing requirements;
4. CIPFA to publish strengthened guidance on audit committees by April 2022. The guidance will emphasise the role that audit committees should have in ensuring accounts are prepared to a high standard, alongside broader changes including appointment of independent members. Following consultation, consider making the guidance, committees and the independent member statutory;
5. DLUHC to provide via the Local Government Association sector grant for a number of targeted training events for audit committee chairs;
6. NAO rolling over of amendments to 2020/21 AGN 03 and 07 to allow for altering the timing of elements on the VfM arrangements work and enable more focus on fully delivering opinions on the financial statements;
7. CIPFA/LASAAC is undertaking a project to improve the presentation of local authority accounts to inform the development of the 2022/23 Accounting Code and comply with IFRS and statutory accounting principles HMT to undertake thematic review of financial reporting valuations for non-investment properties to inform development of the Accounting Code from 2022/23 onwards;
8. The government has asked CIPFA/LASAAC to consider the merits of a time-limited change to the Accounting Code for 2021/22;
9. Delaying implementation of standardised statements and associated audit requirements;
10. PSAA to progress their proposed procurement strategy for the next round of local audit contracts from 2023/24;
11. Extending the deadline for publishing audited local authority accounts to 30 November 2022 for 2021/22 accounts, then 30 September for 6 years, beginning with the 2022/23 accounts.;
12. NAO to prepare for a re-laying of the Code of Audit Practice 2020 in parliament, so that it will apply for the whole of the next appointing period; and,
13. Developing an industry-led workforce strategy, working with the system leader and audit firms, to consider the future pipeline of local audits, and associated questions related to training and qualifications.

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West Sussex
Pension Fund
Audit planning report
Year ended 31 March 2022

March 2022

4 March 2022

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 2021/22 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 Committees' 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. Our audit planning remains ongoing, and we will provide any required updates to our audit planning and risk assessment to the July 2022 meeting of the Regulation, Audit and Accounts Committee.

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 14 March 2022 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully



Helen Thompson, Associate Partner
For and on behalf of Ernst & Young

Contents



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



01

Overview of our 2021-22 audit strategy



Overview of our 2021/22 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters. 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	No change in risk or focus	<p>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.</p> <p>We believe 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.</p>
Valuation of level 3 investments	Inherent risk	No change in risk or focus	<p>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 supporting the valuation are only produced up to Quarter 3 of the financial year.</p> <p>The Fund's private equity, private debt and new infrastructure investments are categorised as being at level 3 in the fair value hierarchy. This is due to the uncertainty associated with the valuation of such investments and the absence of a liquid market, meaning that the valuations are not based on observable inputs.</p> <p>We will continue to consider the designation of this, and specifically whether it should be categorised as inherent or significant, dependant on the value and nature of level 3 investments at the end of the financial year. We will report any changes in the designation of the risk and our planned response to you.</p>
Valuation of directly-held property investments	Inherent risk	No change in risk or focus	<p>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.</p>

Overview of our 2021/22 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters. 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
Going concern disclosure	Inherent risk	No change in risk or focus	<p>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 throughout 2021/22, there is a need for the Fund to ensure its going concern assessment, including its supporting cashflow forecast, is thorough and appropriately comprehensive.</p> <p>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.</p>

Overview of our 2021/22 audit strategy

Materiality

Planning
materiality
£54.8m

Materiality has been set at £54.8 million which represents 1% of net assets reported in the audited 2020/21 financial statements.

Performance
materiality
£41.1m

Performance materiality has been set at £41.1 million, which represents 75% of materiality.

Audit
differences
£2.7m

We will report all uncorrected misstatements relating to the Net Assets Statement and Pension Fund Account over £2.7 million. Other misstatements identified will be communicated to the extent that they merit the attention of Regulation, Audit and Accounts Committee Members.

Overview of our 2021/22 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 2022 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 Regulation, Audit and Accounts Committee Members on the results of our work in these areas in our report to those charged with governance scheduled for the September 2022 meeting of the Committee.

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. * Denotes risk of fraud.

<p>Risk of manipulation of investment income and valuation*</p>	<p>What is the risk?</p> <p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>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.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<p>What will we do?</p> <p>We will:</p> <ul style="list-style-type: none"> ▶ 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; and <p>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.</p>
<p>Financial statement impact</p> <p>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.</p> <p>PY: Net return on investments: £1,196,450,000</p> <p>Total net assets of the Fund available: £5,483,193,000</p>		

Audit risks

Other areas of audit focus

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

What is the risk/area of focus?

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.

The Fund's private equity, private debt and new infrastructure investments are categorised as being at level 3 in the fair value hierarchy. This is due to the uncertainty associated with the valuation of such investments and the absence of a liquid market, meaning that the valuations are not based on observable inputs.

We will continue to consider the designation of this, and specifically whether it should be categorised as inherent or significant, dependant on the value and nature of level 3 investments at the end of the financial year. We will report any changes in the designation of the risk and our planned response to you.

Valuation of directly held 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.

What will we do?

We will:

- Agree the valuation of Level 3 investments appearing in the financial statements to valuation reports from the fund managers.
- Obtain audited financial statements of fund managers and obtain bridging letters for the controls reports to year end. Where audited financial statements are not available at the financial statements date we will undertake alternative procedures to gain further assurance over the valuation reported in the financial statements.
- 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:

- 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 and test a sample of inputs and calculations used to inform the valuation by reference to relevant available market data and other supporting evidence.
- 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.

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?

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. 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.

What will we do?

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

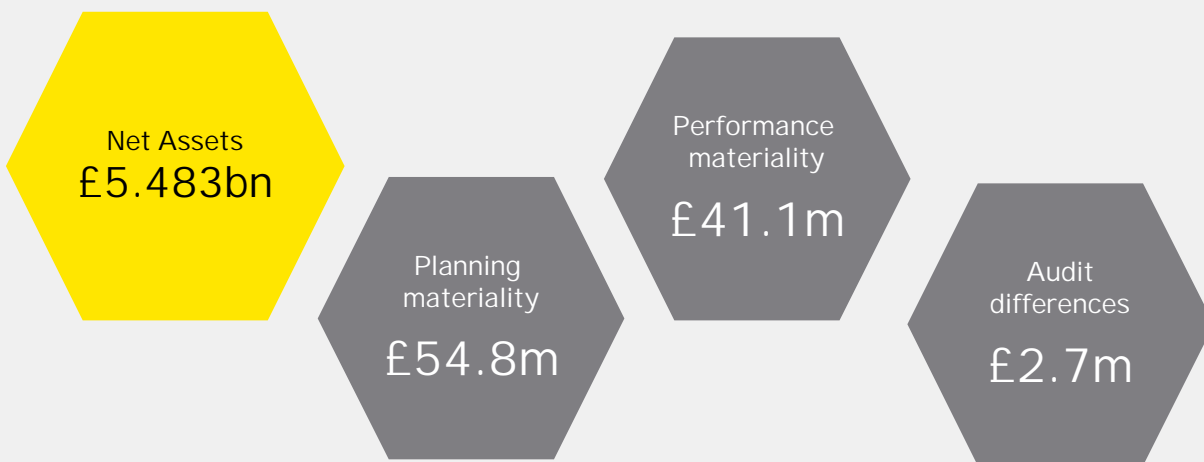


Materiality

Materiality

For planning purposes, materiality for 2021/22 has been set at £54.8 million. This represents 1% of net assets in the audited 2020/21 financial statements.

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 their 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 £41.1 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 2021/22 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 liaise 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



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
Directly held property 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

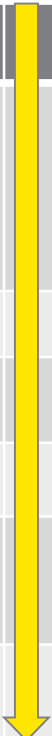
Timetable of communication and deliverables

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 2021/22. 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 Chairs as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

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





07

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 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 2021

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 2021 and can be found here:

[EY UK 2021 Transparency Report | EY UK](#)



08

Appendices



Appendix A – Audit Fees

Services provided by Ernst & Young

Table below includes a summary of the proposed fees for the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below.

We confirm that we have not undertaken any non-audit work.

Description	Planned Fee 2021/22 £	Final Fee 2020/21 £	Planned Fee 2020/21 £	Final Fee 2019/20 £
Scale Fee – Code work	20,364	20,364	20,364	20,364
Planned 2019/20 recurrent fee variation reflecting the underlying level of additional risk at the Fund (see Note 1).	33,533	33,533	33,533	-
Revised Proposed Scale Fee.	53,897	53,897	53,897	20,364
Risk based fee variations (see Note 2).	TBC	TBC	TBC	12,800
Additional fee for IAS19 assurance work on behalf of admitted bodies (see Note 3).	8,000	8,000	8,000	5,500
Additional fee for work on the 2019 triennial valuation of the Fund (see Note 3).	-	-	-	6,000
Total Fees	TBC	TBC	TBC	44,664


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 £33,533 to deliver the audit in 2019/20 which we expected to reoccur in 2020/21 and subsequent years. This additional fee was accepted by the Director of Finance and Support Services for 2020/21 and future years, but not 2019/20. PSAA has determined that 2019/20 fee variations will not be accepted on a recurrent basis. However, we continue to include this to address the cost associated with recurrent risks arising on the audit.




Note 2 - The proposed 2019/20 risk based fees had been agreed with the Director of Finance and Support Services and totalled £10,000. PSAA has determined that a total of £12,800 should be paid in respect of the recurrent and non-recurrent fee variations submitted. As set out in Note 1 this amount has been determined on a non-recurrent basis.

Note 3 - In 2019/20 we charged £5,500 for IAS 19 assurance work on behalf of admitted bodies and £6,000 for additional work on the 2019 triennial valuation of the Fund relevant to the 2019/20 year. Our fee for IAS 19 assurance work in 2020/21 is £8,000. These fees have been agreed by the Director of Finance and Support Services and do not require approval 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	<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, March 2022 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 2022 meeting of the Regulation, Audit and Accounts Committee.



Appendix B

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

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Going concern	<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 2022 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 2022 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 2022 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 2022 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
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 	<p>Audit Planning Report, March 2022 meeting of the Regulation, Audit and Accounts Committee.</p> <p>Audit Results Report, September 2022 meeting of the Regulation, Audit and Accounts Committee.</p>
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 	<p>Audit Results Report, September 2022 meeting of the Regulation, Audit and Accounts Committee.</p>
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 	<p>Audit Results Report, September 2022 meeting of the Regulation, Audit and Accounts Committee.</p>
Internal controls	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit 	<p>Audit Results Report, September 2022 meeting of the Regulation, Audit and Accounts Committee.</p>
Representations	<ul style="list-style-type: none"> • Written representations we are requesting from management and/or those charged with governance 	<p>Audit Results Report, September 2022 meeting of the Regulation, Audit and Accounts Committee.</p>

Appendix B

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

Our Reporting to you

Required communications	 What is reported?	 When and where
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 2022 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 2022 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**

Report to Regulation, Audit and Accounts Committee

14 March 2022

Financial Statements 2021/22 – Plans and Progress

Director of Finance and Support Services

Summary

Project plans have again been prepared for the closure of the 2021/22 accounts for the County Council and the West Sussex Pension Fund.

The current deadlines are 31 July for the publication of draft accounts and 30 November for audited accounts. Based on this, the draft accounts for West Sussex County Council will be available by 29 July 2022 while the draft accounts for the West Sussex Pension Fund will be available by 24 June 2022. The draft Audit Results Reports for both the County Council and the Pension Fund will be available in September 2022, ahead of the Regulation, Audit and Accounts Committee meeting on 22 September 2022.

Members will have the opportunity to participate in a briefing session which is arranged for 15 September 2022 to walk through the financial statements for both the County Council and Pension Fund.

The accounts are prepared under the requirements of statute and accounting standards, which are consolidated into the Code of Practice on Local Authority Accounting. Officers' interpretation of these requirements is set out in the accounting policies. The policies for West Sussex County Council have been updated to ensure ongoing alignment with the example accounting policies in CIPFA's Code of Practice Guidance Notes where appropriate, and to provide clarification, streamline, or to address previous omissions. There are no changes to the accounting policies for the Pension Fund.

Recommendations

The Committee is asked to:

- (1) Note the project plans for the County Council and Pension Fund accounts (Appendices A and B) and consider progress to date.
 - (2) Consider the draft accounting policies for both the County Council and Pension Fund accounts for 2021/22 as set out in full in Appendices Ci and Cii and approve them for application in preparing this year's accounts.
-

Proposal

1 Introduction

- 1.1 This paper sets out the planning framework for closing the 2021/22 accounts for both West Sussex County Council and the West Sussex Pension Fund. It also presents a draft set of accounting policies for both the County Council and the Pension Fund accounts.

2 Planning Framework and Draft Accounting Policies

Planning Framework

- 2.1 As part of its response to the 'Redmond Review' into the effectiveness of external audit and transparency of financial reporting in local authorities and also in recognition of the pressures that local authorities are operating under as a result of the coronavirus pandemic, Government made a temporary amendment to the Accounts and Audit Regulations 2015. This extended the deadlines for the publication of draft accounts to 31 July (from 31 May) and audited accounts to 30 September (from 31 July), for an initial period of two years commencing 2020/21. The deadline for the publication of the 2021/22 audited accounts was subsequently further extended to 30 November for one year only (subject to consultation) as part of a series of measures announced by the Department for Levelling Up, Housing and Communities (DLUHC) in December 2021 which are intended to support the timely completion of local government audits and the ongoing stability of the local audit market.
- 2.2 The 2020/21 accounts were closed in line with these statutory deadlines. A complete set of accounts for the County Council were submitted to EY for audit on 9 July 2021, while the Pension Fund submitted a complete set of accounts to EY on 18 June 2021. External audit started their audit work, initially of the Pension Fund accounts, on 21 June. At the Regulation Audit and Accounts Committee meeting on 22 September 2021, it was reported that the audit of the Pension Fund accounts was complete whilst there were a few areas of work outstanding for the County Council accounts. An unqualified opinion for both the County Council and Pension Fund accounts was then issued by EY on 4 November 2021. As part of the value for money work, EY did not identify any significant weaknesses in the Council's VFM arrangements. The audit certificate has yet to be issued as the audit work for the Whole of Government Accounts (WGA). The latest position regarding the WGA is that the toolkit is still being tested by HM Treasury and the audit deadline will not be before 31 July 2022.
- 2.3 Due to the continuing unprecedented circumstances during 2021, the external audit planning and interim visits for the 2021/22 audits have been scheduled to take place in February and March 2022.
- 2.4 A formal project plan has again been produced for the 2021/22 accounts both for the County Council and Pension Fund accounts, enabling the Council's scarce resources to be allocated, to identify a critical path and formally evaluate risks. A briefing session is arranged for 15 September, to help members gain a greater understanding of the accounts including a walkthrough of the financial statements.

- 2.5 The County Council's project plan is to produce draft accounts by 29 July with the audit during August and September, while the plan for the Pension Fund is to produce draft accounts by 24 June, with the audit taking place in July 2022.
- 2.6 The project plans for each body are attached as Appendices A and B. Each plan includes a table of milestones which are set out below:

Figure 1: WSCC Closedown Milestones

Task	Due date
Letter of instruction issued to property valuers	31 August 2021
Bruton Knowles provide draft property valuation certificates for Corporate Finance review	13 December 2021
CIPFA Emergency Code Consultation closes	3 March 2022
Issue closedown timetable to practitioners	4 March 2022
EY commence 7-week Planning/Interim Audit	7 March 2022
RAAC considers accounting policies and handbook	14 March 2022
CIPFA Consultation outcomes to be confirmed; Code update to be issued as appropriate	31 March 2022
Deadline for submission of school bank reconciliations	8 April 2022
Service & consolidated capital monitors submitted for outturn PRR	14 April 2022
Outturn management accounts finalised	20 April 2022
Bruton Knowles provide final valuation report	22 April 2022
Member & Senior Officer Related Party survey deadline	29 April 2022
Anticipated receipt of HR establishment & bandings reports	29 April 2022
CIPFA Closedown Bulletin due to be published	29 April 2022
Executive Leadership Team considers outturn PRR	5 May 2022
Anticipated receipt of IAS19 pensions actuary reports	20 May 2022
Senior Officer Remuneration disclosure available for review by Finance and HR Directors	20 May 2022
Fixed Asset Register "lockdown" – QA complete and disclosures handed over for financial statements	10 June 2022
Cabinet Briefing considers outturn PRR	28 June 2022
Council Tax and Business Rates outturn collection funds requested from billing authorities	1 July 2022
Ledger closed – no further transactions	8 July 2022
Outturn PRR scrutinised by Performance & Finance Scrutiny Committee	13 July 2022
Handover of financial instrument disclosures	15 July 2022
RAAC meeting; progress update	18 July 2022
Outturn PRR approved by Public Cabinet	20 July 2022
Complete draft Statement of Accounts (SoA) available for senior management QA	22 July 2022
CFO certifies draft SoA for publication on WSCC website & submission to EY	29 July 2022
Commencement of County financial statements audit	1 August 2022
Start of accounts inspection period	1 August 2022
Finalisation of audit working paper file	5 August 2022
Draft WGA submitted to HMT and available for audit	31 August 2022
Scheduled conclusion of financial statements audit – schedule of audit adjustments agreed with EY	9 September 2022

Task	Due date
End of accounts inspection period	12 September 2022
CFO authorises audited SoA for RAAC despatch	13 September 2022
EY despatches final Audit Results Report to RAAC	13 September 2022
RAAC Member Briefing – walkthrough audited financial statements	15 September 2022
RAAC approves audited SoA	22 September 2022
EY provides audit opinion	Late September TBC
EY provides WGA Assurance Statement and audit certificate	Late September TBC
Audited SoA published on website	30 September 2022
Target date for submission of audited Whole of Government Accounts to Treasury	30 September 2022

Figure 2: WSPF Closedown Milestones

Task	Due date
'Interim Audit'	7 February 2022
Consideration of the accounting policies and project management handbook by Regulation, Audit & Accounts Committee (RAAC)	14 March 2022
Verification of information provided by fund managers, custodian and pension services team and reconciliation against SAP to enable full technical review of draft Statement of Accounts (SoA) by Lead Reviewer	20 May 2022
Draft SoA QA completed	27 May 2022
Completed internal quality assurance (QA) of SoA	10 June 2022
Submission of draft SoA to Ernst & Young (EY)	24 June 2022
Ensure that the individual electronic working papers are provided in accordance with the agreed protocol with EY, signed off by the Lead Reviewer	24 June 2022
Audit commences	1 July 2022
Accounts inspection period commences	1 August 2022
Completion of EY audit work within advised fee scale	9 September 2022
End of accounts inspection period	12 September 2022
EY despatches final Audit Results Report to RAAC	13 September 2022
Member Briefing with RAAC, Pensions Committee and Pension Advisory Board	15 September 2022
Consideration of final SoA by RAAC	22 September 2022
Opinion on financial statements and signed audit certificate provided	Late September 2022

- 2.7 Attention is drawn to the County Council and the Pension Fund risk registers which are attached as an annex to the respective project plans. For County, five risks have been identified, none of which are red, and mitigations are in place for each of them. Six risks have been identified for the Pension Fund; again, none are red, and mitigations are in place for each.

Accounting Policies

- 2.8 It is good practice to present the accounting policies to those charged with governance. The accounting policies for both the County Council and the West Sussex Pension Fund are attached as Appendices Ci and Cii.

- 2.9 Only minor amendments to the accounting policies for West Sussex County Council are proposed for 2021/22. These changes have been made to ensure ongoing alignment with the example accounting policies in CIPFA's Code of Practice Guidance Notes where appropriate, and to provide clarification, streamline, or to address previous omissions. The revisions are not intended to reflect a change in existing practice.
- 2.10 CIPFA are currently consulting on an emergency Code Update which may change the revaluation requirements for operational land and buildings for 2021/22. If adopted, this is likely to require an amendment to accounting policy (ii) Property, Plant and Equipment (measurement). If necessary, a revised accounting policy will be presented to the July meeting of the Regulation, Audit and Accounts Committee for approval.
- 2.11 There are no changes to the Pension Fund accounting policies.

3 Finance

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

4 Risk implications and mitigations

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

Katharine Eberhart

Director of Finance and Support Services

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

Appendices

Appendix A – WSCC Project Management Handbook

Appendix B – WSPF Project Management Handbook

Appendix Ci – WSCC Accounting Policies

Appendix Cii – WSPF Accounting Policies

Background Papers

None

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2021/22 Final Accounts Closedown

West Sussex County Council (WSSC)

Project Management Handbook

1. Background & Overview

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

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

As part of its response to the 'Redmond Review' into the effectiveness of external audit and transparency of financial reporting in local authorities, Government made a temporary amendment to the Accounts and Audit Regulations 2015. This extended the deadlines for the publication of draft accounts to 31 July (from 31 May) and audited accounts to 30 September (from 31 July), for an initial period of two years commencing 2020/21. The deadline for the publication of the 2021/22 audited accounts was subsequently further extended to 30 November for one year only (subject to consultation) as part of a [series of measures](#) announced by the Department for Levelling Up, Housing and Communities (DLUHC) in December 2021 which are intended to support the timely completion of local government audits and the ongoing stability of the local audit market.

The Council has developed a project plan to produce draft accounts by the 31 July 2022 statutory deadline. Arrangements have been made with the external auditor, EY, for the audit to take place during August and September. This is with a view to presenting audited accounts alongside the auditor's report to the September meeting of the Regulation, Audit and Accounts Committee. The intention would be for audited accounts to be published by the end of September, ahead of the November 2022 deadline, but this will be subject to audit findings and the timely conclusion of audit work.

In February 2022, CIPFA [launched a consultation](#) on an emergency update to the Code of Practice on Local Authority Accounting. The consultation is on time-limited changes to the Code to help alleviate delays to the publication of audited financial statements, and comprises two primary proposals:

- Issue a 2021/22 Code Update to pause the requirement for professional valuation of operational Property, Plant and Equipment (PPE) assets on a voluntary basis
- Remove the adoption of IFRS 16 Leases from the 2022/23 Code, and defer until at least 2023/24 on a mandatory basis.

The consultation period was set as four weeks, with any final changes to the 2021/22 Code expected to be confirmed by the end of March. The outcome of the consultation cannot be prejudged, and so the Council has little option other than to proceed with the revaluation of PPE for 2021/22 accounts purposes as planned in order to maintain progress against the project plan (valuations were instructed in August 2021 and are currently midway through a lengthy quality assurance process).

A final decision on whether to adopt the PPE valuations currently being prepared will be deferred until CIPFA confirms what (if any) changes will be made to the Code requirements for 2021/22. A key judgement in this decision will be whether any pause in the revaluation requirements is likely to have the desired effect in terms of reducing the audit burden and therefore improving the timeliness (and reducing the cost) of the external audit. The Council has already liaised with EY on this matter and the parties have agreed to hold further discussions once the outcome of the consultation is known.

2. Success Criteria

A number of success criteria have been identified if the assurances set out at the start of this handbook are to be achieved:

- Complete draft Statement of Accounts available for internal senior management QA by 22 July
- Draft accounts certified by Chief Finance Officer (CFO) by 29 July for publication on WSCC website and submission for external audit
- Complete set of compliant electronic working papers are provided to the external auditors, EY, by 5 August (provisional file to be provided on 29 July to facilitate commencement of financial statements audit)
- External audit to be substantively concluded by 9 September (including agreement of audit adjustments)
- CFO authorises despatch of audited Statement of Accounts to Regulation, Audit and Accounts Committee (RAAC) by 13 September
- EY despatches final Audit Results Report to RAAC by 13 September
- RAAC approves audited financial statements at its meeting of 22 September
- EY to provide an unqualified audit opinion and audit certificate following September meeting of RAAC (audit certificate is subject to resolution of Whole of Government Accounts and any objections raised by local electors)
- Audited accounts to be published on the WSCC website by 30 September (note legislative deadline 30 November)
- Audit completed within advised fee scale (see section 7)
- RAAC and EY feedback endorses that the accounts have been closed effectively.

3. Dependencies & Stakeholder Analysis

The achievement of the success criteria identified above is dependent on a number of stakeholders outside of the core project team (see sections 4 and 6). These stakeholders are identified below:

- **Hymans Robertson (IAS 19 Reports)** – these reports, issued by the Pension Fund actuary, analyse the performance of the West Sussex Local Government and Firefighters' Pension Schemes. The detail in these reports informs the pension disclosure notes, and also impacts on all four core financial statements. These reports are anticipated to be delivered no later than 20 May.
- **Bruton Knowles (Property Valuations)** – the capital accounts are largely dependent on the certificates provided by our external valuers as part of the rolling revaluation programme. Bruton were instructed to provide draft valuation certificates to Corporate Finance by 13 December, and a final valuation report is due to be delivered by 22 April.
- **Members/Senior Officers (Related Party Transactions)** – the Authority surveys its Members and Senior Officers in the spring to identify any related party transactions during the financial year. The deadline for responses this year will be 29 April. For the purposes of this survey, senior officers shall be defined as direct reports to the Chief Executive, and any other officers undertaking statutory roles.

- **Financial Planning (Performance and Resources Report)** – the Performance and Resources Report (PRR) confirms the outturn position, including any approved carry forwards. These management accounts are the foundation from which the financial statements are built; as such, large aspects of the Statement of Accounts cannot be progressed until the management accounts are finalised. The outturn PRR will be considered by the Executive Leadership Team (ELT) on 5 May and at the Cabinet Briefing on 28 June, before being formally scrutinised at Performance and Finance Scrutiny Committee on 13 July and approved at Public Cabinet on 20 July.
- **Capita HR Reporting Team** – the team provides two reports by the end of April each year which are crucial to the preparation of the financial statements. An establishment report is used to calculate the accumulated absences accrual required by the Code in accordance with IAS 19. Additionally, the 'bandings' report identifies the number of officers with remuneration in excess of £50,000 in bands of £5,000 for disclosure in the financial statements. This is in addition to monthly 'gross-to-net' payroll files supplied throughout the year which form part of the audit working paper file.
- **Billing Authorities (Collection Funds)** – as part of the preparation of the accounts, an adjustment is posted which impacts on the Movement in Reserves Statement, Balance Sheet, Comprehensive Income & Expenditure Statement, and multiple disclosure notes. Billing authorities provide balance sheets for their collection funds, which are then analysed to calculate the required adjustments. DLUHC's deadline for the finalisation of business rates data via the NNDR3 is anticipated to be 30 June, and so WSCC is requesting collection fund detail from its billing authorities (including for council tax) by 1 July.
- **Schools (Bank Reconciliations)** – as part of school banking arrangements, transactions that are initiated locally by schools are routinely 'swept' into the County Fund for cash flow purposes and to ensure that all activity is captured in the consolidated WSCC accounts. In order to reconcile its overall bank position, WSCC therefore requires each of its maintained schools to submit an individual bank reconciliation at year-end. For 2021/22, the deadline for schools to submit their reconciliations is 8 April to align with the last day of the Spring term.
- **Treasury (Whole of Government Accounts)** – as part of their audit procedures, EY reviews the Council's 'Whole of Government Accounts' (WGA) submission to HM Treasury. EY cannot issue its certificate to formally conclude the annual audit until this WGA work is complete. Typically production of the WGA is timetabled to run alongside the main financial statements, but this has been subject to significant delay in 2020/21, in part a fallout from HMT's implementation of the OSCAR II system the previous year. At the time of writing, HMT has yet to issue the WGA Data Collection Tool for 2020/21, which has prevented EY from issuing its 2020/21 audit certificate. Any repeat of this delay in 2021/22 will again risk the conclusion of the audit by the end of September target. Note however that the impact is limited to the issuance of the audit certificate, and should not affect the audit opinion and publication of audited financial statements.
- **CIPFA** – as described in section 1, CIPFA has issued an emergency consultation in relation to the Code of Practice on Local Authority Accounting. The outcome of this consultation will determine the requirements for the revaluation of operational Property, Plant and Equipment in 2021/22. Any resultant Code update is expected to be published by the end of March. Additionally, CIPFA releases an annual 'Closedown Bulletin' to provide practitioners with further guidance on emerging accounting issues. This is typically published by the end of April.
- **EY** – the timely conclusion of the audit is dependent upon (amongst other things) the allocation of sufficient resource by EY. This is a challenge for EY (and the other audit firms) due to competing demands (all local government audits need to be scheduled during the same window) and limited supply of suitably qualified staff (a consequence in part of dramatically reduced audit scale fees over the past decade). Additionally, in recent years the local audit team has relied on central experts ('EY Real Estates') to gain assurance over the property valuations undertaken by the Council's valuer, which has proved to be a further bottleneck.

4. Roles & Responsibilities and Project Organisation

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

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

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

5. Project Plan Milestones

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

Task	Due date	Lead
Letter of instruction issued to property valuers	31 August 2021	SMc
Bruton Knowles provide draft property valuation certificates for Corporate Finance review	13 December 2021	VEM
CIPFA Emergency Code Consultation closes	3 March 2022	CIPFA
Issue closedown timetable to practitioners	4 March 2022	VC
EY commence 7-week Planning/Interim Audit	7 March 2022	EY
RAAC considers accounting policies and handbook	14 March 2022	DEM
CIPFA Consultation outcomes to be confirmed; Code update to be issued as appropriate	31 March 2022	CIPFA
Deadline for submission of school bank reconciliations	8 April 2022	SFS
Service & consolidated capital monitors submitted for outturn PRR	14 April 2022	SFBP/ FPM
Outturn management accounts finalised	20 April 2022	FPM
Bruton Knowles provide final valuation report	22 April 2022	VEM
Member & Senior Officer Related Party survey deadline	29 April 2022	DEM
Anticipated receipt of HR establishment & bandings reports	29 April 2022	CAP
CIPFA Closedown Bulletin due to be published	29 April 2022	CIPFA
Executive Leadership Team considers outturn PRR	5 May 2022	FPM
Anticipated receipt of IAS19 pensions actuary reports	20 May 2022	WSPF
Senior Officer Remuneration disclosure available for review by Finance and HR Directors	20 May 2022	VC
Fixed Asset Register "lockdown" – QA complete and disclosures handed over for financial statements	10 June 2022	SMc
Cabinet Briefing considers outturn PRR	28 June 2022	DEM
Council Tax and Business Rates outturn collection funds requested from billing authorities	1 July 2022	VC
Ledger closed – no further transactions	8 July 2022	SMc

Task	Due date	Lead
Outturn PRR scrutinised by Performance & Finance Scrutiny Committee	13 July 2022	DEM
Handover of financial instrument disclosures	15 July 2022	VC
RAAC meeting; progress update	18 July 2022	VC/EY
Outturn PRR approved by Public Cabinet	20 July 2022	DEM
Complete draft Statement of Accounts (SoA) available for senior management QA	22 July 2022	SMc
CFO certifies draft SoA for publication on WSCC website & submission to EY	29 July 2022	KE
Commencement of County financial statements audit	1 August 2022	EY
Start of accounts inspection period	1 August 2022	VC
Finalisation of audit working paper file	5 August 2022	SMc
Draft WGA submitted to HMT and available for audit	31 August 2022	SMc
Scheduled conclusion of financial statements audit – schedule of audit adjustments agreed with EY	9 September 2022	EY
End of accounts inspection period	12 September 2022	VC
CFO authorises audited SoA for RAAC despatch	13 September 2022	KE
EY despatches final Audit Results Report to RAAC	13 September 2022	EY
RAAC Member Briefing – walkthrough audited financial statements	15 September 2022	DEM
RAAC approves audited SoA	22 September 2022	DEM
EY provides audit opinion	Late September TBC	EY
EY provides WGA Assurance Statement and audit certificate	Late September TBC	EY
Audited SoA published on website	30 September 2022	SMc
Target date for submission of audited Whole of Government Accounts to Treasury	30 September 2022	SMc

Leads: **CAP** CAPITA HR Reporting Team; **DEM** Democratic Services; **EY** External Auditors; **FPM** Financial Planning Manager; **KE** Katharine Eberhart; **SFBP** Strategic Finance Business Partners; **SFS** Schools Financial Services;

SMc Sean McEwan; **VC** Vicky Chuter; **VEM** Valuation & Estates Management; **WSPF** West Sussex Pension Fund

6. Human Resource Requirements

The Project Team primarily comprises Financial Control, led by Sean McEwan (Finance Manager). Three members of the team will be effectively working full-time on the preparation of the Statement of Accounts from April to July, equating to approximately 1,900 hours over the four-month period. However, the total resource requirement is likely to be far in excess of this figure. Within Corporate Finance, there are significant inputs outside of Financial Control, particularly from the Treasury Management, Income & Banking and Capital Finance functions. There is also significant input from the Financial Reporting Manager as Project Manager. Strategic Finance also has a fundamental role in the process, particularly during April when the management accounts are closed and subsequently in the provision of supporting working papers. There is also a substantial demand on all of the above teams throughout the audit period (scheduled for August/September). Finally, there are numerous inputs from outside the Finance function, as illustrated by the dependencies identified in section 3.

7. Other Budget Requirements

The audit scale fee, as agreed nationally by Public Sector Audit Appointments Ltd (PSAA), has been notified as £90,561 for 2021/22.

However, it is anticipated that additional fees will be chargeable for the 2021/22 audit. EY's final fee for 2019/20, which has just been confirmed by the PSAA, included an additional charge of £80,135. This comprises a mixture of 'scale fee rebasing' (to reflect a perceived increase in work arising at a sector level to address professional and regulatory requirements and scope associated with risk) and local fee variations arising from additional audit work undertaken in-year. It is therefore likely that EY will request the PSAA to approve additional fees to reflect both the rebasing and local variations in 2020/21 and subsequent years.

The Authority adopts a rolling approach to its valuation of property assets. As part of this on-going programme, approximately 270 valuations are expected to be commissioned from our external valuers, Bruton Knowles, during the 2021/22 closedown process, at a cost of c£25,000. Additionally, the Council has (in response to a recommendation made by EY in its 2020/21 Audit Results Report) instructed a full development appraisal for Horsham Enterprise Park to reduce the estimation uncertainty associated with the valuation of this complex site. The cost of this appraisal is expected to be in the region of £5,000, taking the full cost of the revaluation exercise to around £30,000.

The Council has also instructed its Pension Fund actuary, Hymans Robertson, to provide reports revaluing the LGPS and Firefighter's Pension Scheme assets and liabilities in accordance with the requirements of IAS 19. The cost of these exercises is forecast to be in the region of £5,000 (Fire) and £3,500 (LGPS), with the latter providing for two bulk academy transfers and the Council's share of costs recharged by the Fund for work undertaken by the actuary to support EY's assurance work.

8. Project Control & Quality Assurance

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

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

9. Communications Plan

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

With RAAC

- 14 March – sign-off Accounting Policies and Project Management Handbook; EY to present Audit Plan
- 18 July – officers to provide progress update; EY to update on Audit Plan as necessary
- 15 September – briefing session to walkthrough audited financial statements
- 22 September – approve audited accounts and consider Audit Results Report.

With EY

- Pre-audit liaison meeting in February
- Regular meetings throughout planning/interim audit (March/April)
- Check-ins as necessary during financial statements production (May/June/July)
- Weekly liaison meeting throughout financial statements audit (August/September)
- EY to report Audit Plan to RAAC in March and Audit Results to RAAC in September.

10. Risk Analysis

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

- The outcome of the live emergency Code consultation launched by CIPFA (see section 1) is a significant unknown and therefore a risk to the successful progression of the project. There are multiple potential scenarios, and the final Code requirements will not be confirmed until late March. At that time discussions will be required with key stakeholders (including EY and Bruton Knowles) to establish the best way forward, and these conversions will need to take place in parallel with the ongoing progression of tasks on the project plan. This approach is likely to be inefficient (with the potential for wasted/duplicated effort) and could cause delays, but these should be accommodated within the extended production timescale for draft accounts. Depending on the outcome of the consultation, further risks may arise, including the availability of any nationally prescribed indices and/or what assurances auditors seek in response to any changes in approach (and the extent therefore to which CIPFA's stated aim of reducing the audit burden is in fact realised).
- As identified in section 3, the Authority is dependent on external experts for the provision of some estimates which feature in the accounts, such as the pension fund actuary and property valuers. Property and pension fund valuations represent highly material values on the Authority's balance sheet, and impact on many areas of the financial statements. Any delay in the provision of this information by the external experts therefore risks the finalisation of draft accounts by the legislative deadline. The inherent risk associated with property valuations last year (the first since the award of the new Asset Valuation Services contract) has therefore been reduced by the establishing of valuation approaches and quality control processes during last year's audit, and further mitigated by the bringing forward of the instruction this year to allow for a more extensive QA period.

Agenda Item 5

Appendix A

- The Financial Control team, managed by Sean McEwan, has experienced significant turnover over the past year. Of the four posts reporting to Sean, only one member of staff was in situ for the 2020/21 accounts; two other team members joined in July and September 2021 respectively, with a further post currently being held vacant. This is a direct risk to the production of the financial statements (as staff are picking up new responsibilities for the first time), and also an indirect risk in that Sean's time (which would otherwise be devoted to the management of the accounts preparation project) may be called upon to support members of his team as they continue to learn their new roles. This risk is mitigated primarily by taking advantage of the extended legislative deadline for the publication of draft accounts.
- The Authority is currently in the design phase of its 'Smartcore' project to replace its current SAP Enterprise Resource Planning software with Oracle Fusion. This is a time pressured and therefore very resource-intensive project, and Subject Matter Experts from across the Finance function are engaged to work with our Implementation Partners to ensure the solution meets our organisational requirements. Whilst these SME's have been sourced from outside the direct final accounts project team, it is inevitable that the expertise of the team will be drawn upon at various intervals to ensure that delivery remains on track, particularly in areas of specialism such as GL and Fixed Assets where the detailed technical knowledge does not exist outside of one or two core team members. This is an additional resourcing risk that will exist throughout the accounts preparation and audit process, and prioritisation at the project owner level may be required to balance two key corporate priorities.
- Auditor resources, both locally and centrally, are a risk to the timely conclusion of the audit and publication of audited accounts by the end of September. As recognised in both the Redmond Review and CIPFA's emergency Code consultation (see section 1), a shortage of appropriately qualified auditors is a contributory factor to delays in audit completions being witnessed nationally. For WSCC, a particular issue in recent years has been EY's reliance on their central Real Estates team (EYRE) to re-perform property valuations. The commissioning of EYRE by dozens of local audit teams concurrently has resulted in delays to the progression of this aspect of work which has in turn delayed the conclusion of the wider audit. This risk is being mitigated in 2021/22 by the early scheduling of the audit (due to conclude in September before EY switch to other local government clients in advance of the November legislative deadline) and also EY's intention to reduce their reliance on EYRE to re-perform property valuations and to undertake more of this work locally.

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

Annex A

West Sussex County Council: Closedown Risk Register

Key: Risk (R): Impact x Likelihood

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

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

Risk	Potential Impact	Initial Risk (I – Impact L-Likelihood R- Risk)			Mitigation	Who	Time scale
		I	L	R			
Impact of CIPFA Emergency Code Consultation	Significant uncertainty given live consultation and therefore final requirements for 2021/22 still unknown. Potential risk to both draft and audited accounts deadlines depending on required accounting treatments and auditor response (testing requirements).	3	3	9 (A)	Proceed with original project plan until changes are confirmed. Extended deadline for draft accounts should provide necessary flexibility (and proposed change in relation to 2021/22 is currently optional). Greater risk (and reward) relates to audit requirement – maintain dialogue with EY to agree approach.	Sean McEwan	April – September 2022
Failure to complete audit in scheduled period	Availability of appropriately qualified audit resource is a risk to the timely conclusion of the audit. Delays potentially increase audit fees and may cause clashes for officers with competing priorities during the Autumn (e.g. budget preparation, Smartcore etc).	3	3	9 (A)	Early scheduling of audit to avoid clash with other EY clients. Early agreement and provision of working papers and prioritisation of audit during defined period to ensure timely resolution of queries. EY to reduce reliance on central EYRE team for re-performance of property valuations. Extension of statutory deadline to 30-Nov reduces impact of missing September target.	Sean McEwan	August to September 2022
Dependency on external suppliers (pensions actuary / property valuations)	Provision of reports for capital and pension accounting purposes is on the 'critical path' for the preparation of the accounts. Reliance on experts provides assurance over extremely material balances in the Authority's core financial statements.	4	2	8 (A)	Early engagement with suppliers and agreement to defined timetable. Internal data dependencies identified (Pensions Administration, Estates Management) and requirements shared. Early instruction of property valuations and frequent meetings to provide for extensive quality assurance.	Sean McEwan	August 2021 – July 2022
Failure to achieve draft accounts deadline due to internal resourcing issues	Resourcing issues (specifically arising from turnover and holding of vacancy) is a risk to the certification of draft accounts in accordance with the legislative deadline. Consequential implications for commencement of audit and further legislative requirements for approval of audited accounts.	4	2	8 (A)	Development of detailed project plan detailing component tasks, dependencies etc. Restrictions on team leave/study during peak period to ensure sufficient capacity. Extra flexibility provided by extension to draft accounts deadline in legislation mitigates risk.	Vicky Chuter	April – July 2022

Agenda Item 5
Appendix A

Risk	Potential Impact	Initial Risk (I – Impact L-Likelihood R- Risk)			Mitigation	Who	Time scal e
		I	L	R			
Demands of Oracle implementation project on core project team	Specialism limited in areas such as fixed assets and GL to one or two core project team members. Risk to delivery of draft accounts and support to external audit if these individuals are pulled too heavily into concurrent SAP replacement project.	4	2	8 (A)	Oracle project team has been resourced without direct impact on core final accounts project team. Senior representation on both projects to ensure that resourcing clashes are mitigated appropriately.	Vicky Chuter	April – September 2022

2021/2022 Final Accounts Closedown

West Sussex Pension Fund (WSPF)

Project Management Handbook

Background & Overview

1. A Project Management Handbook has been prepared, recognising the importance of achieving an unqualified set of final accounts for the organisation, for the assurance it gives in:
 - Providing a reliable foundation for decision-making and planning.
 - Maintaining the reputation of the West Sussex Local Government Pension Scheme (LGPS) and providing employers with assurance around the stewardship and transparency of the arrangements in place.
 - Ensuring key processes are identified and adhered to.

Key Milestones, Project Controls and Quality Controls

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

Milestone	Date
Verification of information provided by fund managers, custodian and pension services team and reconciliation against the core accounting system (SAP) to enable full technical review of draft Statement of Accounts (SoA) by Lead Reviewer.	20 May 2022
Completed internal quality assurance (QA) of SoA.	10 June 2022
Submission of draft SoA to Ernst & Young (EY).	24 June 2022
Ensure that individual electronic working papers are provided in accordance with the agreed protocol with EY, signed off by the Lead Reviewer.	24 June 2022
Completion of EY audit work within advised fee scale.	9 September 2022
Consideration of final SoA by RAAC	22 September 2022
Provision of an unqualified audit certificate following meeting of RAAC.	Late September 2022 (TBC)
Publication of audited SoA on website.	30 September 2022

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

Roles & Responsibilities

Project organisation

4. Katharine Eberhart, Director of Finance & Support Services, as Section 151 officer, will be the Project Owner who will sign off the accounts presented to the Regulation, Audit and Accounts Committee (RAAC). The Director will be responsible and accountable for ensuring the accounts work remains focused and on course to meet the key deliverables as set out in the Key Milestones (above).
5. Rachel Wood, Pension Fund Strategist, will oversee the preparation, review and delivery and provide the final quality assurance (Lead Reviewer) of the SoA on behalf of the Project Owner and will monitor the progress of the team against the agreed project plan.
6. Dara Quaid, Finance Manager, is responsible for managing the team with responsibility for day-to-day project control, keeping the detailed project plan under close review and ensuring technical compliance to CIPFA Code of Practice. The Finance Manager will facilitate weekly project team meetings on progress against milestones and risks and monthly meetings between the project team.
7. In preparation for the delivery of the accounts, considerable resources have been committed throughout the year. Between March and July, the Pension Fund's accounting team (3.8 FTE) will be working to deliver the Project Plan.

Other Stakeholders (third party providers)

8. The interdependencies of individual tasks are identified in the Project Plan. In addition, several tasks within this Project Plan require input from individuals outside of the immediate Pension Fund's accounting team - including fund managers, administration service providers, custodian and professional bodies. These are listed below.
 - Financial Reporting Manager (WSCC)
 - Legal Services (WSCC)
 - Pension Services (Hampshire CC)
 - External Valuer (Savills)
 - External Fund Managers (Aberdeen Standard, Fidelity, Goldman Sachs, ICG, JP Morgan, Link, Macquarie, Pantheon, Partners Group, UBS)
 - Custodian (Northern Trust)
 - Fund Actuary (Hymans Robertson)
 - Professional Body (CIPFA)
 - External Auditor (Ernst Young)
 - Investment Pool (ACCESS)

Key Risks

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

Annex 1 - Milestones

Task	End date	Lead
'Interim Audit'	7 February 2022	EY
Consideration of the accounting policies and project management handbook by Regulation, Audit & Accounts Committee (RAAC).	14 March 2022	DEM
Verification of information provided by fund managers, custodian and pension services team and reconciliation against SAP to enable full technical review of draft Statement of Accounts (SoA) by Lead Reviewer.	20 May 2022	PFS
Draft SoA QA completed.	27 May 2022	FMA
Completed internal quality assurance (QA) of SoA.	10 June 2022	PFS
Submission of draft SoA to Ernst & Young (EY).	24 June 2022	FM
Ensure that the individual electronic working papers are provided in accordance with the agreed protocol with EY, signed off by the Lead Reviewer.	24 June 2022	PFS
Audit Commences	1 July 2022	EY
Member Briefing with RAAC, Pensions Committee and Pension Advisory Board.	15 Sept 2022	DEM
Accounts inspection period commences.	1 August 2022	FMA
Completion of EY audit work within advised fee scale.	9 September 2022	EY
End of accounts inspection period.	12 September 2022	FMA
EY despatches final Audit Results Report to RAAC.	13 September 2022	EY
Consideration of final SoA by RAAC.	22 September 2022	DEM
Opinion on financial statements and signed audit certificate provided.	Late September 2022	EY
Anticipated deadline for submission of audited Whole of Government Accounts to Treasury.	30 September 2022	FMA

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

Annex 2 - West Sussex Pension Fund closedown – Risk Register

Key: Risk (R): Impact x Likelihood

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

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

Risk	Potential Impact	Initial Risk (I – Impact L-Likelihood R- Risk)			Mitigation	Who	Time scale
		I	L	R			
Market Volatility	Market volatility impacting on the estimation techniques in the draft accounts.	3	3	9 (A)	Engage with Fund Managers and Advisors through-out the process	FMA	March to July 2022
Resource availability reduction	The core project team are required to operate at maximum capacity throughout the accounting period. Any staff unavailability could result in the inability to complete technical accounting tasks and issue the accounts by the deadline.	4	2	8 (A)	Utilisation of resources across the wider Pensions team. Adhere to public health advice and engage with third parties around business continuity plans.	FMA	March to July 2022
Delay in information supplied by third party providers (including Private Equity & Private Debt Fund Managers)	Prevents completion of statements and delays time available for Quality Assurance.	4	2	8 (A)	Requesting information early. Estimates to be calculated for Private Equity & Private Debt. Additional time allowed to embed QA processes.	FMA	March to May 2022
Demands of Oracle Implementation project on core project team	Risk to delivery of draft accounts and support to external audit if individuals are pulled too heavily into concurrent SAP replacement project because of their specialism.	4	2	8 (A)	Oracle project has been resourced with subject matter experts sourced from outside the direct final accounts team. SME on both projects to ensure that resourcing clashes are mitigated appropriately.	PFS	March to July 2022
Failure to provide information to EY on time and in compliant form	Delays in audit, causing additional audit fees	3	2	6 (A)	Early liaison with EY over format of working papers	PFS	March to July 2022
Late additional technical requirements	Delays to timetable	2	2	4 (A)	Professional networking, liaison with CIPFA and attendance at year-end events/conferences	FMA	March July 2022

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

West Sussex County Council Accounting Policies 2021/22

(i) General Principles

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

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

(ii) Property, Plant and Equipment

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

Recognition

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

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

Recognition - Schools

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

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

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

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

Agenda Item 5

Appendix Ci

Measurement

Assets are initially measured at cost, comprising:

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

The Authority does not capitalise borrowing costs.

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

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

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

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

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

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Surplus or Deficit on Provision of Services where they arise from the reversal of a loss previously charged to a service).

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

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

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

Impairment

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

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

Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

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

Depreciation

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

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

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

Componentisation

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

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

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

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

Agenda Item 5 Appendix Ci

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

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

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

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

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

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

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

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

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

A direction provided by the Secretary of State for Housing, Communities and Local Government under the Local Government Act 2003 provides for additional flexibility on the use of capital receipts until March 2025. Under this direction, authorities may apply capital receipts received in the years to which the direction applies to meet the revenue costs of transformation projects which are designed to deliver ongoing savings and/or reduce costs or demand. The Authority's Flexible Use of Capital Receipts Strategy is subject to annual approval by full Council. Where this flexibility is applied, capital receipts are transferred out of the Capital Receipts Reserve to finance qualifying expenditure in accordance with the Code's requirements for the accounting of Revenue Expenditure Funded from Capital Under Statute (REFCUS).

(iii) Investment Property

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

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

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

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

(iv) Charges to Revenue for Non-Current Assets

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

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

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

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

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

Agenda Item 5

Appendix Ci

Supported Borrowing

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

Unsupported Borrowing

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

MRP – Finance Lease and PFI

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

(v) Intangible Assets

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

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

(vi) Government Grants and Contributions

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

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

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

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

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

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

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

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

(viii) Leases

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

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

The Authority as Lessee

Finance Leases

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

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

Lease payments are apportioned between:

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

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

Operating Leases

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

Agenda Item 5

Appendix Ci

The Authority as Lessor

Finance Leases

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

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

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

Lease rentals receivable are apportioned between:

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

Operating Leases

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

IFRS Transitional Rules

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

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

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

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

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

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

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

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

(x) Accruals of Income and Expenditure

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

In particular:

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

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

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

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

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

(xi) Overheads and Support Services

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

Agenda Item 5

Appendix Ci

(xii) Reserves

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

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

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

(xiii) Provisions

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

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

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

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

(xiv) Contingent Liabilities

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

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

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

(xv) Financial Instruments

a) Financial Liabilities

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

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

b) Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost:

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

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

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

Agenda Item 5 Appendix Ci

Expected Credit Loss Model:

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

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

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

Financial Assets Measured at Fair Value through Profit or Loss:

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

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

Fair Value Measurements of Financial Assets:

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

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

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

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

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

(xvi) Cash and Cash Equivalents

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

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

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

(xvii) Schools

The Code confirms that the balance of control for local authority maintained schools (as identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority single entity financial statements (and not the group accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Authority as if they were the transactions, cash flows and balances of the Authority.

(xviii) Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

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

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

(xix) Value Added Tax

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

(xx) Employee Benefits

Benefits Payable During Employment

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

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

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

Termination Benefits

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

(xxi) Post-employment Benefits

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

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

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

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

The Local Government Pension Scheme and The Firefighters' Pension Scheme

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

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

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

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

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

Service cost, comprising:

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

Remeasurements, comprising:

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

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

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

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

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

(xxii) Early Retirement Costs

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

Agenda Item 5

Appendix Ci

(xxiii) Senior Officer Remuneration

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

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

There are two related disclosures required by the regulations:

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

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

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

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

(xxiv) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

(xxv) Fair Value Measurement of Non-Financial Assets

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

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

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

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

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

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

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

(xxvi) Joint Operations and Other Pooled Budgets

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

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

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

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

(xxvii) Events After the Reporting Period

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

Agenda Item 5

Appendix Ci

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

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

(xxviii) Going Concern

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

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

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

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

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

Appendix 3(b)

West Sussex Pension Fund

Summary of significant accounting policies

There are no significant changes to the accounting policies since last year. As in previous years the Pension Fund Accounts are produced in line with, and fully adhering to, CIPFA guidance

Fund Account – revenue recognition

a. Contribution income

Normal contributions, both from members and employers, are accounted for on an accruals basis. Member contributions are accrued at the percentage rate in accordance with the Local Government Pension Scheme (LGPS) Regulations 2013. Employer contributions are accrued at the percentage rate certified by the Fund Actuary in the payroll period to which they relate.

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

b. Transfers to and from other Schemes

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

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

Transfers in from members wishing to use the proceeds of their Additional Voluntary Contributions to purchase LGPS benefits are accounted for on a receipts basis and are included in transfers in.

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

c. Investment income

i. Interest income

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

Agenda Item 5 Appendix Cii

ii. Dividend income

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

iii. Private Equity

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

iv. Property-related income

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

v. Private Debt

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

vii. Movement in the net market value of investments

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

Fund Account - Expense items

d. Benefits payable

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

e. Taxation

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

f. Management expenses

The Fund discloses its Pension Fund management expenses in accordance with CIPFA's *Accounting for Local Government Pension Scheme Management Expenses (2016)* as set out below;

Administrative expenses

All administrative expenses are accounted for on an accruals basis representing the annual charge relating to the pensions administration and relevant staff costs.

Associated management, accommodation and other overheads are also apportioned to this activity.

Oversight and governance costs

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

Investment management expenses

All management expenses are accounted for on an accruals basis. Fees of the external managers and custodian are agreed in the respective mandates governing their appointment and are mainly based on the market value of the investments under management.

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

Net Asset Statement

g. Financial assets

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

h. Freehold and leasehold properties

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

i. Foreign currency transactions

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

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

j. Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of change in value.

k Financial liabilities

The Pension Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Asset Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in fair value of the liabilities are recognised by the Pension Fund.

l. Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Fund Actuary in accordance with the requirements of IAS19 and relevant actuarial standards. The Pension Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Asset Statement

m. Contingent assets and contingent liabilities

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent assets and liabilities are not recognised in the Net Asset Statement but are disclosed by way of narrative in the notes to the accounts.

**Key decision: Not applicable
Unrestricted**

Regulation, Audit & Accounts Committee

14 March 2022

Internal Audit Progress Report (February 2022)

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

Summary

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

Recommendations

- (1) That the Committee note the Internal Audit Progress Report (February 2022) as attached

Proposal

1 Background and context

1.1 Under the Accounts and Audit (England) Regulations 2015, the Council is responsible for:

- ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of functions and includes arrangements for the management of risk; and
- undertaking an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.

1.2 In accordance with proper internal audit practices (Public Sector Internal Audit Standards), the Chief Internal Auditor is required to provide a written status report to the Regulation, Audit & Accounts Committee, summarising:

- The status of 'live' internal audit reports (outstanding management actions)
- an update on progress against the annual audit plan:
- a summary of internal audit performance, planning and resourcing issues; and

Agenda Item 6

- a summary of significant issues that impact on the Chief Internal Auditor's annual opinion.

1.3 Appendix A summarises the activities of internal audit for the period up to February 2022

2 Risk implications and mitigations

Risk	Mitigating Action (in place or planned)
Services not addressing key management actions arising from the audit findings	Follow up will be undertaken to ensure that agreed actions have been implemented. A report detailing the status of high priority management actions will be presented to each meeting of this Committee for monitoring to ensure that key risks are addressed on a timely basis

Katharine Eberhart

Director of Finance and Support Services

Contact Officer: Neil Pitman, Head of Southern Internal Audit Partnership,
neil.pitman@hants.gov.uk

Appendices

Appendix A – Internal Audit Progress Report (February 2022)

Background papers

None

Internal Audit Progress Report (February 2022)

West Sussex County Council



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

Contents:

1.	Role of Internal Audit	3
2.	Purpose of report	4
3.	Performance dashboard	5
4.	Analysis of 'Live' audit reviews	6-7
5.	Executive summaries 'Limited' and 'No' assurance opinions	8-14
6.	Planning and resourcing	15
7.	Rolling work programme	15-17
Annex 1	Overdue 'High Priority' Management Actions	18-24
Annex 2	Overdue 'Low and Medium' Management Actions	25-26

1. Role of Internal Audit

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

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

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

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

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

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

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

2. Purpose of report

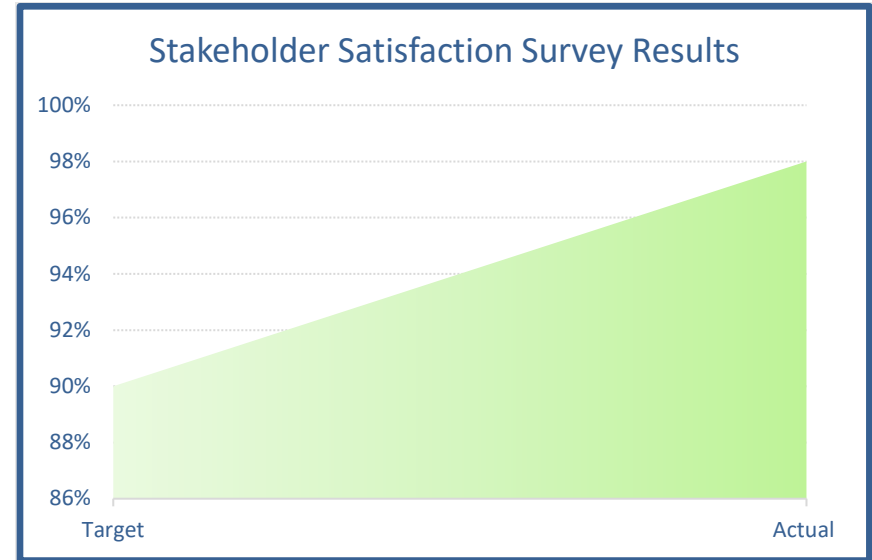
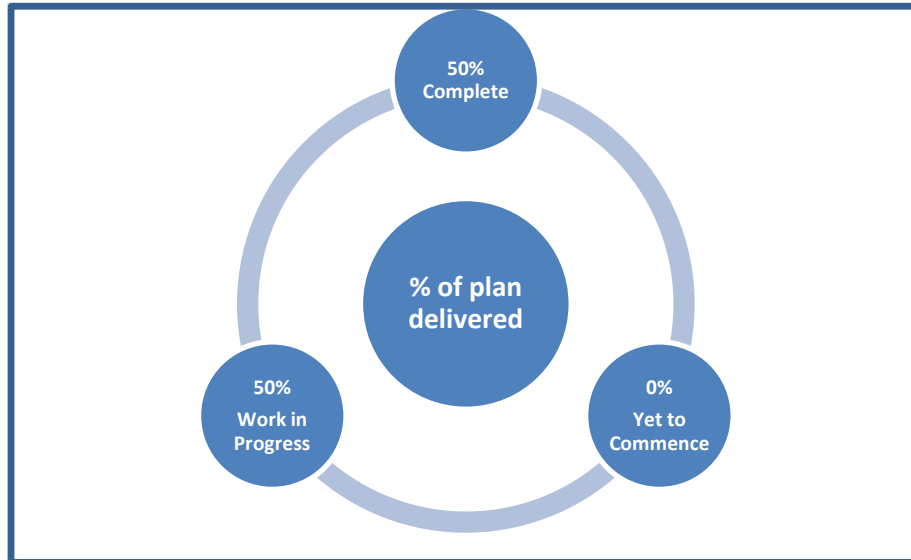
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

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

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

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

3. Performance dashboard



Compliance with Public Sector Internal Audit Standards

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

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

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


4. Analysis of 'Live' audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)	Not Accepted	Not Yet Due	Complete	Overdue		
								L	M	H
E-Income	Jun 2019	DF&SS	Adequate	1	0	0	0	1		
Special Educational Needs	Oct 2020	DCYP&L	Limited	7	0	0	6		1	
Employers Contributions / Relationships	Dec 2020	DF&SS	Reasonable	8	0	0	7		1	
School Traded Services	Mar 2021	DCYP&L	Reasonable	7	0	0	3		1	3
Risk Management	Mar 2021	DF&SS	Reasonable	10	0	1	7	2		
S75 Governance	Apr 2021	ADHI	Limited	12	0	1	7		1	3
Debt Recovery	Apr 2021	DF&SS/DL&A	Reasonable	4	0	0	3	1		
Children's Services P-Cards	Jun 2021	DCYP&L	Limited	17	0	0	5		5	7
Cyber Security (Risk Treatment)	Jul 2021	DF&SS	Reasonable	3	0	1	1		1	
Cloud Service Provisioning	Jun 2021	DF&SS	Reasonable	5	0	2	1		2	
Payroll	Sep 2021	DHR&OD	Reasonable	5	0	0	1	4		
Hammonds (Residential Care Home)	Nov 21	DA&H	No	17	0	2	13			2
Home to School Transport	Nov 21	DPS	Reasonable	7	0	0	4		3	
Annual Governance Statement	Nov 21	DL&A	Reasonable	9	0	3	2		4	
WSFRS Fleet Management	Nov 21	CFO	Reasonable	3	0	2	1			
Special Schools Funding Thematic	Nov 21	DCYP&L	Reasonable	4	0	4	0			
Budgetary Control	Nov 21	DF&SS	Reasonable	4	0	4	0			
People Framework	Nov 21	DHR&OD	Reasonable	4	0	1	3			
WSFRS Operational Training delivery	Jan 22	CFO	Limited	14	0	9	0		3	2
WSFRS Firewatch	Jan 22	CFO	Limited	4	0	4	0			
Ash Dieback	Jan 22	ADH&T	Reasonable	8	0	3	5			
IR35	Feb 22	DHR&OD	Limited	11	0	3	8			
AMHPS	Mar 22	DA&H	Reasonable	5	0	4	1			
Total								8	22	17
Overdue Management Actions - Direction of travel since January 2022 progress report								+2	+4	+4

Audit Sponsor	
Chief Executive Chief Fire Officer (CFO) Director of Human Resources and Organisational Development (DHR&OD) Director of Law and Assurance (DL&A) Director of Finance and Support Services (DF&SS)	Director of Place Services Assistant Director, Highways and Transport (ADH&T) Assistant Director, Environment and Public Protection (DE&PP) Assistant Director, Property and Assets (ADP&A) Assistant Director, Communities (ADC)
Director of Adults & Health Director of Public Health (DPH) Assistant Director, Health Integration (ADHI)	Director of Children, Young People & Learning Assistant Director, Education and Skills (ADE&S)

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

There has been one ‘no assurance’ and three ‘limited assurance’ reports published since our last progress report.

Hammonds Residential Home		
Audit Sponsor	Assurance opinion	Management Actions
Director of Adults & Health		<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: #008000; color: white; padding: 5px; text-align: center;">Low 1</div> <div style="background-color: #ffff00; color: black; padding: 5px; text-align: center;">Medium 3</div> <div style="background-color: #ff0000; color: white; padding: 5px; text-align: center;">High 13</div> </div>

Summary of key observations:

This review was undertaken following a recent thematic audit, ‘Adult Establishment Money Handling’ and has focused on the operation of the Residents’ Property Accounts

In June 2021 there was a recorded variance of £9,760.39 between value of individual client accounts and the total of the balance in bank and cash in hand. Although regular reconciliations had been completed, discrepancies had not been resolved leading to an accumulation of errors over the past four years.

An overall lack of understanding of the reconciliation process and management oversight has meant that any discrepancies have not been investigated and dealt with promptly and as a result client account balances are not accurate.

Some of the contributory causes identified through the audit to the recorded variance include:

- Cheques paid from the pooled account did not correspond to expenditure on the client accounts. A significant volume relating to one supplier who provided services to a range of clients
- Cash advances from the pooled budget not recorded on client accounts
- Discrepancies between the amounts posted in the cash diary, the spreadsheet, and the client accounts


Testing established that cash advances were made to clients who were in arrears and did not have funds to subsidise such advances. Conversely there were clients with balances in excess of £1,000 (although it should be noted that there is doubt over the accuracy of the client balances due to the issues highlighted above).

Whilst audit testing did not evidence any fraudulent activity / transactions, the lack of transparency and incompleteness of record keeping cannot provide absolute assurance.

Through discussion, it was confirmed that the Manager, Assistant Manager and Administrator were unfamiliar with the Provider Services' Financial Administration Adults' Services Practice guidance for in-house Provider Services staff (Practice guidance) which was introduced in August 2015.

The practice guidance requires that in-house provider services have procedures in place for the operation of any pooled accounts they operate and that local procedures are kept under close scrutiny and review. Whilst process notes written by the previous administrator were available, they did not include status information such as author, owner, sign-off date etc. and links within the document were not up to date. The Duty Officer's responsibilities for recording and checking of monies paid in or out of the Resident's Property account, including the cash diary and vouchers, are not included in the establishment's process notes.

Both the Administrator and Manager advised that they did not receive specific training, when taking up their posts, to operate key financial systems effectively.

WSFRS - Firewatch		
Audit Sponsor	Assurance opinion	Management Actions
Chief Fire Officer		<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: green; color: white; padding: 5px; text-align: center;">Low 0</div> <div style="background-color: yellow; padding: 5px; text-align: center;">Medium 2</div> <div style="background-color: red; color: white; padding: 5px; text-align: center;">High 2</div> </div>

Summary of key observations:

Firewatch is the key operating system used by the Service and data within is used to inform the mobilisation of operational staff and units. This review focused on the processes and procedures in place relating to the input of data to Firewatch ensuring that reliance could be placed on information held within the system.

Generally, roles and responsibilities for those inputting and monitoring data within Firewatch in relation to personal data, contract data and training expectations were clearly assigned and documented with current procedures and process maps in place to support the People Support Team.

Testing provided assurance that new starters were recorded accurately within Firewatch, and signed contracts were in place. Additionally, testing of contract changes provided assurance that those reviewed were complete and accurate.

However, there was found to be inconsistency in the monitoring and recording of training records within Firewatch to ensure the correct competencies had been assigned both initially and following contract changes, which could result in different competencies being required. Testing of training and competency records for ten Officers within Firewatch, found six contained competency expectations that were not relevant to the current role.

Management Update: Since the audit, this issue has been rectified and records are now up to date. The issue was due to administrative inconsistencies with updating information as staff moved roles, which has been addressed using a temporary resource initially, with further improvements planned though the use of an automated form to remove the potential for human error in the process.

Responsibility for maintaining these records was previously carried out by the Training Administrator who has since left the organisation and has not been consistently carried out since. Responsibilities have since been transferred to the Learning and Development Instructor following their appointment in March 2021.

Recruitment of green book Fire Service staff is managed by WSCC Resourcing and notification should be passed to People Support to enable their data to be recorded within Firewatch. Discussions with People Support found that this isn't a formalised or documented process and therefore information is often untimely and incomplete.

Our review of the Maintenance of Competence Programme for Operational Personnel - Guidance Note found that the document has not been updated since 2016.


Management Update: The policy has since been reviewed and is progressing through the appropriate governance for approval. This has been incorporated into service plans under the Community Risk Management Plan.

Our opinion is based on the current level of risk to the Service due to the inconsistencies and issues surrounding competency data recorded within Firewatch and the potential risk of mobilising Officers who do not meet competency standards.

Management Update: A project has been started to create a connection between Learning Pool and Firewatch systems to reduce duplication and ensure accurate updates to both systems simultaneously.

The measures implemented by the Service to address these issues are reasonable to reduce the risk going forward. However, until the full review of all Officer competency records is complete, we cannot be assured that Officers have appropriately assigned competency expectations for ongoing training and monitoring purposes.

Management Update: This review has commenced and is part of the ongoing Service Plans under the Community Risk Management Plan.

WSFRS - Operational Training delivery		
Audit Sponsor	Assurance opinion	Management Actions
Chief Fire Officer		<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: green; color: white; padding: 5px; text-align: center;">Low 1</div> <div style="background-color: yellow; padding: 5px; text-align: center;">Medium 6</div> <div style="background-color: red; color: white; padding: 5px; text-align: center;">High 7</div> </div>

Summary of key observations:

This review focused on the provision of quality assured operational training to ensure officers remain “in ticket” for their role, and, to ensure, through robust recording and reporting, that reliance can be placed on training provision in terms of its timely completion. Sample testing concentrated on review of the completion of training and seeking assurance around the recording of Maintenance of Competence and Maintenance of Knowledge courses between Learning Pool and the service’s main training database, FireWatch.

Positively, the WSFRS Operational Training strategy documentation shows focus on the future of the service in terms of training provision and succession planning. The Learning and Development prospectus illustrates potential career paths in terms of training required, from newly recruited staff through to senior management in the service. In addition, regular reporting is carried out which ensures effective monitoring of training takes place, that attendees attend the courses they are booked onto, and that cases of non-attendance are known and followed up so that training is re-scheduled.

However, testing of operational staff completion of compulsory training courses found that in terms of their annual Physical Fitness Assessments (after allowing for staff on modified duties), around 15% of the workforce were not “in ticket” as at 8th October 2021.

Management Update: Since the audit, this has been addressed and is now all up to date. The issue was due to administrative inconsistencies with updating information as staff moved roles, which has been addressed using a temporary resource initially, with further improvements planned through the use of an automated form to remove the potential for human error in the process.


Our review of system accuracy of records retained in Learning Pool and FireWatch found a number of discrepancies between the systems. Some courses recorded in Learning Pool did not have a corresponding code in FireWatch to allow an accurate view of their training status, specifically in terms of Maintenance of Competence coding.

The training policy (Learning and Development Standard Operating Procedure) which underpins the strategy, covers essential information required at policy level and aligns with national training guidelines at a high level. However, it has not been reviewed since 2011.

Management Update: The policy has now been reviewed and will go live in March 2022.

Whilst we were advised that trainers have attended qualification courses for the training they deliver, complete certification had not been retained by WSFRS and we were not able to evidence full certifications for all courses which are delivered by training staff.

Management Update: A gap analysis has now been completed and all missing certification is being updated ahead of 31st March 2022 using the temporary administrative resource.

IR35		
Audit Sponsor	Assurance opinion	Management Actions
Director of Human Resources and Organisational Development		<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: green; color: white; padding: 5px; text-align: center;">Low 0</div> <div style="background-color: yellow; padding: 5px; text-align: center;">Medium 6</div> <div style="background-color: red; color: white; padding: 5px; text-align: center;">High 5</div> </div>

Summary of key observations:

As part of the Internal Audit Plan for 2021/22, we have undertaken a review of the processes in place to ensure workers, provided through intermediaries, have been identified and assessed as to whether they are in the scope of the IR35 regulation.

The off payroll working rules can apply if a worker (sometimes known as a contractor) provides their services through their own limited company or another type of intermediary. An intermediary will usually be the worker’s own personal service company but could also be a partnership or an individual. The IR35 regulations ensure workers, who would have been an employee, if they were providing their services directly to the Council, pay broadly the same Income Tax and National Insurance contributions as employees. It is the Council’s responsibility to determine whether the off payroll working rules apply.

A previous audit review was undertaken as part of the 2018/19 audit plan and reported in August 2019. The review concluded a limited assurance opinion and some of the issues raised in this review replicate those identified previously around the completion of accurate Check Employment Status for Tax (CEST) and IR35 procedure guidance.

From the sample reviewed observations highlighted instances where CESTs were absent or out of date. We further found information documented within the Status Determination Statements was found on occasions, to be inaccurate or incomplete.

Policy, procedure and guidance documents have not been routinely updated to reflect organisational change and do not include a document date, version control or future review date.

A review of consultancy suppliers revealed half (3/6) had the employment status of “not an individual” incorrectly selected on the Supplier Approval Form. One of the remaining three suppliers was incorrectly assessed as “self-employed”.

6. Planning & Resourcing

Due to the continued challenges and uncertainties presented by COVID-19 initial internal audit planning for 2021-22 focused on activity during the quarter 1 which was approved by the County Council’s Executive Leadership Team and the Regulation, Audit & Accounts Committee in March 2021.

It was agreed that to ensure internal audit focus remained timely and relevant to the changing needs and requirements of the organisation that SIAP would continue to liaise with key stakeholders over the remainder of the year to develop ongoing quarterly plans.

The rolling work programme (section 7 below) outlines audit activity during Q1, Q2, Q3 and Q4.

7. Rolling Work Programme

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
2020/21								
Dual Use Agreements	DP&A	✓	✓	✓	Dec 21	Dec 21	n/a	Position Statement
Central Government Grants (allocation)	Corporate	✓	✓	✓	Oct 21	Nov 21	Reasonable	
Procurement (sub £100k)	DF&SS	✓	✓	✓	Jun 21			
Cyber Security (Risk Treatment)	DF&SS	✓	✓	✓	Jun 21	Jul 21	Reasonable	
Cloud Service Provisioning	DF&SS	✓	✓	✓	Jun 21	Jun 21	Reasonable	
School Thematic Review(s)	DCYP&L	✓	✓	✓	Jun 21	Nov 21	Reasonable	
2021/22								
Ash Dieback	ADHT&P	✓	✓	✓	Jan 22	Jan 22	Reasonable	
Our Council Plan (Reset) - Performance	CE/DF&SS	✓	✓	✓	Sep 21	Oct 21	Reasonable	
Think Family claims	DCYP&L	✓	n/a	n/a	n/a	n/a	n/a	Complete
Firewatch	CFO	✓	✓	✓	Aug 21	Jan 22	Limited	
Home to School Transport	DPS	✓	✓	✓	Sep 21	Nov 21	Reasonable	
Highways Maintenance – Contract Management	DPS	✓	✓	✓	Jul 21	Aug 21	Reasonable	
School Thematic – HT Pay	DCYP&L	✓	✓	✓	Feb 22			

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
SFVS	DCYP&L	✓	n/a	n/a	n/a	n/a	n/a	
Hammonds (Residential Care Home)	DA&H	✓	✓	✓	Sep 21	Nov 21	No	
People Framework	DHR&OD	✓	✓	✓	Aug 21	Nov 21	Reasonable	
SmartCore (Oracle Fusion)	DF&SS	✓	✓	✓				
Annual Governance Statement	DL&A	✓	✓	✓	Nov 21	Nov 21	Reasonable	
Payroll	DF&SS	✓	✓	✓	Jul 21	Sep 21	Reasonable	
Mortuary Services Contract Management	DPS	✓	✓	✓	Oct 21	Nov 21	Reasonable	
IT Transition Programme	DF&SS	✓	✓	✓	Jul 21	Aug 21	n/a	
IT Assurance Mapping	DF&SS	✓	✓					
Adults Income	DA&H	✓	✓	✓				
AMHPS	DA&H	✓	✓	✓	Feb 22	Mar 22	Reasonable	
WSFRS Risk and Business Continuity	CFO	✓	✓	✓	Feb 22			
Financial Resilience	DF&SS	✓	✓	✓				
Health & Safety	DHR&OD	✓	✓	✓				
Capital Project Delivery (Education)	DCYP&L / DPS	✓	✓	✓				
Accounts Receivable	DF&SS	✓	✓	✓				
Budgetary Control	DF&SS	✓	✓	✓	Sep 21	Nov 21	Reasonable	
WSFRS Operational Training Delivery	CFO	✓	✓	✓	Nov 21	Jan 22	Limited	
WSFRS Fleet Management	CFO	✓	✓	✓	Oct 21	Nov 21	Reasonable	
WSFRS Working Time Directive	CFO	✓	✓	✓				
IR35	DHR&OD	✓	✓	✓	Aug 21	Feb 22	Limited	
Parkside Service Charge Review	DPS	✓	✓	✓	n/a	Sep 21	n/a	Independent verification of service charge to HDC.
Information Governance - GDPR	DL&A	✓	✓	✓				
Assurance Mapping–Children’s Services	DCYP&L	✓						
Equality Impact Assessments	ADHT&P	✓	✓	✓				
Climate Change Strategy	ADE&PP	✓	✓	✓				
Payments to Providers	DA&H	✓	✓	✓				
Assurance Mapping-Adult Services	DA&H	✓	✓	✓				

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Savings Realisation	DF&SS	✓	✓	✓				
Vaccination (Preparedness)	DHR&OD /DA&H	✓	✓	✓	n/a	Nov 21	n/a	Position Statement
Business Continuity (WSCC)	CFO	✓	✓	✓				
School Thematic – Summer School Funding	DCYP&L	✓	✓	✓				
HR Policy Decision Making	DHR&OD	✓						
Treasury Management	DF&SS	✓	✓					
SEND	DCYP&L	✓						
WSFRS Communication and Equipment	CFO	✓	✓					
WSFRS Safe and Well Visits	CFO	✓	✓	✓				
SFVS Returns Q4 21-22	DCYP&L	✓						
Contract Management Advocacy Services	DA&H	✓	✓					
Local Energy Communities for the 2 Seas Region (LECSEA)	ADE&PP	✓						
Grants								
Highways Maintenance Block Grant	ADHT&P							Complete
HIV PrEP	DPH							Complete
Additional Home to school transport	ADHT&P							Complete
Bus Services Operator Grant	ADHT&P							Complete
Travel Demand Management Grant	ADHT&P							In progress

Annexe 1

Overdue 'High Priority' Management Actions

School Traded Services - Reasonable			
Observation: Strategy There is no agreed strategy in place on how to grow School Traded Services income and reach the £500,000 income target within 3 years.			
Management Action	Original Due Date	Revised Due Date	Latest Service Update
Project timeline to be established identifying tasks /steps required to prepare for the withdrawal of DSG funding from April 2022	31.10.21	30.09.22	The Government is in consultation with all LA's regarding the brokerage grant which funds school effectiveness. The consultation is looking at changing statutory responsibilities of LA's. It is not yet clear from Government whether all the grant will be withdrawn or a proportion. Until the consultation is complete, and the amounts involved known the project timeline cannot be developed.
Strategy to be formed & communicated	30.07.21	30.09.22	A questionnaire is due to be issued to all stakeholders to help understand their requirements which have changed in part due to the pandemic. The results alongside clarification of funding will help inform the development of the new strategy.

Observation: Pipeline Report

We observed that there is a pipeline report in place which plans when products / school services will go through the scrutiny process via the QA Board. Whilst plans include all Education & Skills school services, it does not include all school services delivered throughout the wider Council.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Consider next steps following the LGA review outcomes.	31.05.21	30.09.22	The LGA review is being considered as part of the restructure and will influence the strategic direction of the service. The service is concentrating on the educational offers first but will continue to offer other services from the wider council which can be included via the QA board process. The intention is to communicate to the wider council the position regarding traded services and to encourage their buy in to it.

S75 Governance - Limited**Observation: Agreement of Budgets**

The Section 75 Agreement requires annual agreement between the Parties on which budgets are pooled and which are non-pooled including which party is responsible for holding the funds. The pooled/non pooled budget has not been formally agreed for 2020/21 due to the exceptional circumstances of COVID 19, however, it is noted that the 2019/20 budget was not formally approved until 28 February 2020.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
2021-22 final budgets to be updated in the S.75 schedules by means of variation once these are confirmed.	30.09.21	30.03.22	This work will take longer previously anticipated due to the impact of Covid-19 and the need to align health and social care planning processes. The council will also shortly be undertaking a review of commissioning arrangements and governance.

Observation: Budget Monitoring Reports

The Section 75 Agreement requires designated Pooled/Non-Pooled Fund Service Budget Managers to report details of their expenditure against contributions to a nominated officer in the Council in accordance with an agreed timetable and format. The nominated officer has responsibility for preparing a summary report to be shared with all Parties and used as a basis for reporting to the JCSG and the CCG Boards and WSCC Cabinet Members. No timetable has been agreed for 2020/21 due to exceptional circumstances, although it is understood that a timetable has been agreed in previous years. Following changes in the balance of non-pooled fund services, summary reports are prepared by the Senior Finance Manager at West Sussex CCG rather than a nominated officer of WSCC. Only the forecast outturn position is reported whereas the agreement refers to expenditure against contributions. Summary reports are taken to the Finance Sub-Group but not to JCSG.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
A joint commissioning annual budget setting process to be incorporated into the JCSG annual work plan.	30.09.21	30.03.22	This work will take longer previously anticipated due to the impact of Covid-19 and the need to align health and social care planning processes. The council will also shortly be undertaking a review of commissioning arrangements and governance.

Observation: Variations

There were no deeds of variation for changes to contributions for pooled/non pooled services or for the inclusion of the current year's budgets when extending the Agreement.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
As part of the 21/22 extension process, a deed of variation to be undertaken to update the confirmed budget schedules to be included, once final budgets are confirmed. Future variations to be included in the JCSG forward planner.	30.09.21	30.03.22	This work will take longer previously anticipated due to the impact of Covid-19 and the need to align health and social care planning processes. The council will also shortly be undertaking a review of commissioning arrangements and governance.

Children's Services - P-Cards - Limited

Observation: Analysis in line with MOSAIC

The P-card process does not allow for analysis of spend against MOSAIC client reference numbers, meaning there is no feasible way to align P-card spend with delivery of care to specific families or individuals.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
All card holders and reviewers to receive guidance to improving descriptions on P-Card transactions following format as per corporate policy.	30.07.21	31.03.22	A Rapid Response Working Group was established in response to the audit of p-card compliance in Children, Young People and Learning (CYPL). The groups objectives have been developed into project workstreams which will cover the original proposed actions. The design phase includes developing guidance and training to cover the whole process, and this is in progress. This has been completed for standard levels, awaiting DLT agreement on exceptions.

Observation: Review of active P-cards

An exercise was undertaken where managers within Children's Services were sent a list of P-card holders and asked to identify any which were no longer required. This resulted in a list of 203 P-cards being identified for cancellation. However, the exercise to close these P-cards has not yet been completed. Further to this, other control options such as cancelling P-cards where value and volume of spend has been minimal over a prolonged period have not been explored.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
All to be reviewed again (project should be owned by one individual and overseen by a member of DLT).	30.07.21	31.03.22	A review of all current p-card holders was undertaken and any cards identified as held by people no longer authorised were cancelled. The 'go live' action introduces the new framework and includes notifying new card holders, new approvers and any cancellations. New approvers and cardholders being set up through February /March and once completed any existing cardholders no longer meeting criteria will have their cards cancelled. Revised date of 31/3/22, to align with new financial year.

Observation: Application Process

Although Children's Services staff are complying with the corporate P-card application process, there is no control in place within Children's Services to ensure, business need or relevance of authorising manager to card holder.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
DLT to agree protocol for approval of P-card applications.	30.07.21	31.03.22	The design phase of the action plan developed by the Rapid Response Working Group involves developing the framework, guidance and scheme of delegation and will cover the application process. To be agreed by DLT in March.
DLT to agree a process for exceptions including a 'scheme of delegation' type approach, who sits above the budget holder should remain responsible for signing off new applications.	30.07.21	31.03.22	As above
Clear definition of the circumstances when a p-card should be issued.	30.07.21	31.03.22	As above

Observation: Receipts, review, and approval

Since April 2020, P-card holders have been required to scan and upload receipts in support of P-card transactions, with managers expected to review uploaded receipts as part of their authorisation process. P-card transactions must also be reviewed by the card holder ahead of being authorised by the manager on a monthly basis. Compliance is monitored by a team within Corporate Finance who send e-mail reminders to officers and managers who are not complying, with instances of non-compliance tracked in the monthly P-Card Report.

However, no-one within Children's Services is on the distribution list for the monthly P-Card Report, and there is no assigned responsibility within Children's Services to monitor and address instances of non-compliance (such as re-training or suspension of P-cards) or to act as a point of contact for Corporate Finance staff to escalate persistent non-compliance with.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Spot checks will be made on a sample of monthly spends to track spends back to the customer. Including contacting the customer to verify purchase and receipt of goods.	30.07.21	31.03.22	A cohort of p-card holder will be monitored / reported on from the go live date to track progress in movement to the new framework.
Resource within children's commissioning to be identified / established to complete the above action and analyse report data to identify instances of non-compliance, which would be escalated to Service Leads as appropriate to be addressed	30.07.21	31.03.22	As above

Hammonds – No assurance

Observation: Client Balances

Client balances are shown in the monthly reconciliation however there is no process in place to ensure that clients have sufficient money in their account before withdrawals are made. A new system of maintaining separate wallets for clients was put in place in July 2021; the client's monthly allowance is shown on a money recording sheet but this did not take into account their account balance meaning that three clients were allocated cash to their wallets when they were in arrears.

Five clients had balances over £1,000, although it should be noted that there is doubt over the accuracy of the client balances as shown in previous tests.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Set up interim budget plans based on allowance and regular weekly spend for people who live at Hammonds pending results of investigation (See Action 1.2).	30.11.21	31.03.22	There are now individual budgets held within wallets in the resident's property account, regular money is coming in and is aligned to weekly spend. This has lowered the risk of insufficient funds. However, until the folio balances have been fully substantiated this action remains open.

Observation: Guidance and Training

Through discussion it was confirmed that the Manager, Assistant Manager and Administrator were unaware of the practice guidance. Local procedures are in place and dated April 2020, however it is not clear how they are kept under review. Links within the document are not up to date.

The Practice Guide refers to manager responsibilities and includes an Exemplar procedure for managing customer finances which covers responsibilities of the registered manager to ensure the safe handling of client finances and examples of checks to be undertaken.

Once the discrepancies came to the Manager's attention advice/assistance was requested. The Practice Guidance sets out responsibilities for the Registered Manager including any concerns around the support given by Capita, but there is no clear escalation process for managers to raise concerns within Provider Services.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Feedback on updated process notes to Capita Line manager and Business Partners.	30.12.21	31.03.22	The process notes have been reviewed by Capita. Information with Service Development Lead for Directly Provided Services as reviewing whole financial procedures / guidance.

WSFRS Operational Training Delivery- Reasonable

Observation: Training Course Records

Audit review of training course records for 15 operational staff members found 10 were fully in date, and “in ticket”. Of the other five:

- One staff member was noted as being long term sick.
- Three staff members were out of date on Immediate Emergency Care but were booked on a future course.
- One staff member was out of date on their annual physical fitness assessment by over 280 days.

Due to these results, the testing sample was extended to ascertain the reason for lapsed training, focussing on Mod1A, Mod1B and Annual Fitness Assessment training recorded on FireWatch. There were a variety of reasons across the records for Mod1A and Mod1B, including: long term sickness; leavers; and no longer operational staff.

For the Annual Fitness Assessment there were a greater number out of date and for the extended sample those over 200 days past their fitness assessment renewal date were reviewed and reasons ascertained as follows: Active FireWatch records despite being on secondment for several years; long term sickness; maternity leave; and one record was unable to be located on FireWatch. Seven staff were overdue a fitness assessment by up to two years.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Provide better reporting processes for Training Course records through FireWatch and Power BI (WSFRS strategic reporting tool)	31.01.2022	31.03.2022	Fitness test issue has now been resolved and work continues to develop Power BI to support management oversight
Provide better Administration Support for Ops T&D Delivery – to provide better reporting processes to key stakeholders (PP&R) to allow shared responsibility and accountability regarding operational staff training records	31.01.2022	31.03.2022	A temporary resource has been provided until 01.04.22 to address the issues raised and update the associated information. Ongoing resource requirements and potential for automation are being considered to support the organisation moving forward. A project has been started to create a connection between Learning Pool and Firewatch systems to reduce duplication and ensure accurate updates to both systems simultaneously.

Annexe 2

Overdue 'Low & Medium Priority' Management Actions (February 2022)

Audit Review	Report Date	Opinion	Priority		Due Date	Revised Due Date
			Low	Medium		
E-Income	June 2019	Adequate	1		31.12.19	31.03.22
Special Educational Needs	Oct 2020	Limited		1	31.12.20	31.01.22
Employers Contributions / Relationships	Dec 2020	Reasonable		1	31.03.21	31.01.22
School Traded Services	Mar 2021	Reasonable		1	30.06.21	30.09.22
Risk Management	Mar 2021	Reasonable	1		31.08.21	21.03.22
			1		31.08.21	31.03.22
S75 Governance	Apr 2021	Limited		1	30.06.21	31.03.22
Debt Recovery	Apr 2021	Reasonable	1		30.05.21	28.01.22
P-Cards (Children's Services)				1	30.07.21	30.04.22
				1	30.09.21	31.03.22
				1	30.09.21	31.03.22
				1	30.07.21	31.03.22
				1	30.07.21	31.01.22
Cyber Security (Risk Treatment)				1	31.12.21	TBC
Cloud Service Provisioning				1	01.10.21	31.12.21
				1	01.10.21	31.12.21
Payroll			1		30.11.21	31.01.22
			1		30.11.21	31.01.22
			1		31.12.21	28.02.22
			1		31.12.21	TBC
Home to School Transport				1	31.12.21	TBC
				1	31.01.22	TBC
				1	31.01.22	28.02.22
Annual Governance Statement	Nov 2021	Reasonable		1	31.01.22	TBC
				1	31.01.22	TBC

Audit Review	Report Date	Opinion	Priority		Due Date	Revised Due Date
			Low	Medium		
				1	31.12.21	31.01.22
				1	31.12.21	31.01.22
WSFRS Operational Training	Jan 2022	Limited		1	30.01.22	TBC
				1	30.01.22	TBC
				1	30.01.22	TBC
				1	30.01.22	TBC
Total			8	22		

**Key decision: Not applicable
Unrestricted**

Regulation, Audit & Accounts Committee

14 March 2022

Internal Audit Plan 2022-23 (Q1) & Counter Fraud Plan 2022-23

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

Summary

The purpose of this paper is to provide the Regulation Audit & Accounts Committee with an overview of the Internal Audit Plan 2022 – 2023 (Q1) (Appendix A) and the Counter Fraud Plan 2022-23

Recommendation

That the Committee approve the Internal Audit Plan 2022-23 (Q1) and the Counter Fraud Plan 2022-23 as attached

Proposal

1 Background and context

- 1.1 The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business activities; systems or processes under review that:
 - The framework of internal control, risk management and governance is appropriate and operating effectively; and
 - Risks to the achievement of the County Council's objectives are identified, assessed and managed to a defined acceptable level.
- 1.2 The Internal Audit Plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements. Internal audit focus should remain proportionate and appropriately aligned to key areas of organisational risk.
- 1.3 As previously reported, the Southern Internal Audit Partnership have adapted their processes to approach planning on a quarterly basis to ensure internal audit focus remains aligned to the rapidly changing risks and priorities of the organisation.
- 1.4 All auditable areas of review remain within the audit universe and are subject to ongoing assessment. The audit plan will remain fluid to ensure internal audits ability to react to the changing needs of the County Council.

- 1.5 Other reviews, based on criteria other than risk, may also be built into the work plan. These may include 'mandatory' audits or reviews requested or commissioned by management. Any commissioned review must be able to clearly demonstrate a contribution to the audit opinion on risk management, control and governance.
- 1.6 The County Council promotes a zero-tolerance culture to fraud and corruption. This is supported by a combination of reactive and proactive counter fraud activity led by the Southern Internal Audit Partnerships Counter Fraud Unit. The plan is informed from our continued participation in local and national collaboration groups and ongoing discussion with senior management.

2 Risk implications and mitigations

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

Katharine Eberhart
Director of Finance and Support Services

Contact Officer: Neil Pitman, Head of Southern Internal Audit Partnership,
 neil.pitman@hants.gov.uk

Appendices

- Appendix A – Internal Audit Plan 2022-23 (Q1)
- Appendix B – Internal Audit Plan 2022-23 (Counter Fraud)

Background papers

None

Internal Audit Plan

2022-23 (Q1)

West Sussex County Council



Southern Internal Audit Partnership

Assurance through excellence
and innovation

Contents

Introduction	.....	3
Your Internal Audit Team	.....	4
Conformance with Internal Audit Standards	.....	4
Conflicts of Interest	.....	4
Reset Plan	.....	5
Developing the internal audit plan 2022-23	.....	6
Internal Audit Plan 2022-23 (Q1)	.....	7 - 9

Agenda Item 7
Appendix A

Introduction

The role of internal audit is that of an:

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

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

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

The aim of internal audit’s work programme is to provide independent and objective assurance to management, in relation to the business activities; systems or processes under review that:

- the framework of internal control, risk management and governance is appropriate and operating effectively; and
- risk to the achievement of the Council’s objectives is identified, assessed and managed to a defined acceptable level.

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

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

Your Internal Audit Team

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

Conformance with internal auditing standards

The Southern Internal Audit Partnership service is designed to conform to the Public Sector Internal Audit Standards (PSIAS). Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. In September 2020 the Institute of Internal Auditors were commissioned to complete an external quality assessment of the Southern Internal Audit Partnership against the PSIAS, Local Government Application Note and the International Professional Practices Framework.

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

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

'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.'

Conflicts of Interest

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

West Sussex County Council – Our Council Plan 2021 – 2025

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

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



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

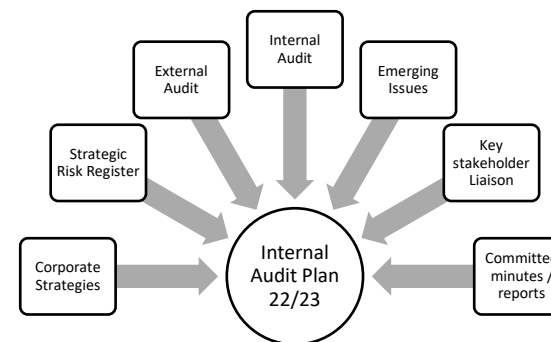
- **Keeping people safe from vulnerable situations**
- **A sustainable and prosperous economy**
- **Helping people and communities to fulfil their potential**
- **Making the best use of resources**

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

Developing the internal audit plan 2022/23

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

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



In accordance with the Public Sector Internal Audit Standards there is a requirement that Internal audit establish a risk-based audit plan to determine the resourcing of the internal audit service, consistent with the organisation's goals.

To ensure internal audit focus remains timely and relevant to the changing needs and requirements of the organisation, the Southern Internal Audit Partnership has moved to a quarterly planning process. This report details proposed internal audit coverage during quarter 1.

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

Internal Audit Plan 2022-23 (Q1)

Audit Review	Directorate Sponsor	Potential Scope	Risk	Proposed Timing
Governance				
Company Governance Framework	DL&A	Governance arrangement to support LA trading company(s) considering recent highly publicised failings (Nottingham, Croydon etc)		Q1
Capita Contract	DF&SS	Assurance on the implementation of the CCEFSS Programme to delivering a smooth transition of staff and services from the SSO contract into the agreed delivery model solutions for support services.		Q1
Keeping people safe from vulnerable situations				
Children's Care Placements	DCYP&L	Assurance over mitigations in place to address stipulations that children in care under 16 will not be allowed to be accommodated in unregulated placements.	CR72	Q1
Grenfell Tower – Action Plan	CFO	Governance, monitoring and progress against the action plan		Q1
Helping people and communities to fulfil their potential				
School Thematic – School buildings upkeep / maintenance	DCYP&L	Select a sample of school to obtain assurance that they are meeting obligations on the upkeep and maintenance of the school building(s)		Q1
SFVS	DE&S	Mandatory requirement - review of the SFVS returns to identify areas of weakness / non-compliance to inform School Thematic Reviews / Individual School Visits	-	Q1
Shaw Homes – Contract Management	DA&H	The contract is effectively managed and expected levels of service / outcomes are received.	CR58	Q1
Assurance Mapping-Adult Services	DA&H	To map service assurances across the three lines to determine duplication / gaps in the assurance to support pending CQC inspection(s).	CR58	Q1

Audit Review	Directorate Sponsor	Potential Scope	Risk	Proposed Timing
Adults Contingency	DA&H	Review areas to be determine following completion of assurance mapping to support pending CQC inspection(s).	CR58	Q1
Making the best use of resources				
Workforce Planning	DHR/OD	Assurance over effective workforce planning (capacity, recruitment, retention, succession)	CR11 CR70	Q1
Smartcore (Oracle Fusion)	DF&SS	Assurance over project management and delivery of significant change programme.	FSS44	Q1
Fraud (Proactive / Reactive)	DF&SS	Range of proactive and reactive initiatives to help identify and mitigate the risk of fraud (see Fraud Plan).	-	Q1-Q4
Procurement	DF&SS	Sub £100k spend – data analytical review.		Q1
Contract Management	Corporate	Assurance on the deliverables of a selection of key contracts and the effectiveness of contract management arrangements. Scope to be discussed and agreed with ELT.		Q1
Use of Agency Staff	DHROD	Effective use and commissioning of agency staff to support service requirements.	CR11	Q1
XMA Contract Delivery	DF&SS	Assurance over contract management and monitoring to ensure delivery against milestones and service performance KPIs.		Q1
IT Contingency	DF&SS	Reviews to be confirmed following completion of assurance mapping.	CR39a/b	Q1
Grants				
Grants contingency	-	Contingency for grant certification requests		Q1
Management and review				
				Q1

Audit Sponsor

Chief Executive
Becky Shaw

Chief Fire Officer	Director of Adults & Health	Director of Children, Young People & Learning (DCYP&L)	Director of Place Services	Assistant Chief Executive	Director of Finance & Support Services (DF&SS)	Director of HR/OD	Director of Law & Assurance
(CFO)	(DA&H)	(DCYP&L)	(DPS)	(ACE)	(DF&SS)	(DHR/OD)	(DL&A)
Sabrina Cohen- Hatton	Keith Hinkley	Lucy Butler	Lee Harris	Sarah Sturrock	Katharine Eberhart	Gavin Wright	Tony Kershaw

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**Southern Internal
Audit Partnership**

Counter Fraud Unit

WEST SUSSEX COUNTY COUNCIL

Annual Counter Fraud Plan 2022-2023

**Prepared by: Neil Pitman, Head of Partnership
Iona Bond, Senior Audit and Counter Fraud Manager**

March 2022

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 Fraud Response Plan; Whistleblowing Policy and Anti Bribery Policy). This document provides an extension to the County Council's existing policies affording a framework of reactive and proactive initiatives to detect fraud and/ or demonstrate assurance that fraud has not taken place.

The Counter Fraud Plan compliments the internal audit strategy and annual plan focusing resource against assessed fraud risks in addition to new and emerging threats.

2. The Changing Face of Fraud

The changing context in which local government services are delivered, the increasing risk of fraud by motivated offenders, reduced local authority resources and associated changes to existing local control frameworks continue to increase the risk exposure to fraud.

In recognition of this, the 2020 Fighting Fraud and Corruption Locally Strategy, has built upon the three pillars of activity that local authorities should concentrate their fraud prevention efforts on. The elements of ‘govern’ and ‘protect’ have been added as tenets to underpin those of ‘acknowledge’, ‘prevent’ and ‘pursue’.

The principles of the required approach are outlined in (fig 1).



fig 1 (Fighting Fraud & Corruption Locally – The local government counter fraud & corruption strategy)

These principles are underpinned by demonstrable regard to:



3. Reactive Fraud Activity

The Southern Internal Audit Partnership will work seamlessly with management in the effective review and investigation of any reported incidents of fraud and irregularity. All such reviews will be co-ordinated by professionally accredited (CIPFA (CCIP), ACFS) staff, in accordance with the County Council’s Anti-Fraud & Corruption Strategy.

By its nature such reactive fraud and irregularity work is unpredictable with regard its level and duration. Recent history has demonstrated in relative terms limited levels of required activity in respect of reactive fraud work within the County Council, however, a contingent level of capacity for such eventualities is considered prudent.

4. 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.

Such proactive measures have been designed alongside the themes outlined within the 'Six Cs' (culture, capability, capacity, competence, communication and collaboration) and are mapped within Annexe 1.

The Southern Internal Audit Partnership's understanding of the County Council's service activities with research from national surveys / publications, benchmarking with other local authority fraud risks and our previous proactive fraud reviews undertaken have been used to inform our identified proactive reviews for consideration as part of our proactive fraud activities for 2022-23.

It is also recognised that 2022 is a National Fraud Initiative upload year and as such the Southern Internal Audit Partnership will be facilitating this process to ensure that the deadline for submission of data is achieved. The deadline for submission is usually October but in 2020 was extended to December due to the demands on local authorities in reacting to the COVID 19 pandemic. At this time it is not yet known whether the Cabinet Office will continue with a December deadline or revert back to the usual submission date of October. However, all data must still be as at the end of September so the pre upload work will need to continue on a similar timeframe as usual. Resulting matches from the exercise will be available from January 2023.

Additionally, we will liaise and facilitate work required regarding information requests received from other local authorities during the process of their investigations into positive matches.

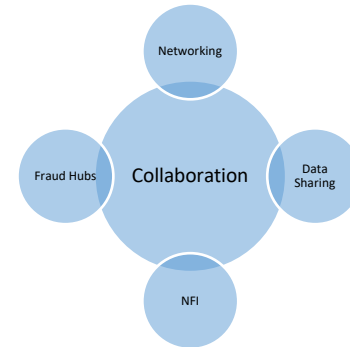
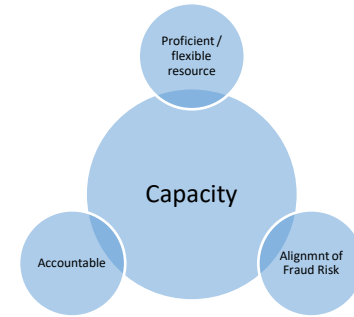
5. Fraud Action Plan 2022-2023

Many of the aspects contributing to an effective approach to fraud risk management are implicit within the Southern Internal Audit Partnership's established processes to which the County Council are a part. This is demonstrated through our dedicated and qualified Counter Fraud Unit, the tools to which they have access and participation in national and local collaboration groups. Building on this intelligence and in discussion with Senior Management the following action plan of proactive fraud activity is proposed for 2022-23:

Activity	Scope	Responsible Officer	Due Date	Expected Outcome
CIPFA Fraud Survey	Completion of the annual CIPFA fraud survey	Iona Bond Counter Fraud Manager Nick Barrett, Senior Counter Fraud Officer	Q2	Access to the results of the national survey which provides useful benchmarking information and information into fraud trends which is used to inform the proactive fraud plan.
National Fraud Initiative	To facilitate the timely delivery of the 2022 data upload and review of matches. Respond to requests for information from other local authorities.	Nick Barrett, Senior Counter Fraud Officer Vanessa Anthony, Senior Counter Fraud Officer	Q1- Q4	Identify and make appropriate enquiries into identified matches and ensuring appropriate recovery action is instigated as appropriate.
Proactive Fraud Review (x3)	Specific projects will be identified during the course of the year and selected on the basis of relevance to fraud exposure, any national trends or local intelligence emerging.	Nick Barrett, Senior Counter Fraud Officer Vanessa Anthony, Senior Counter Fraud Officer	Q1 – Q4	Identification of weaknesses within the control processes where due consideration to fraud exposure may not have been considered to enable corrective action to be taken. Identify any potential exposure to fraud activity

Activity	Scope	Responsible Officer	Due Date	Expected Outcome
	Data matching analytics will be utilised to enhance the depth and breadth of work undertaken within each project.			that warrants additional in-depth review. Potential areas include procurement, payroll, pensions, grants, expenses.
Training & Awareness	To maintain a level of fraud awareness across the organisation (including training)	Vanessa Anthony, Senior Counter Fraud Officer Nick Barratt, Senior Counter Fraud Officer	Ongoing	Issue of Fraud Bulletins Issue of Briefing Notes Update of all relevant internal 'sign posts' regarding fraud referral to SIAP
Annual Report on Fraud & Irregularity	To produce an end of year report to those charged with governance covering all reactive and proactive fraud initiatives.	Neil Pitman Head of Southern Internal Audit Partnership	Q1 (2022-2023)	To present a report to ELT and Regulation, Audit & Accounts Committee outlining progress against the 'Fraud Action Plan 2022-2023' relaying outcomes, assurance, investigations, sanctions, savings etc. as appropriate.

Six C's – Matrix



**Key decision: Not applicable
Unrestricted**

Regulation, Audit & Accounts Committee

14 March 2022

Internal Audit Charter 2022-23

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

Summary

The purpose of this paper is to present the Internal Audit Charter 2022-23 to the Regulation, Audit & Accounts Committee in accordance with the requirements of the Public Sector Internal Audit Standards.

Recommendation

That the Committee approve the Internal Audit Charter 2022-23 as attached.

Proposal

1 Background and context

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

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

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

1.3 The charter is a formal document that defines the internal audit activity's purpose, authority and responsibility consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards.

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

- Recognising the mandatory nature of the Public Sector Internal Audit Standards
- Defining the scope of internal audit responsibilities.
- Establishing the responsibilities and objectives of internal audit.
- Establishing the organisational independence of internal audit.
- Establishing accountability and reporting lines (functional and administrative).

Agenda Item 8

- Setting out the responsibilities of the board and the role of statutory officers with regard to internal audit.
- Arrangements that exist with regard anti-fraud and anti-corruption.
- Establishing internal audit rights of access.
- Defining the terms 'board' and 'senior management' for the purpose of internal audit; and
- Arrangements in place for avoiding conflicts of interest.

1.5 In accordance with the Standards the internal audit charter should be reviewed annually (minimum) and approved by senior management and the Regulation, Audit & Accounts Committee.

1.6 Appendix A provides a draft copy of the internal audit charter 2022-23 for review and comment.

2 Risk implications and mitigations

Risk	Mitigating Action (in place or planned)
Services not addressing key management actions arising from the audit findings	Follow up will be undertaken to ensure that agreed actions have been implemented. A report detailing the status of high priority management actions will be presented to each meeting of this Committee for monitoring to ensure that key risks are addressed on a timely basis

Katharine Eberhart

Director of Finance and Support Services

Contact Officer: Neil Pitman, Head of Southern Internal Audit Partnership,
neil.pitman@hants.gov.uk

Appendices

Appendix A – Internal Audit Charter 2022-23

Background papers

None



Internal Audit Charter 2022-23

Introduction

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

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

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



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

Mission and Core Principles

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

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

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

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

Authority

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

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

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

Purpose

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

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

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

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

Responsibility

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

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

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

Definitions

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

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

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

Position in the organisation

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

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

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

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

Internal audit resources

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

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

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

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

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

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

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

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

Independence and objectivity

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

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

To achieve the degree of independence and objectivity necessary to effectively discharge¹ its responsibilities, arrangements are in place to ensure the internal audit activity:

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

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

Due professional care

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

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

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

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

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

Access to relevant personnel and records

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

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

Scope of Internal Audit activities

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

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

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

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

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

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

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

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

Reporting

Chief Internal Auditor's Annual Report and Opinion

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

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

The annual report will incorporate as a minimum:

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

Executive Leadership Team

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

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

The Regulation, Audit and Accounts Committee

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

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

Review of the internal audit charter

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

Annex 1

Southern Internal Audit Partnership – Client Portfolio

Strategic Partners:	Hampshire County Council
Key Stakeholder Partners:	West Sussex County Council Havant Borough Council East Hampshire District Council Winchester City Council New Forest District Council Mole Valley District Council Epsom & Ewell Borough Council Reigate & Banstead Borough Council Tandridge District Council Crawley Borough Council Arun District Council
Blue light Key Stakeholder Partners:	Hampshire & IoW Fire & Rescue Authority West Sussex Fire Service Office of the Hampshire Police & Crime Commissioner / Hampshire Constabulary Office of the Sussex Police & Crime Commissioner / Sussex Police Force Office of the Surrey Police & Crime Commissioner / Surrey Police Force
External clients:	Waverley Borough Council Hampshire Pension Fund West Sussex Pension Fund New Forest National Park Authority Ringwood Town Council Lymington & Pennington Town Council Langstone Harbour Authority Chichester Harbour Authority Isle of Wight College

Annex 2

Assurance Services

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

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**Key decision: Not applicable
Unrestricted**

Regulation, Audit and Accounts Committee

14 March 2022

Quarterly Review of Corporate Risk Management

Report by Director of Finance and Support Services

Summary

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

The risk of failing to deliver the agreed WSCC Climate Change commitments (e.g., 2030 Carbon Neutrality) has been added to the corporate risk register this quarter. Several existing risks have been reviewed, however there have been no changes to their risk severity.

COVID-19 response and management of risk has now been integrated into business-as-usual activity, leading to the Tactical Management Group (TMG) being stood down.

All future Risk Management Lunch 'n' Learn sessions will be delivered as a webinar and this course is now available to staff in Districts and Boroughs, and other partnering organisations, at nil cost. The follow-on course (Risk Management in Practice) has been designed for face-to-face delivery using a combination of instruction via PowerPoint and syndicate/group work and will involve staff working through the WSCC risk management process using a generic scenario.

Recommendation

The Committee is asked to review the information detailed in the report 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 4. It covers the allocation of responsibilities, including the quarterly review of risk management activity.

2 Background and context

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

Risk No	Risk	Action	Reason	Current Score
CR73	Climate Change - Insufficient capacity and capability to complete the necessary actions within the required timeframes	New risk	Included to recognise the challenges in supporting the delivery of the Council Plan	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
CR72	Children and young people will not be cared for in settings that best meet their needs	16	16

- 2.3 The corporate risk register continues to be reviewed quarterly by ELT, with any actions promptly addressed.
- 2.4 The directorate risk registers have been reviewed at least quarterly by each Director and their management team, with support from the Corporate Risk Manager. The Corporate Risk Manager has continued to engage quarterly with Directorate leadership teams to discuss corporate and other directorate/service risks, and risk governance.
- 2.5 COVID-19 response has now been integrated into business-as-usual activity, leading to the Tactical Management Group (TMG) being stood down. Therefore, specific COVID-19 risks will now be considered and managed by services and reported/escalated to ELT if required (as per WSCC Risk Management Framework).
- 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 for the foreseeable future, and the course content has been amended to facilitate this delivery method. This course is now available for staff in Districts and Boroughs, and other partnering organisations, at nil cost. The follow-on course (Risk Management in Practice) has been designed for face-to-face delivery using a combination of instruction via PowerPoint and syndicate/group work and will involve staff working through the WSCC risk management process using a generic scenario. To support staff in better managing their risks the Corporate Risk Manager has produced a variety of resources, which have been communicated to all staff and added to the WSCC Risk Management SharePoint site.

- 2.8 The quality and currency of information contained in the corporate and directorate risk registers will continue to be reviewed and updated. The Corporate Risk Manager is continuing to challenge whether identified actions will sufficiently address the concerns, and within a suitable timeframe.
- 2.9 Ongoing activities the Corporate Risk Manager is undertaking to ensure continuous improvement and alignment with best practice include:
- Attend the Southeast Risk Managers Group to share best practice of risk management in the public sector across various local authorities
 - Attend appropriate seminars held by professional bodies e.g., Alarm, CMI
 - Support projects and programmes to provide assurance and support on robust governance
 - Engage and support Executive Directors, Directors, service managers and their teams on capturing and communicating risk
 - Attendance at/facilitating various internal boards, meetings and working groups
- 2.10 At this stage, there will be no additional resources required to facilitate the embedding/management of risk and future actions as current support within the organisation is sufficient. The Corporate Risk Manager is conducting risk workshops and risk training sessions in existing management meetings or during lunchtimes where possible to mitigate resource and scheduling conflicts. However, the 'Risk Management in Practice' course will take place during working hours, and participants will be responsible for ensuring their attendance doesn't significantly impact their role requirement.
- 2.11 The committee is asked to consider the information in this report and provide comment as necessary.

3 Risk implications and mitigations

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

4 Policy alignment and compliance

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

Katharine Eberhart

Director of Finance and Support Services

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

Appendices

Appendix A – Corporate Risk Register

Background papers

None

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Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk			Risk Strategy	Target Risk			Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk			Next Risk Review Date			
					Impact	Likelihood	Score		Impact	Likelihood	Score					Impact	Likelihood	Score				
CR68	The government have relaxed COVID-19 restrictions, however there are still requirements for Local Authorities to support the management of the COVID-19 pandemic. If there is a resurgence in COVID-19 infections and local (county or district) responsibilities are prolonged or additional measures imposed, there is a risk services will fail to deliver existing work plans due to staff responding to the impact of the pandemic, or staff shortages due to sickness.	Chief Executive	1. Failing to deliver statutory duties.	Mar-20	5	5	25	Treat	5	2	10	Review and update business continuity and service critical plans.	CLT	ongoing	Business continuity plans periodically reviewed. To date there is sufficient resource to deal with challenges.	5	3	15	May-22			
			2. Negative reputational impact.									Regular engagement with MHCLG and ensure information and direction is discussed and implemented through the Strategic Coordinating Group (SCG-Gold) and Tactical Coordination Group (TCG-Silver).								Chief Executive	ongoing	TMG and SMG stood down. All COVID related matters incorporated into BAU business processes, with escalation to ELT if required. ELT meeting weekly to review COVID impact on service provision.
			3. Residents don't receive support required.									Develop communications when required to manage expectations of staff and residents on WSCC response position.								Head of Communications and Engagement	ongoing	Collaboration and agreement on services provision messages with directorates and ELT.
			4. Insufficient budget/budget exceeded.									To continue to lobby government groups to influence funding decisions.								Chief Executive	Ongoing	Sufficient funding received to date to deal with the cost.
			5. Increase risk to life.									Services to consider impacts should government impose restrictions (via tier system) at a district level as opposed to county.								CLT	ongoing	To be captured in business continuity plans.
			6. Information not shared appropriately.																			
CR70	There is an increasing demand placed on the senior officers due to the ongoing threat of COVID19 and additional burdens due to devolved responsibilities. This may lead to a continued lack of capacity to deal with strategic/organisational issues , leading to poor decision making.	Chief Executive	1. Outcomes for residents not delivered	Aug-20	4	3	12	Tolerate	4	3	12	Continue to monitor service resource impact.	ELT	ongoing	Concerns raised through ELT	4	3	12	May-22			
			2. Residents don't receive support needed.									Provision of support to services when required.								ELT	ongoing	Support requests raised through ELT
			3. Failing to deliver statutory duties																			
CR7	There are governance systems which inhibit effective performance and a culture of non-compliance and also a lack of standardisation in some systems and processes . Skills and knowledge of systems inadequate and excessive effort required for sound decisions and outcomes.	Director of Law & Assurance	1. Delayed decisions impede service delivery.	Dec-19	4	4	16	Treat	2	2	4	Data on areas of non-compliance used to inform Directors to enforce compliance with standards.	Director of Law & Assurance	Ongoing	AGS actions approved November 2020 - updated and sent to RAAC March 21. 21/22 AGS actions approved and underway.	4	2	8	Mar-22			
			2. Service improvement effort impeded.									Regular compliance monitoring and active corporate support when non-compliance happens to establish better practice.								Director of Law & Assurance	Ongoing	Audit plan settled and activity in progress - specific work on governance of officer interests as first focus.
			3. Resources misapplied - poor VFM.									Audit plan focussing reviews on key corporate support systems to identify areas in need of improvement.								Director of Law & Assurance	Ongoing	Actions underway as per agreed audit plan and specific audit projects
			4. Complaints and claims.									Guidance to CLT on governance. Schedule and deliver associated training								Director of Law and Assurance	Jan-22	Guidance completed (December 21) Training roll out from Jan 22. CMT session Nov 21 completed.
			5. Censure by external inspection.																			

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					Impact	Likelihood	Score		Impact	Likelihood	Score					Impact	Likelihood	Score			
CR11	There is a risk that the Council will not be seen as an attractive place to work by current and potential employees. This will result in problems recruiting and retaining staff in key skills areas.	Director of Human Resources & Org Dev	1. Over-reliance on interim and agency staff.	Mar-17	4	5	20	Treat	4	2	8	Produce Directorate Workforce Plans to identify skills, capacity and capability requirements.	Head of HR Bus Ptr & Org Dev	Apr-22	Reward & Retention package for Children's Social Workers produced. Development of Workforce Plan being carried out as part of Children First Improvement Plan.	4	3	12	May-22		
			2. Lack of corporate memory.									Development of comprehensive employee value proposition.			Head of Res Org Dev & Talent					Jun-22	Part of People Framework Action Plan, will be progressed once initial kick start projects are delivered. Updated context on website on 5 key areas of EVP, namely working environment, culture, financial benefits, career progression and learning and development.
			3. Inadequate pace/speed of delivery.									Longer term strategies for addressing recruitment issues e.g. apprenticeships, growing our own.			Head of Res Org Dev & Talent					Ongoing	3 year plans in place for apprenticeships (currently being refreshed). LGA consultancy engaged with; recommendations received. Continuing programme of marketing and awareness raising, e.g. National Apprenticeships Week.
			4. Low staff morale and performance.																		
CR22	The financial sustainability of council services is at risk due to uncertain funding from central government and/or failure to make the required decisions to ensure the budget is balanced. This has been compounded further with the COVID-19 crisis.	Director of Finance & Support Services	1. Insufficient government funding to deliver services.	Mar-17	4	4	16	Tolerate	4	3	12	Pursue additional savings options to help close the budget gap.	Director of Finance & Support Services	Ongoing	Good progress has been made towards updating the MTFS and producing a balanced budget for 2022/23 in spite of significant national uncertainty about the future of local government funding.	4	3	12	Apr-22		
			2. Adverse effect on reserves/balanced budget.									Monitor the use of additional funds made available to improve service delivery.			Director of Finance & Support Services					Ongoing	Improvement is monitored through the relevant service boards
			3. Reputational impact through reduction of service quality									Financial impacts arising from the Covid-19 national emergency need to be reflected and addressed within the PRR and MTFS as appropriate.			Director of Finance & Support Services					ongoing	The PRR report now reflects the impact of Covid-19 and sets out how this impacts specific services and WSCC as a whole. This is underpinned by a bespoke recording approach within SAP, which clearly accounts for the costs incurred and funding received from Government, alongside the Delta return made to MHCLG on a monthly basis. The MTFS planning framework also reflects the potential impact of Covid-19, both from the potential funding and budget pressures perspectives.
			4. Increased liability of service delivery, transferred by external partners due to funding restrictions i.e. supporting homelessness.																		
			5. Additional unexpected service and cost pressures from savings decisions.																		
			6. Financial implications for both 2022/23 and the medium term arising from the national emergency circumstances associated with Covid-19.																		

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CR39a	Cyber threat is an evolving, persistent and increasingly complex risk to the ongoing operation of County Council. There is a risk of a successful cyber attack directly from external threats; or indirectly as a consequence of members or staff falling prey to social engineering or phishing attacks. The potential outcome may lead to significant service disruption and possible data loss.	Director of Finance & Support Services	1. The Council suffers significant financial loss or cost.	Mar-17	4	5	20	Treat	4	4	16	Regular review, measurement and evaluation of corporate (technological/process) / organisational (behavioural) response to current and emerging cyber threats, where applicable to undertake pertinent actions to mitigate risks identified.	Head of IT	Ongoing		5	5	25	Apr-22	
2. The Council's reputation is damaged.			Improve staff awareness of personal & business information security practices & identification of cyber-security issues. Continued actions due to evolving threats.									Head of IT			Ongoing					Regular comms distributed to all staff. Continuing to drive employees to undertake mandatory annual Information Security and Data Protection education and certification. Adhoc actions taken (as appropriate) in response to level of cyber threat.
3. Resident's trust in the Council is undermined.			Maintain IG Toolkit (NHS) & Public Service Network security accreditations.									Head of IT			Ongoing					Ongoing works to ensure appropriate connectivity/accreditation for applicable public sector/government networks/system connectivity.
4. Partners will not share data or information with the Council.			Conduct tests including penetration, DR and social engineering. (conducted 6 monthly)									Head of IT			Ongoing					2021 testing schedule defined and in delivery.
5. Punitive penalties are made on the Council.			Ensure that cyber-attack is identified early, that reporting & monitoring is effective, and recovery can be prompt.									Head of IT			Ongoing					Proactive stance implemented to ensure a watching brief for threats/updated guidance notes. WSCC has formally joined SE Warning Advice and Reporting Point (WARP).
			Provide capacity & capability to align with National Cyber-Security centre recommendations.									Head of IT			Ongoing					Training needs assessment regularly undertaken, programme of education developed to ensure IS resources are appropriately skilled and corporate practices followed align to NCSC guidance's.
			Transition to a controlled framework for process and practice.									Head of IT			Ongoing					IT service redesign to be carried out due to early return of ITO.

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CR39b	Data protection responsibilities. The Council is a Data Controller and has obligations and responsibilities arising from that role. Council needs resources, skills, knowledge, systems and procedures to ensure obligations are met.	Director of Law & Assurance	1. Individuals or groups come to harm.	Mar-17	4	5	20	Tolerate	3	3	9	Test the effectiveness of DPIA	Head of Data Protection	Ongoing	Annual business process review via DPIA to confirm compliance or to reflect update/risk assessment if business process elements have shifted since last review.	3	3	9	Mar-22		
			2. The Council's reputation is damaged.									Maintain IG Toolkit (NHS) & Public Service Network security accreditations.			Head of IT					Ongoing	Ongoing works to ensure appropriate connectivity/accreditation for applicable public sector/government networks/system connectivity. DPT has this task which is completed in March every year: March 2021 WSCC met expectations. Remainder is ongoing
			3. Resident's trust in the Council is undermined.									Undertake Data Privacy Impact Assessments (DPIA) when systems or processes change and carry out resulting actions.			Director of Law & Assurance					Ongoing	Processes settled. Impact assessments completed. Further DPIA to be conducted as required.
			4. Partners will not share data or information with the Council.									Enable safe data sharing, including using appropriate data standards & appropriate anonymization techniques.			Head of IT					Ongoing	Mandatory training implemented to ensure employees are aware of obligations and support available. Data sharing agreements / contractual terms to cover provision of effectively managed DP obligations between WSCC/Suppliers/third parties.
			5. Punitive penalties are made on the Council.									Ensure the skills and knowledge is available to support Caldicott Guardian in ASC.			Head of Data Protection					Ongoing	DP Team leader liaised with DASS March 21 to settle actions. Training slides provided with introduction to relevant policy and processes. Offer of ongoing assistance.
												Adopt ISO27001 (Information Security Management) aligned process & practices.			Head of IT					Ongoing	Adoption of ISO27001 is being considered as part of a wider assurance framework being developed to support operation of the Council's transformed internal IT function subsequent to the recent exit of the IT outsource.
												Review IT systems implemented prior to 25 May 2018 to confirm compliance with updated regulations.			Director of Law & Assurance					Timetabled	Full and detailed inventory of the remaining systems to be undertaken between Jan-Mar 2022, with a further 6 to 12 month period to complete the end to end rationalisation, cloud migration or termination of legacy applications.
CR50	WSCC are responsible for ensuring the HS&W of its staff and residents. There is a risk that if there is a lack of H&S awareness and accountability by directorates to capture and communicate in accordance with Council governance arrangements, it will lead to a serious health & safety incident occurring.	Director of Human Resources & Org Dev	1. Increase risk of harm to employees, public and contractors.	Mar-17	4	5	20	Treat	3	2	6	Purchase, develop and introduce an interactive online H&S service led audit tool.	Health and Safety Manager	ongoing	Site monitoring inspection templates and audit templates to be created in govService.	3	3	9	May-22		
			2. Increase number of claims and premiums.									Conduct a training needs analysis, produce gap analysis to understand requirements and produce suitable courses as a consequence.			Health and Safety Manager					ongoing	1st phase H&S e-learning modules bespoke to the council H&S arrangements complete. 2nd phase currently being developed. Course content will be owned by the council instead of off the shelf course material.
			3. Adverse reputational impact to Council.									Incorporate HS&W information into current performance dashboard.			Health and Safety Manager					ongoing	Dashboard to capture details on sickness, absence and H&S. H&S data currently collated relates to RIDDOR and NON-RIDDOR incidents. Data from inspections and audits once the templates are developed in Firmstep will be linked to PowerBI dashboard.
			4. Increase in staff absence.									Regular engagement with other LA's on best practice and lessons learned.			Health and Safety Manager					Ongoing	

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk			Risk Strategy	Target Risk			Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk			Next Risk Review Date
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CR58	The care market is experiencing an unprecedented period of fragility, particularly due to staff shortages and increasing demand. This has been further exacerbated by COVID19, including the mandatory requirement for care staff to have a vaccination; however this also extends to WSCC staff requiring access to these facilities (i.e. Social Workers, OT), and contractors. If the current and future commercial/economic viability of providers is not identified and supported, there is a risk of failure of social care provision which will result in funded and self-funded residents of West Sussex left without suitable care.	Director of Adults and Health	<p>1. Potential that people will come to harm and Council will be unable to ensure statutory safeguarding duty.</p> <p>2. CQC action against service provider which could lead to establishment closure at short notice</p> <p>3. Financial implication of cost of reprovision following closure of services.</p> <p>4. Reduced capacity in the market as a result of failure of provision.</p> <p>5. Delay for those residents who are Medically Ready to Discharge (MRD).</p> <p>6. Non-compliance with Care Act.</p> <p>7. Reputational impact. Public perception of the council being willing to accept poor standards of care. Low public confidence in social care.</p> <p>8. Adverse impact on Health and Social Care system.</p>	Sep-18	5	5	25	Treat	3	3	9	<p>Collection of market information on Firefly. Analysis of information and appropriate level of quality assurance response.</p> <p>Provision of regular support and communication to care homes to monitor financial sustainability (increased engagement during COVID-19 pandemic to monitor Infection Control Grant).</p> <p>Financial analysis of high risk provision - due diligence checks.</p> <p>In the event of an incident, ensure the consistent implementation of Emergency Response Plans, including a full de-brief and lessons learned.</p> <p>Review capacity of residential and non-residential services to ensure service availability and to support identification of contingencies if needed.</p> <p>Administration of central government funding to provide financial support to the sector.</p> <p>Regular review of care homes business continuity arrangements to address government vaccination directive.</p>	Head of Contracts & Performance	ongoing	Due to the implications of COVID19 and service resource constraints, the ability to conduct face to face quality assurance checks has reduced. There is now an increased focus on supporting/improving infection control and closer working with the CCG to ensure the right level of support to care homes is delivered.	5	5	25	Jun-22

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk			Risk Strategy	Target Risk			Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk			Next Risk Review Date
					Impact	Likelihood	Score		Impact	Likelihood	Score					Impact	Likelihood	Score	
CR60	There is a risk of failing to deliver the HMIC FRS improvement plan , leading to an adverse affect on service delivery; which may result in failing any subsequent inspection.	Chief Fire Officer	1. Reputational damage 2. Corporate Governance Inspection 3. Legal implications of not delivering statutory services 4. Increased risk harm	Apr-19	5	4	20	Treat	5	2	10	Ensure robust project and programme governance in place and monitor delivery.	Chief Fire Officer	ongoing	The FRS has now had its second full Tranche 2 inspection in Quarter 3 2021/22 and the outcomes of which are expected to be reported in Spring 2022. The inspection covers a review of the three pillars of Efficiency, Effectiveness and People as well as a review against existing causes of concern and areas for improvement. The preparatory self-assessment against the criteria was thorough and well planned through workshops and staff briefings, as well an inspection facilitated by circa 160 staff across the organisation, who will have engaged with the inspectorate. The tranche 1 inspections and State of fire 2021 report have also been released in Q3 2021/22.	5	3	15	May-22
CR61	A 'serious incident' occurs resulting in the death or serious injury of a child where the Council is found to have failed in their duty to safeguard, prevent or protect the child from harm.	Director of Children, Young People and Learning	1. The Council would have let children down and as a result our reputation and credibility would be significantly damaged. 2. Subject to investigation and further legal action taken against the Council. 3. Immediate inspection and Government intervention.	Jun-19	5	5	25	Treat	5	2	10	Implement Practice Improvement Plan (PIP). Improvement Plans include management development and HCC intervention. Provide proactive improvement support to services to assure effective safeguarding practices.	Director of Children, Young People and Learning Director of Children, Young People and Learning	Ongoing ongoing	Improvement activity continues to be embedded within the social work teams. The management assessment programme is now being implemented with all Service Leads being assessed by the end of January. The full programme of assessments was completed by mid-May 2021. Statutory performance continues to improve but there is still inconsistency across the service. The service continues to work with our improvement partners (HCC) to deliver ongoing improvement activity across children's social care. The service remains under close scrutiny from the independent Improvement Board and the statutory regulator, Ofsted. All improvement activity is overseen and supported by the dedicated Practice Improvement team who report regularly to DLT and the Improvement Board. We continue to revise and improve practice guidance, policy and practice on an ongoing basis. Areas of further development have been identified from the latest Ofsted focused visit and they form a focus for the next phase of the improvement work.	5	3	15	Apr-22
CR65	The review of corporate leadership, governance and culture recommended in the Children's Commissioner's report is not fully undertaken or effectively implemented leading to a lack of necessary improvement and further service failures or external intervention.	Chief Executive	1. Service failure 2. External intervention 3. Poor value for money	Dec-19	5	4	20	Tolerate	3	2	6					3	2	6	Jul-22

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk			Risk Strategy	Target Risk			Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk			Next Risk Review Date		
					Impact	Likelihood	Score		Impact	Likelihood	Score					Impact	Likelihood	Score			
CR69	If the council fail to make the necessary improvements to progress from the previous 'inadequate' rating, there is a risk that children's services will fail to deliver an acceptable provision to the community.	Director of Children, Young People and Learning	1. A child is exposed to dangers which could cause harm.	Mar-20	5	5	25	Treat	5	2	10	Deliver Children First Improvement Plan.	Senior Improvement Lead	ongoing	The Children First Improvement Plan has been developed to incorporate three key pillars to ensure an improved level of service: Pillar 1 - Everyone knows 'what good looks like'; Pillar 2: Creating the right environment for good social work to flourish; Pillar 3 : Deliver an Improved Service Model. The programme is being implemented and is on target as outlined in the Transformation Programme summary.	5	3	15	Apr-22		
			2. Significant reputational damage.									Continue to work with Hants CC as a partner in practice to improve the breadth of children's service.			Director of Children, Young People and Learning					ongoing	The phase 2 workstream improvement action plan, which is jointly developed by WSCC and HCC is being progressed. Regular steering group to track and monitor progress and report into the into Improvement Board.
			3. Reduced confidence by residents in the Councils ability to run children's services.									Implement the Children First Service transformation model			Assistant Director (Children First Transformation)					ongoing	Family Safeguarding model redesign to ensure practice improvements are sustainable and embedded to provide a good level of service is being progressed and is meeting its milestones for implementation.
			4. Legal implications through non-compliance or negligence.																		
CR72	The government have stipulated that from 9 Sep 2021 children in care under 16 will not be allowed to be accommodated in unregulated placements. This has strengthened existing regulations that stipulate that all children and young people who require residential care must be placed within registered children's homes. Due to a local and nationwide shortage of registered provision there is a risk that these children and young people will not be cared for in settings that best meet their needs, which could lead to safeguarding concerns and enforcement action against the providers of unregistered homes and local authorities.	Director of Children, Young People and Learning	1. Unable to meet primary needs of children we care for.	Aug-21	4	5	20	Treat	4	2	8	Develop and publish a market position statement to be sent out to care providers and other LA's to engage them in placements and requirements, in line with the needs of children.	Assistant Director (Corporate Parenting)	Mar-22		4	4	16	Apr-22		
			2. Not fulfilling statutory duties to place children in appropriate care settings.									Conduct an annual review and update of the placement sufficiency and commissioning strategy, in line with the market position statement.			Assistant Director (Corporate Parenting)					ongoing	
			3. Adverse media coverage.									Escalate to Assistant Directors and Exec Director any situation where a child or young person is at risk of being without a registered provision when they require one.			Heads of Service					ongoing	
			4. Damage to the reputation and credibility of the council.																		
			5. Children experience a lack of security, stability and support.																		
			6. Critical findings by regulators i.e. impact on Children First Improvement Plan.																		
			7. Legal action taken against the Council resulting in punitive penalties.																		

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk			Risk Strategy	Target Risk			Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk			Next Risk Review Date
					Impact	Likelihood	Score		Impact	Likelihood	Score					Impact	Likelihood	Score	
CR73	If there is a failure to adequately prioritise, finance and resource our efforts to deliver on WSCC Climate Change commitments (e.g. 2030 Carbon Neutrality), there is a risk that there will be insufficient capacity and capability to complete the necessary actions within the required timeframes . This will lead to prolonged variations in weather and adverse impacts on WSCC service provision.	Director for Place Services	Loss of public confidence in stated Climate Change Strategy	Jan-22	4	3	12	Treat	4	2	8	Clear prioritisation of CC Strategy delivery within Our Council Plan	Director for Place Services	ongoing		4	3	12	Jul-22
Loss of credibility with Govt and Partners notably West Sussex districts & boroughs, South Downs National Park Authority, Environment Agency, Natural England & Southern Water								Built into county-wide Business Planning and budgeting process	Director for Place Services	ongoing									
Negative impact on recruitment and retention of staff, and decline of productivity								SMART programme of actions based on clear definitions and metrics	Director for Place Services	ongoing									
Local impacts on sea level rise, ecology and more frequent severe weather episodes may all impact on housing, health and welfare, economy, biodiversity and Natural Capital, revenue cost of services (e.g. Highways) and supply chains								Align pipeline of projects for existing and future funding opportunities	Assistant Director (Environment and Public Protection)	ongoing									
Impact on public health due to rising temperatures								Recruitment and training policy to ensure all staff & elected members are suitably informed on climate change issues & that specialist skills are embedded through recruitment & training to enable delivery	Assistant Director (Environment and Public Protection)	ongoing									
Punitive penalties are made on the Council, or be liable for higher future carbon pricing / taxation to achieve carbon neutrality								Existing estate & infrastructure made climate change resilient & future developments designed to be as low carbon & climate change resilient ☑	Director for Place Services	ongoing									
Damage to, or accelerated deterioration of, infrastructure/assets																			

Regulation, Audit and Accounts Committee**14 March 2022****Annual Governance Statement Update****Report by Director of Law and Assurance**

Summary

The Committee has oversight of the production of the Annual Governance Statement each year, its approval and monitoring of governance actions identified as part of the production of the Statement each year.

Recommendations

- (1) That the Action Plan update at Appendix A and the flowchart at Appendix C be noted.
 - (2) That the draft Statement for 2021/22 be supported subject to any comments from the Committee.
-

Proposal**1 Background and context**

- 1.1 The Accounts and Audit Regulations require the publication of an Annual Governance Statement (AGS) by the County Council.
- 1.2 Corporate Governance is the system by which the County Council ensures and gives assurance that it is discharging its functions in the right way, in a timely and accountable manner.
- 1.3 The Annual Governance Statement 2020/21 was agreed by the Committee in November 2021 and was subsequently signed by the Leader and Chief Executive. The Statement contains a summary of required actions.
- 1.4 Initial preparation has been undertaken on the Annual Governance Statement 2021/22. Following a recent audit of the AGS process, a new flowchart has been produced to set out the process for the AGS and that is attached at Appendix C for information.

2 Proposal details

- 2.1 An update on progress against the Action Plan for 2020/21 is attached as Appendix A. The Committee is invited to consider this progress and whether it requires further detail on any particular action for a future meeting.

- 2.2 The first draft of the Annual Governance Statement 2021/22 is attached as Appendix B. The Committee is invited to comment on the draft and on any changes that it believes to be necessary. The Statement will then be finalised after the year end, following the further steps in the process.
- 2.3 It is hoped to present the final version to the Committee for approval in July 2022, subject to the timescale for comment from EY, the external auditor.

3 Other options considered (and reasons for not proposing)

- 3.1 Not applicable.

4 Consultation, engagement and advice

- 4.1 The external auditor was consulted on the draft Annual Governance Statement 20/21 and the auditor's comments were taken into account in the final version, which includes the items identified for the Action Plan. The flowchart sets out the range of internal consultation undertaken each year.

5 Finance

- 5.1 Not applicable.

6 Risk implications and mitigations

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

7 Policy alignment and compliance

- 7.1 The Statement is aligned with the Code of Corporate Governance, a new version of which was agreed by the Governance Committee on 7 February 2022.

Tony Kershaw

Director of Law and Assurance

Contact Officer: Charles Gauntlett, Senior Advisor, 033 022 22524, charles.gauntlett@westsussex.gov.uk

Appendices

Appendix A - Annual Governance Statement Action Plan 2020/21 update

Appendix B - Draft Annual Governance Statement 2021/22

Appendix C - Flowchart setting out AGS production process

Background papers

None

Annual Governance Statement 2020/21 Action Plan

The following actions to address significant governance issues have been agreed and updates will be provided during 2021/22.

Principle A

Action	Action Owner	Deadline	Updates
To ensure full implementation of officer interests and gifts	Director L&A	March 2022	New advice and guidance in preparation to Directors to reinforce current requirements to have completed records in place by end of March.
To complete the implementation of agreed workstreams and proposals from the good governance review.	Chief Executive	March 2022	A revised Code of Governance was approved by the Governance Committee on 7 February 2022. Parallel officer guidance due to be disseminated and linked to refreshed officer training on governance.
To review the scheme of delegation as part of the good governance review	Director L&A	March 2022	Under preparation in Directorates. Due for completion to align with revisions to officer structure.

Principle B

Action	Action Owner	Deadline	Updates
Implement actions arising from the Good Governance Review	Chief Executive	March 2022	Completed - A revised Code of Governance was approved by the Governance Committee on 7 February 2022.
Implement relevant governance actions on openness, culture and collaborative working from Improvement Plan for FRS	CFO	March 2022	Our new People Service plan activity aligns to the WSFRS Core Values, WSCC People Framework, National Fire Chiefs Council Core Code of Ethics, NFCC Leadership Framework, NFCC People Strategy and NFCC Equality Framework. This plan includes a whole

Action	Action Owner	Deadline	Updates
			<p>service approach to Community Engagement which was reinvigorated at a recent leadership event in January. To underpin this work a Leadership & Cultural Change Programme will be rolled out commencing in Q1 22/23 that will cover some key aspects and a more holistic approach to delivering training for our managers in several areas including. The Service has just been inspected by Her Majesty’s Inspectorate for Constabulary and Fire & Rescue Service with the results due to be published in Spring 2022.</p>
<p>Implement actions from the Children First Improvement Plan relating to partnership working</p>	<p>Executive Director CS</p>	<p>March 2022</p>	<p>Completed.</p> <ul style="list-style-type: none"> • The following key strategic partnership Boards and monitoring have been maintained and well attended by the Council and partners; <ul style="list-style-type: none"> ○ Commissioner’s Improvement Board ○ Children First Board established as partnership sub-group of Health & Wellbeing Board ○ Safeguarding Children Partnership • Improvement Partner (HCC) Workstreams has been included in the PIP to reflect the joint (WSCC & Hampshire County Council) work to deliver the required partnership improvements • Specific areas of the PIP, such as Ofsted Recommendation 1 related to wider partnership working, are being delivered as part of the wider Transformation Programme (e.g.: the implementation of the Family Early Help & Safeguarding Model)

Action	Action Owner	Deadline	Updates
			<ul style="list-style-type: none"> In line with the <i>Children's First</i> vision; the child's voice is considered and evidenced within all the work undertaken within the plan Success measures are evidenced in highlight and progress reports presented to the relevant strategic boards
Complete project on partnership and community engagement arrangements as part of good governance review	Director of Communities	March 2022	Cross Council work ongoing, plans for partnership event being developed. (No change from January 2022 update)
Complete work on equality impact assessment in decision making	Director L&A	March 2022	Incorporated into new guidance for officers on Council governance. To be supported further through political management/decision-making training for CMT.
Complete promotion and training linked to revised whistleblowing policy.	Director L&A	March 2022	To be included in dissemination of new officer guidance on governance.
Implement final proposals and actions from review of scrutiny and learning from good governance review	Director L&A	March 2022	Completed - All revisions to Constitution in place. Internal system of meetings to review effectiveness of new arrangements in place.

Principle C

Action	Action Owner	Deadline	Updates
Complete arrangements for monitoring and reporting corporate performance relating to Our Council Plan priorities	Chief Executive	March 2022	Completed - The quarterly Performance and Resources Report is now operating, a public document, scrutinised by committees and reported to public Cabinet to support detailed reporting and monitoring of corporate performance.

Action	Action Owner	Deadline	Updates
Implement plans for member roles in performance management arrangements	Director L&A & Director F&SS	March 2022	Completed - Performance management including KPIs, finance and risk are reported quarterly to Cabinet and the relevant scrutiny committee.
Completion of governance for climate change strategy	Director of Environment & Public Protection	March 2022	<p>Internal Climate Change Board Established under Chairmanship of Exec Director Place in 2020.</p> <p>First revision of 2020 Climate Change Strategy (CCS) is underway with wide internal input. Principles were considered by ELT on 23/12/21 and endorsement by Cabinet will be sought in Spring 2022.</p> <p>Internal audit review of current CCS (to assess how the key aims of the CCS are being embedded into day-to-day practice and decision making across the Council) has commenced and is expected to report in March 2022.</p>
Develop arrangements for reporting and monitoring output from the new Economic Strategy	Executive Director Place	March 2022	<p>Headline key performance indicators are reported through the quarterly Performance and Resources Report.</p> <p>Additional Key Performance Indicators are reported through service business plans</p> <p>Scrutiny reviews progress as part of its programme (e.g. <i>Growth Deals report to the Performance and Finance Scrutiny Committee in Dec 2021</i>) (no change from January 2022 update)</p>

Principle D

Action	Action Owner	Deadline	Updates
Children's Improvement Plan implementation	Executive Director CS	March 2022	<p>Completed</p> <ul style="list-style-type: none"> • Improvement Board – The Council has furnished Commissioner, with the evidence required for his report to the Minister with a recommendation that the Children's Trust Direction to be removed. The Commissioner is satisfied with the progress that the Council and the service has made over the last twelve months. • All workstreams in the Practice Improvement Plan (PIP) have been progressed as planned and in accordance with the criteria set out by the Commissioner. • All areas of the PIP are considered for financial sustainability at the bi-monthly practice improvement forum • Covid-19: The service has maintained good staffing levels and service disruption has been kept to a minimum. • Two Ofsted Monitoring Visits have been successfully completed (May 2021 and September 2021). • Workforce capacity, safety and morale remain strong, with good management support, including enhanced staff supervision. • Level of demand and performance measures remain stable. • Programme of staff training and management development completed successfully as planned during 2021.

Action	Action Owner	Deadline	Updates
Fire and Rescue Improvement Plan implementation	CFO	March 2022	Performance and improvement continues to be closely measured through our Performance Assurance Framework (PAF) core measures to our CRMP, which is scrutinised by the Strategic Performance Board and through a dedicated FRS Scrutiny Committee. All actions relating to prevention and protection have now been completed and evaluation and monitoring is now in place. New IT systems for performance monitoring and an updated prevention and protection system introduced now assists local activity across the service through new Local Risk Management Plans (LRMPs).
Implementation of new corporate performance and business planning processes against the Council Plan	Chief Executive	March 2022	Completed - The quarterly Performance and Resources Report is now operating - a public document, scrutinised by committees and reported to public Cabinet to support detailed reporting and monitoring of corporate performance. Service/Departmental Business Planning now in the second year of preparation against the Council Plan priorities and linked to agreed performance measures.
Review of Officer executive Boards governance	Director L&A	March 2022	Underway - focus on Capital and Assets, Economy and Procurement Boards. All to be mapped for clarity. Included in internal officer guide to governance.
Review of capital governance arrangements	Director L&A & Director F&SS	March 2022	Underway as part of review of officer guide and in preparation of material related to budget for February 2022.

Principle E

Action	Action Owner	Deadline	Updates
Leadership skill development	Director HR & OD	March 2022	Completed - Management Development and Coaching Pathways launched on The Point. Roll out of Level 7 Apprenticeships in Leadership and Management.
People Framework roll out and implementation	Director HR & OD	March 2022	Completed - People Framework launched. Work continues to develop activities in support of each pillar.
Member skills development following good governance review and scrutiny review	Director L&A	March 2022	Member consultation underway. Member Development Group to review further once all analysis and feedback available.
Complete delivery of programme for member skills and knowledge post May 2021 election	Director L&A	March 2022	Complete save for remaining work on individual member training needs from needs assessment and after period of settling into roles.

Principle F

Action	Action Owner	Deadline	Updates
Finalise review and plans for corporate risk register oversight and monitoring in light of performance management changes.	Director F&SS	March 2022	Completed - The risk register has been incorporated into the Performance and Resources Report to enable the relevant scrutiny committee to comment the relevant risks. The process of risk management continues to be reported to RAAC at each meeting.
Refresh compliance and consistency in scheme of onward delegation from Directors	Director L&A	March 2022	Under preparation in Directorates. Due for completion to align with revisions to officer structure. New format for inward delegation in place.

Principle G

Action	Action Owner	Deadline	Updates
Internal audit recommendations for governance	Director L&A	March 2022	Being reviewed with internal audit to ensure full response and compliance with recommendations.

Key

CFO = Chief Fire Officer

Director F&SS = Director of Finance and Support Services

Director HR & OD = Director Human Resources and Organisational Development

Director L&A = Director of Law and Assurance

Executive Director CS = Executive Director Children, Families and Learning

**West Sussex County Council
Annual Governance Statement 2021/22**

Executive Summary

The Annual Governance Statement (AGS) explains the processes and systems of the County Council's discharge of its responsibilities so as to give assurance for their effectiveness. It covers the period 1 April 2021 to 31 March 2022.

Work has continued to provide greater clarity in areas of council governance identified through the good governance project initiated in early 2020.

The year was dominated by the continuing national public health emergency and the impact of this 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 for each principle are the actions to address issues to further strengthen the Council's governance.

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 a Code of Governance aligned with the principles of the Chartered Institute of Public Financing & Accounting (CIPFA) Framework: Delivering Good Governance in Local Government. It also meets the requirements of the Accounts and Audit Regulations 2015. A new Code of Governance was agreed by the Governance Committee in February 2022.
3. The governance framework comprises the rules, procedures, systems and processes by which the Council is managed and controlled. The quality of the framework and how well it is used underpin trust in public services. This Annual Statement shows how the Council gives assurance to members, partners, stakeholders and residents that its governance arrangements are robust.

The Governance Assurance Framework Principles

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

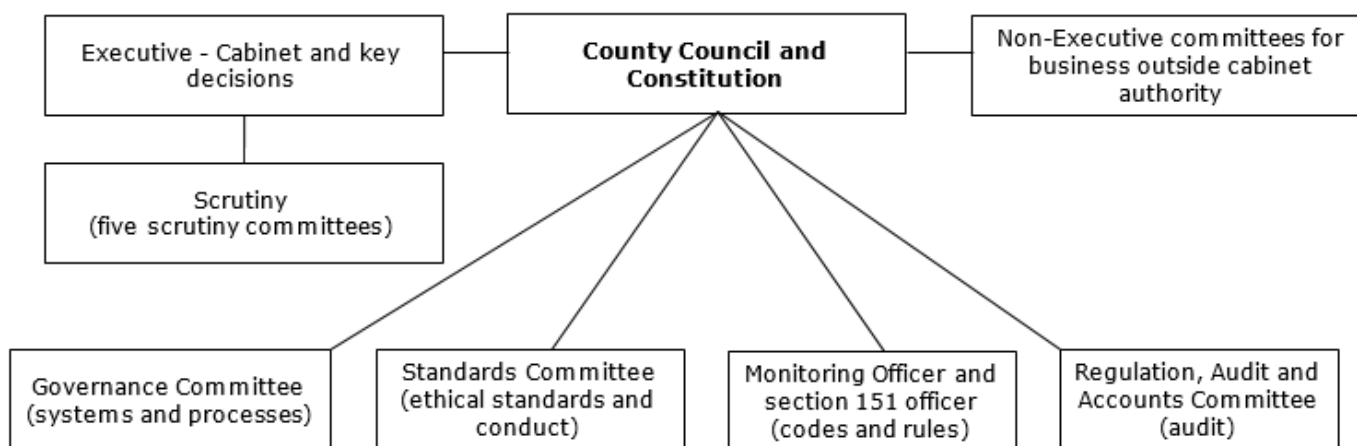
Principle	Description of Principle
A	Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
B	Ensuring openness and comprehensive stakeholder engagement
C	Defining outcomes in terms of sustainable economic, social and environmental benefits

Principle	Description of Principle
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

5. 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:

The Governance Framework at West Sussex County Council



Public Health Emergency

6. In March 2020, a national public health emergency was declared by the Government in response to the global coronavirus pandemic. This situation continued to affect the Council throughout the period covered by this report. Some services were refocused to prioritise essential services and to provide additional services in response to national priorities. This response was led through a command chain with the Executive Leadership Team working with external partners and providing strategic oversight, directors managing tactical planning, service continuity and delivery. The County Council continues to work on recovery and plans for adapting to future ways of working. The disruption to normal corporate business and the service, resource, staffing and financial consequences will continue to be assessed as part of corporate planning and will inform the commitments made in this Statement.
7. A number of additional governance arrangements have been adopted to manage decision making and resource allocation in response to the public health situation and to manage funding streams and grant allocations from central government. There have been supplementary procurement measures requiring governance for assurance that payments and financial commitments made in response to the impact on suppliers and service providers were managed

prudently, correctly and in a timely way. These are covered in the report where relevant to the area of assurance being addressed.

8. Most activity has continued to be transacted by staff working remotely through the County Council's secure IT network and the use of virtual meetings through an end-to-end encrypted network. Guidance has been issued to managers on working with remote teams and revised as national and local conditions change. The employee support programme has been advertised regularly to staff via a variety of channels to help to promote good staff welfare during the period of remote working.

County Council election 2021 – Governance of Councils nationally

9. May 2021 saw the election of a new administration of county councillors. In the period following the election the Council undertook the induction of new councillors and their familiarisation with the Council's governance. May 2021 saw the ending of interim arrangements permitting councils to transact business through virtual formal meetings and the Council has, throughout this time, continued to review its arrangements for formal member meetings as a standing item of business on the Governance Committee, reporting as need be to the full Council where approval of constitutional revisions was required.

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

10. 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' section (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 in the Constitution and define the constraints on the exercise of authority.
11. 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

specialist officers and internal guidance, financial regulations standing orders that should ensure compliance with these policies.

12. The statutory roles of the Chief Financial Officer (s.151 officer) and Monitoring Officer are set out in the Constitution and in the scheme of delegation. These officers provide oversight of propriety, lawfulness, ethical conduct and financial prudence. 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.
13. 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 and this was carried out successfully following the county council election in May 2021. 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 interest declarations and it is a standing item on all formal meeting agendas for both officers and members. These actions were fully implemented following the may 2021 election.
14. The Council has a **whistleblowing policy** as 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 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 included independent assurance and benchmarking for the Council's arrangements. This has relevance for the Council's commitment to a fair, open and responsive internal culture.
15. 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 are 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. At Executive Leadership level the need to secure and maintain a consistent approach is reinforced and as stability in senior leadership has improved the Council should be in a position to publish this information on a more consistent basis. Action will be taken to make the recording and publishing of interests simpler.
16. 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 on behalf of the Executive Leadership Team (ELT). This provides a single process for procurement planning, compliance with due process and consistency of best practice. Some elements of these are being 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.

17. 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. Changes to the composition of and titles used by the Executive Leadership Team and their direct reports in March 2022 will require adjustments to the Scheme of Delegation.
18. The Chief Executive commissioned an external review of governance in 2020. This 'good governance' work provided an opportunity to review areas of strategic governance and action to address inconsistencies or ineffectiveness in policy or practice and as part of the Council's culture, including its arrangements for ensuring compliance. The new Code of Governance was approved by the Governance Committee in February 2022 and has now been published. An officer guide to council governance and decision-making has also been developed as a single accessible source of guidance to officers on Council governance. It will be widely disseminated and will provide a source for officer training on governance.

Note on Teachers' Pensions failure

In June 2021 the Council notified the Pensions Regulator of an historical breach of the Teachers' Pension Regulations, which related to a failure over a number of years to auto-enrol some part time and casual teaching staff onto the teachers' pension scheme as required following a change to the regulations in 2007. A contingent liability for this was included in the Council's accounts for 2020/21. During 2020/21 the Council had appointed an external adviser to investigate the extent of the breach and this work was concluded in September 2021. The Council is working with Teachers Pension Services to assess options for those teaching staff in scope. This is expected to be completed in spring 2022 and options will then be communicated to employees detailing benefits accrued (and employee contributions payable) should the member exercise their option to join the scheme. The obligation to the Council only exists should the employee take up this option. Bearing in mind the timeline outlined above, the Council is currently considering whether it will be possible to quantify the value of the backdated employer contributions or interest charges for the 2021/22 accounts.

Principle A (integrity and compliance)

Action	Owner
i. To ensure full implementation of arrangements for the registering and publication of officer interests	Director L&A
ii. To adopt a simpler system for the recording of officer interests	Director L&A
iii. To complete and disseminate the new officer guide to governance	Director L&A
iv. To update the Scheme of Delegation to reflect changes to Council leadership titles and roles.	Director of L&A
v. To ensure full implementation of the plan to address the Teachers Pension Breach	Director F&SS

B: Ensuring openness and comprehensive stakeholder engagement

Assured

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 and as the Council adapted to changes in legal requirements for formal member meetings.

Compliant standard consultation and engagement mechanisms are in place and are used effectively.

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 improve the Council's partnership arrangements.

The scope and approach to partnership working in specified areas, most significantly joint commissioning with the NHS, will be reviewed and reappraised as part of a strategic review of Adults Services and its focus on commissioning arrangements.

Decision-making and Scrutiny

19. The **County Council** is the senior 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.
20. The **Executive** (leader and cabinet) takes decisions on most matters of Council policy and service delivery. Most cabinet level decisions are 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 appointed by the relevant committee.
21. Scrutiny committees also undertake performance monitoring of Council priorities, using the measures in the Council Plan, provide input into policy development and ensure significant decisions or proposals are scrutinised in public ahead of consideration by Cabinet. 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. Other meetings of significant public interest are webcast, including the County Council, Cabinet, scrutiny committees and Planning and Rights of Way Committee. Any formal meetings held virtually will also be webcast to ensure openness and accountability. Webcasts are available to view for up to six years.
22. **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 their business. As decisions become more significant in terms of service changes and policy

proposals there is a greater need to ensure early awareness by and engagement for all members and scrutiny committees use their business planning groups (a smaller group of committee members) to help ensure the right focus of business.

23. **Decision-making** operates with a presumption of openness. Cabinet and Committees are held in public and individual executive decisions by individual cabinet members or senior officers in accordance with the scheme of delegation 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. Any 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 after senior officer advice.
24. 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 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 when urgent action is used. This system is not conducive to openness and transparency and its use is kept to a minimum and any key decisions taken in this way are reported to the next County Council meeting.

Pandemic impact

25. 2021/22 was dominated by the COVID-19 public health situation with Council business and democratic processes continuing to take place, including whole council elections in May 2021. Under the Government's emergency regulations for the period up to June 2021 councils were able to transact formal council business by elected members meeting virtually. The Council adopted revised Standing Orders to accommodate these legal provisions. Meetings of Council, Cabinet and non-executive committees took place with decisions being taken and business transacted openly and publicly over the Microsoft Teams platform in accordance with revised Standing Orders. The legal provisions enabling virtual member meetings to take decisions ended in June 2021 and, since that time, all formal member decisions by cabinet or committees have been fully compliant with the statutory framework in place prior to the emergency regulations.
26. Some non-decision making meetings have continued to be held virtually and the meeting and decision-making arrangements were largely uninterrupted. The County Council prioritises transparency and democratic accountability and so Council committees had a full programme of meetings. Virtual briefings for councillors and digital engagement activities have taken place with stakeholders and witnesses advising committees, with learning from these 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, managing capacity and learning from best practice. In December 2021 the Council approved a further set of revised Standing Orders to cover the continued use of hybrid member meetings where permitted.

27. **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. The procurement of a new solution for customer contact and transactions is planned for implementation Autumn 2022.

Stakeholders and Partnership

28. The County Council works with a range of stakeholders. This includes other 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 and local economic and place-based 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 of and scrutiny route for the council partnership to manage and deliver the retained business rate pool, refreshed each year, have been settled.

29. 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 legislated changes in NHS governance and commissioning plans and a review of Council priorities it is expected that the systems and arrangements for joint commissioning will be reviewed during 2022/23 following the implementation of new integrated care systems in mid-2022.

30. The terms of reference and membership of the **Health and Wellbeing Board**, the principal forum for health and social care liaison and partnership, were last revised in 2021 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.

31. In the area of **Children's Services** the partnership arrangements were noted in 2019 as inadequate. 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 are brought to an Improvement Board chaired by the Children's Commissioner. A separate Improvement Partnership provides a broader forum of engagement with external agencies and partners linked to the responsibilities of Children's Services and oversight of the improvement activity. A comprehensive improvement plan is in place for delivery and its governance will remain in place until the focused regulatory oversight by Ofsted linked to the designated level of service quality has been lifted.

32. The Secretary of State's Direction for the County Council to establish an independent Children's Trust to run the Children's Services on behalf of the County Council was formally paused in early 2021 with the approval of the Secretary of State. The Commissioner, in February 2022, submitted a report to the Secretary of State recommending that, due to the speed and extent of successful progress with corporate governance and the improvement plan, the Direction be abandoned and the Council left to manage these services.
33. The formal County Local Committee meetings were abolished in October 2021 and have been replaced with **County Local Forums**, which are being trialled for one year as a mechanism for county councillors to engage with communities, providing a forum for answering questions from the public in both in-person and virtual settings. Their effectiveness will be reviewed in 2022 and a decision taken about future arrangements for the governance of local community engagement.
34. 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. There are agreed partnership principles with the voluntary sector for the commitment to more effective ways of working together, building stronger alliances and empowering joint action. Significant partnership work was undertaken in response to the pandemic, helping to strengthen and build on the effectiveness of relationships with other organisations, including the other tiers of local government and the NHS. As an output of the good governance review, the Council's Communities Directorate is leading on work to further enhance and clarify the Council's local community and partnership arrangements to ensure the Council is an outward looking, collaborative and engaging organisation.

Consultation and engagement in West Sussex

35. 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.
36. 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.
37. **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.
38. Formal consultation will generally only be undertaken where there is a statutory duty or legitimate expectation, or 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.

39. 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 and are highlighted in the residents' e-newsletter. 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.
40. The information gathered is analysed and considered as part of the decision-making process. The protocol can be found in the [Constitution](#). Analysis reports and decisions are made available on the 'your Voice' webpages as a means of closing the 'feedback loop' and increasing trust in decision-making processes.
41. Action was taken to increase the effectiveness of public engagement and communication, including raising awareness of the need to ensure that all projects comply with new online accessibility legislation. Work on improving understanding of, and compliance with the public sector equality duty has been completed but will need to be reinforced through the use of guidance and best practice and focused training in areas in which risks have been identified.
42. 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 address a meeting of the County Council if prescribed thresholds for numbers of 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

43. In response to 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 (subject of re-inspection during 2021). These were built upon by a comprehensive governance review which has led to a number of current projects and workstreams.
44. Governance changes arising from Her Majesty's Inspectorate of Constabularies and Fire and Rescue Services (HMICFRS) in 2019 were implemented during late 2019 and during 2020. The most notable change was the establishment of a new Fire and Rescue Service Scrutiny Committee, which has continued to provide effective scrutiny of this critical area of the Council's responsibilities. The Fire and Rescue Service prepares its own Statement of Assurance as part of its annual report. The most recent Statement of Assurance (20/21) was approved by Cabinet in December 2021. It mainly focuses on an overview of and actions to support operational and financial commitments to meet the Council's service obligations as Fire Authority. It also describes the governance within the Council for facilitating those activities. The need for further work will be reviewed once the outcome of the Autumn 2021 re-inspection by HMICFRS is known.

45. 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. Progress has continued throughout 2021/22 to make the required improvements, including the production of the new Code of Governance and the officer guide to decision-making.

Principle B (openness and engagement)

Action	Owner
i. Complete project on partnership and community engagement arrangements as part of good governance review	Director of Communities
ii. Complete promotion and training linked to revised whistleblowing policy.	Director Law and Assurance
iii. Adults Services partnership and commissioning arrangements with NHS as part of care integration plans	Director or Adults and Health
iv. Governance changes as needed linked to SoS decision on Children's Trust Direction.	Director of Children's Services
v. Dissemination and promotion of guidance and best practice for the assessment of the public sector equality duty	Director Law and Assurance
vi. Fire and Rescue (see FRS Statement of Assurance)	Chief Fire Officer

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

Assured

The County Council has settled arrangements to define priority 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 Council Plan was adopted by the Council at its meeting in February 2021 following extensive member engagement in identifying service priorities and how best to monitor their achievement. The Plan covers the period 2021-25 and is refreshed each year. Performance has been monitored in a structured, timely and transparent way by the leadership team and by members in public in the Cabinet and through scrutiny.

These corporate outcomes and the measures for their delivery are, as a matter of course, considered in the preparation of Directorate and service plans and in all significant decisions, the latter being recorded at the point of publication.

46. The 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 approved by the County Council in February 2021 and is subject to programmed quarterly performance monitoring by both executive and scrutiny members. The Plan was developed by the Cabinet and the Executive Leadership Team with the extensive engagement of elected members, scrutiny committees, partners and staff at all levels. Member oversight of the plan takes place in public and the plan is subject to annual review at the Council meeting which considers and approves the Council's budget and capital programme. The first review took place at the County Council meeting in February 2022.
47. The Council Plan is implemented through the Directorate Business Planning process. Arrangements for comprehensive performance reports to the Executive Leadership Team and Cabinet Members as well as more focused reports to scrutiny committees and have been settled and put into practice. This performance monitoring is undertaken through the **Performance and Resources Report** which includes financial monitoring information covering both revenue and capital and other corporate performance data on staffing and corporate risk management.
48. Detail of its use and the data monitoring and analysis undertaken by the Council are covered in section D. Active monitoring of performance is undertaken through regular reviews of business plans by Directorate Management Teams and with all staff through individual staff performance conversations which also cover individual staff development. This is also covered in Part D (57-58 below)

49. There will be a continuous review of how well the Council's performance is monitored by officers and by members, both executive and scrutiny during the year ahead. 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.

The Council and the local economy

50. 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 supporting local businesses and place based and community initiatives. The **Economy Plan**, adopted in November 2020, sets out the County Council's priorities in supporting the recovery and prosperity of the county in the wake of the Covid-19 pandemic as well as for the longer term. The Plan, which has been published, covers the period 2020 to 2024 and has nine priority themes setting out where the Council will focus its efforts and resources. It is subject to annual or more frequent review and refresh.
51. Partners and stakeholders contributed to the development of the Economy Plan, including the district and borough councils, the Coast to Capital Local Enterprise Partnership, the South Downs National Park Authority, further and higher education institutions, and business representative organisations. Working with these partners is crucial in the Council's determination to support the business community and ensure recovery and sustainable growth for the West Sussex economy.
52. The County Council has adopted an ambitious 10 year [Climate Change Strategy](#) with two key aims for the Council to be both carbon neutral and climate resilient by 2030. It complements the climate change theme underpinning the Council Plan approved in February 2020. It was approved by members in July 2020 after member engagement and scrutiny. The first [annual report](#) was published in autumn 2021.
53. The officer Climate Change Board oversees delivery on climate change ambitions on behalf of the Executive Leadership Team. The governance of the Board was audited for effectiveness in spring 2021 and was rated as 'reasonable.' [A second internal audit was completed through spring 2022, looking at how climate change ambition is reflected in governance, and the rating was 'to be confirmed.']
54. In December 2021 the Executive Leadership Team agreed to accelerate progress on climate change ambition, acknowledging that climate change objectives need to be built into existing business planning and budgeting processes. Actions include strengthening the remit of the internal Climate Change Board, ensuring all decision-making forums and processes across the organisation reflect climate change ambition in their activity and engaging directorate leadership teams.
55. The creation of [The 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.

56. The Council has a **Social Value Framework** 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 framework was first developed in 2015 and has been incorporated into procurement practice and processes, any impact being recorded in published decision reports. There is a need to review the Social Value Framework to ensure it is coherent with the Council Plan priorities, the refreshed Economy Plan and the Climate Change Strategy as well as changes to the environmental, social and economic context of the Council’s activities.

Principle C (defining outcomes and benefits)

Action	Owner
i. Annual refresh of Council Plan	ELT
ii. Refresh of Economy Plan	Director Place Services
iii. Update of Social Value Framework	Director of Finance & Support Services
iv. Embedding of Climate Change Strategy into corporate governance and actions	Director Place Services

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 inspection reports on which much progress has continued to be made during 2021/22.

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.

In anticipation of significant changes related to health service and social care integration, the future of external regulated inspection regimes and the arrangements needed to meet the identified service outcomes a strategic review of Adults Services has begun.

The County Council takes decisions on interventions based on the priorities agreed in The Council Plan. In areas identified for improvement systems for governance, oversight and scrutiny of interventions will continue to be given particular focus. Proposed interventions are recorded through Directorate Business Plans for timely outcome delivery, overseen by the relevant Management Team.

57. All Directorates are expected to prepare and monitor Business Plans which set out the actions required to meet the outcomes set in the Council Plan and the targets and measures used to monitor their delivery. These are in place and will be reviewed regularly and will be updated and refreshed as needed as part of the annual refresh of the Council Plan by the County Council.
58. The public facing **Performance Dashboard** provides details on progress on the key indicators of the 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 each of the Scrutiny Committees, the full dashboard being referred to Performance and Finance Scrutiny Committee.
59. The **Performance and Resources Report** provides an overview of performance against the agreed priorities within the 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:
- Council Plan and Performance Measures
 - Medium Financial Term Strategy and in-year budget
 - Culture and Workforce
 - Service and Corporate Improvement
 - Corporate Risk Management

60. 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 but not pursued, advice received, consultation undertaken and how risks are managed.
61. 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.
62. 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. They are also described in the recently developed officer guide to governance to assist in making their work and purpose better understood.

Service Improvement activity

63. 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 informs 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 improvements. The Commissioner, in January 2022, wrote to the Secretary of State to recommend the abandonment of the Direction to the County Council to establish a Children's Trust to run its Children's Services, following the pause in those plans by the Department of Education in late 2020.
64. 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. There are regular member updates to full Council, Cabinet and scrutiny on improvement activity. External oversight of the work on governance was lifted in light of the significant improvements recorded. Whilst a re-inspection by HMICFRS was undertaken in the autumn of 2021, the report from this inspection is not expected until late spring 2022.
65. In February 2022 the Cabinet approved for implementation a new strategy for Adults Services, developed with extensive partner, service user and member engagement. Its development will take place in parallel with the implementation nationally of integrated care services with the NHS at local level. The development and implementation of the strategy during 2022 will mean significant areas of change for service delivery, service performance, systems to support practice and commissioning – including that undertaken jointly with the NHS. Its further development and implementation will be the subject of oversight by the Health and Adults' Social Care Scrutiny Committee.

Principle D (interventions for outcomes)

Action	Owner
i. Children's Improvement Plan implementation	Director of CS
ii. Fire and Rescue Improvement Plan implementation	Chief Fire Officer
iii. Implementation of the Adults Service Strategy	Director of Adults and Health
iv. Review of Officer executive Boards governance	Director of L&A
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 2021/22 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 agreed aims and the suite of policies and processes which support them. This has been reinforced by the work on the West Sussex Plan and the business planning activity underpinning its delivery. The induction for members following the May 2021 elections and subsequent member development work have also focussed on this.

The Chief Executive and the Executive Leadership Team manage the County Council's workforce, skills and resource planning in line with its workforce strategy. 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.

Training and support, both internal and external 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 period following the end of the initial induction activity after the election in May 2021 as members acquire a more thorough understanding of strategic and partnership working.

66. 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 and members appointed as cabinet advisers, for which role profiles must be settled with the Director of Law and Assurance. The Council, at its public meetings, makes appointments to all committees and 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 and Governance Committee has carried out such reviews during 2021/22 with relevant business on each meeting agenda.

67. **Member roles** – Executive and non-executive roles are defined and published within the Constitution on the Council’s website and as part of the internal Members’ Information Network (the Mine). The member induction and training programmes cover all aspects of member roles. All member development sessions have attendance and feedback recorded.
68. 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 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.
69. MDG’s work led to South East Employers granting the Council Charter status for its member development programme in November 2020. MDG developed a clear Councillor Development Strategy and a learning programme which supports the Council’s agreed priorities. A comprehensive induction programme for councillors was developed by MDG, working with senior officers and this was delivered almost entirely virtually because of the public health situation at the time. This programme covered members’ strategic and local community roles, governance arrangements, skills training such as chairmanship, social media and questioning, as well as specific training on the Code of Conduct, safeguarding and corporate parenting. More tailored induction was provided for members in specialist roles or linked to membership of particular committees.
70. All members have been offered the opportunity to have a training needs analysis (TNA), which logs the training they have undertaken and identifies areas for future development. Feedback from this process is being used to inform the ongoing member development programme and the MDG is monitoring update of the TNA process.
71. Specialist training is given to members according to the roles they carry out. This includes leadership training for Cabinet Members (the executive) delivered in partnership with the Local Government Association, scrutiny committee members, members of the Regulation, Audit and Accounts Committee, Planning and Rights of Way Committee, the Pensions Committee and the Appeals Panel. Some training for members is identified as mandatory (code of conduct, adults and children’s safeguarding, corporate parenting, equalities and data protection/cyber security). Different options for completion of this training are provided, including through online training modules. Completion of this mandatory training is a key performance indicator for 2021/22 and is being monitored by the MDG.
72. 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 and all other members are expected to have a standard DBS check. By January 2022, all planned DBS checks had been completed.
73. In 2021/22, support and advice has been provided to members to ensure more measurable impact of service performance oversight and purposeful scrutiny. All members were also closely involved in the development of the Council’s

corporate plan and the design of its performance measures and each scrutiny committee is carrying out in public quarterly performance monitoring against the measures set out in the Council Plan.

74. During May 2022 the MDG will evaluate work to promote local democracy, which leads on from work undertaken in the lead up to the May 2021 elections. This programme focused on information for 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.

Officers

75. 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 Director of Children, Young People and Learning and the Director of Adults' and Health.

76. In March 2022 the Chief Executive implemented a revision of the composition of the Executive Leadership Team with the addition of a post of Assistant Chief Executive to lead on specific support services and corporate policy advice and partnership activity. The titles of posts within the Executive Leadership Team were revised along with their direct reports to achieve consistency. These changes will be reflected in revisions to the Scheme of Delegation.

77. All 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. The leadership team has agreed the approach to enable them to provide appropriate assurances – referred to as Directorate Statements of Assurance, to be completed to accompany the final sign off of this Assurance Statement.

78. In recent years there has been inconsistency in the completion and signing off of the Directorate Statements of Assurance, in part due to the arrival in post part way through the relevant period of the senior officer in question and the need to gain a thorough understanding of the directorate and any issues related to its structure, performance and systems of management. Greater and more sustained stability and continuity at senior leadership levels should mean that the completion of assurance statements will be more straightforward.

79. There is greater stability in the Executive Leadership Team. The Monitoring Officer and Chief Financial Officer have a place on the Executive Leadership Team, which comprises the three service Directors in addition to the Chief Executive, Director of HR and Organisational Development and the Chief Fire Officer. A holder of the new post of Assistant Chief Executive came into post in January 2022 taking responsibility for policy, performance and intelligence and

communications. A new and permanent Director of HR and Organisational Design came into post in March 2022.

80. The Director of Public Health who reports to the 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 2021/22. Established emergency resilience processes and systems were deployed and have been used effectively to ensure sound and clear management of the Council's responsibilities.
81. All Directors and some Assistant Directors undertake the role of 'duty director' on a rota basis alongside the Chief Executive, to provide a source of authority and direction during critical incidents outside office hours. Training and guidance on the discharge of this role is provided. The officers are also required to complete police and national vetting procedures in order to participate in Gold command activities during incidents. The arrangements for the duty director function and the role of Directors have been revised during 2021/22.
82. 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 role profiles 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.
83. 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 and Organisational Development.
84. Issues of capacity and service resilience to ensure service effectiveness are covered through workforce planning as part of directorate business planning. This was 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 (People Framework) has now been put in place.

Principle E (capacity and leadership)

Action	Owner
i. Completion of Directorate Statements of Assurance	Director of Law and Assurance
ii. Implementation of Member Development Programme	Director of Law and Assurance
iii. Review of Duty Director role and procedure	Chief Fire Officer
iv.	

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 The 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 Council Plan and monitoring is now well established. Corporate risk management is reviewed regularly as part of the Performance and Resources Report. Directorate level risks are routinely monitored by Directorate Management Teams.

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.

85. The Constitution sets out the rules, its Financial Regulations, 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.
86. 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 2020/21 concluded that arrangements remained robust. The audit for 2021/22 is in the process of being concluded. 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 to be undertaken during 2022 as part of the Smartcore project (to replace SAP and the systems linked to it).
87. 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 broader 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 this document. This covered in part E above (74-75)

Scheme of Delegation for officers

88. The officer scheme of delegation is critical for the effectiveness of controls of spending and performance as well as authority for operational actions. 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.
89. The streamlined decision-making exercise arising from the good governance review focused on the identified need to provide clarity of understanding for officers in the discharge of their roles and to provide a basis for trusting officers, especially those in management roles, to do their jobs in accordance with their professional competence and good judgment. The scheme of delegation for each Directorate is critical to this aim. It is supported by the development of the new officer guide to governance which will be used for a programme of officer training to reinforce the need to achieve a culture of clarity and trust.
90. 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 2021/22, 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.
91. The **Risk Management Strategy** is set out in the Constitution (Part 4 section 2). The Strategy describes the allocation of responsibilities between officers and elected members and ensures that corporate risks are regularly reviewed by the Executive Leadership Team in order to advise and update Cabinet as necessary. In addition, it illustrates the framework the Council has for identifying, assessing and managing corporate risk. The operation of this framework and concerns identified are reported quarterly to the Regulation, Audit and Accounts Committee as part of their responsibility for providing assurance on the effectiveness of risk management arrangements.
92. Corporate risks are also included in the Performance and Resources Report which is reviewed by Cabinet and the Executive Leadership Team and considered by the scrutiny committees. Material risks and associated actions relating to proposals, policies and spending decisions are formally identified, recorded and published in decision reports and for scrutiny committees to consider (see paragraph 59 above). Decision report guidance also clarifies the responsibility for scrutiny committees to obtain assurance that effective management of risk is being achieved.

93. Management of risk is an iterative process delivered through the application of robust controls, including the business planning process, and is supported by the Corporate Risk Manager who reports to the Director of Finance and Support Services. Operational officer responsibility is carried by that Director as s.151 Officer, with the Chief Executive accountable for the Council's overall risk profile and effectiveness of the risk management strategy.
94. The area of Health and Safety management and the corporate assurance arrangements for good Health and Safety policy and practice is the subject of continual review and, in the context of sound risk management and internal governance, works well and continues to meet the Council's need.

Principle F (risk and performance)

Action	Owner
i. Refresh compliance and consistency in scheme of onward delegation from Directors	DLA
ii. Review of Financial Regulations as part of Smartcore project	Director of Finance and Support Services
iii. Review of Health and Safety governance	Director of HR & OD

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 and 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.

95. 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 and retained for public access. Cabinet, Cabinet Member and Committee decisions 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 to ensure there is general member and public awareness of the Council's plans and proposals before they are considered for approval. A limited number of reports are considered in private session only when the subject meets the prescribed criteria for confidentiality. A summary of these is published and the rationale for non-disclosure made available.
96. The County Council has several separate bodies of which it is a part, which in 2021/22 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

97. 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.
98. Internal Audit provides an annual assurance opinion based on the 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 2021/22 will be reported to the Committee in July.
99. 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.

100. 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.
101. The Internal Audit annual report highlights areas where a limited assurance review has been issued.

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

102. 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.
103. 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 2022

Becky Shaw Chief Executive September 2022

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 was approved by the County Council in July 2021. Minor changes have been approved during the year 2021/22.
Codes of Conduct	Constitution	Standards Committee & Director L&A	Defines standards of behaviour and how to enforce	Minor changes were 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 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 2021. Review of complaints arrangements planned for 2022
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.

Source of assurance	Where found	Who is responsible	Role	last review/ action planned*
Data Protection Policy	Intranet	Director L&A	Defines rules and procedures to protect data.	Revised 2018. Review of practice and training to mitigate risk completed and revised guidance and training in place.
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. More recent revisions to manage growth in emergency procurement linked to pandemic affected commissioning.
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. Refreshed in 2021 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. Executive/Scrutiny protocol under consideration.
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 during 2020-21 but has now reverted to

Source of assurance	Where found	Who is responsible	Role	last reviewed/ action planned*
				major committees only as determined by the Governance Committee.
Consultations & community liaison forums	Intranet, Website & Press releases	Head of Communications & Engagement	Communication to public	New community liaison channels are being explored 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 And decision making protocol	Chief Executive. Relevant Director (for decisions) Director of HR (for staff)	Source of guidance for ensuring compliance with public sector equality duty	Policy partly reviewed 2018. Further and fuller review required*. Respect and Dignity at Work policy rolled out first half of 2021.
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 as part of Our Council Plan.
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*.
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 and ongoing review of arrangements and timetable for preparation.
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 Committee). Reports regularly and gathers member feedback.

Source of assurance	Where found	Who is responsible	Role	last reviewed/action planned
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	Comprehensive induction programme agreed and delivered post May 2021.
Specialist Member training	Committee business programme	Director L&A	Non-executive committees and appeals panel	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	New Code of Governance agreed in February 2022.
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 added to 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.

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. 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	New from 2021. Annual review as part of Council Plan refresh
Treasury Management Strategy	Council agenda	Director F&SS	For sound strategy to limit risks to borrowings and investments.	Reviewed and updated by Council February 2022.
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.

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 completed 2020/21 Procurement of external auditor is required every five years and was last undertaken in 2021.
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 20/21 accounts. The 2021/212 audit is in the process of being concluded so the opinion has not yet been given.

Annual Governance Statement Process Summary Flowchart

Step	Timescale	Activity
1.	December	Consider whether benchmarking should be carried out with other local authorities. Usually every three years.
2.	January	Check for updates to requirements or guidance on the production of the AGS.
3.	January	Start writing AGS, send to internal subject matter experts and internal audit for comment. Action Plan update from previous year to Committee.
4.	February	Share draft AGS with Director of Law and Assurance and Director of Finance and Support Services
5.	Late February	Share draft AGS with Executive Leadership Team
6.	March	Draft AGS to Regulation, Audit and Accounts Committee and to external audit.
7.	April	Final comments on AGS from Executive Leadership Team. Directorate assurance statements and action plan outturns also prepared.
8.	May	Check draft with Chief Executive and Leader. Final draft to internal and external audit.
9.	July	Final AGS considered and approved by RAAC, including new Action Plan and any uncompleted actions from previous year. Signed off by Chief Executive and Leader.
10.	September	Action Plan Update to RAAC

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Regulation, Audit and Accounts Committee – Work Programme 2022/23

Committee Date:- 18 July 2022

Item	Lead Officer	Objectives and comments
Quarterly Treasury Management Report	Vicky Chuter	<ul style="list-style-type: none"> • Treasury Management Compliance Update - Quarterly Report on compliance and performance against the Treasury Management Strategy and planned parameters.
Quarterly Risk Management Report	Fraser Pake	<ul style="list-style-type: none"> • To receive quarterly update report on the effectiveness of risk management arrangements.
Risk Management Strategy	Fraser Pake	<ul style="list-style-type: none"> • To consider the reviewed Risk Management Strategy.
Annual Internal Audit Report & Opinion	Neil Pitman	<ul style="list-style-type: none"> • To approve the internal annual report and opinion on the organisation of framework of risk, internal control and governance for 2021/22
Internal Audit Progress Report	Neil Pitman	<ul style="list-style-type: none"> • To receive a progress update against the audit plan, outstanding management actions, audit performance and any significant issues arising from internal audit reviews
Internal Audit Plan (Q2)	Neil Pitman	<ul style="list-style-type: none"> • To consider the Internal Audit Plan for 2022/23 (Q2)
Annual Governance Statement Update	Charles Gauntlett	<ul style="list-style-type: none"> • To provide an update on progress against the action plan
External Audit	External Auditor	<ul style="list-style-type: none"> • EY to present <ul style="list-style-type: none"> • 2021/22 West Sussex County Council Full Audit Planning Report • 2021/22 West Sussex Pension Fund Audit Planning Update

Committee Date:- 22 September 2022

Item	Lead Officer	Objectives and comments
Financial Statements 2021/22	Vicky Chuter	<ul style="list-style-type: none"> • To approve the statement of accounts for the County Council and Pension Fund.
Annual Governance Statement	Charles Gauntlett	<ul style="list-style-type: none"> • To approve the Annual Governance Statement for 2021/22 and agree action plan.
Quarterly Risk Management Report	Fraser Pake	<ul style="list-style-type: none"> • To receive quarterly update report on the effectiveness of risk management arrangements.
Internal Audit Progress Report	Neil Pitman	<ul style="list-style-type: none"> • To receive a progress update against the audit plan, outstanding management actions, audit performance and any significant issues arising from internal audit reviews
Internal Audit Plan (Q3)	Neil Pitman	<ul style="list-style-type: none"> • To consider the Internal Audit Plan for 2022/23 (Q3)
External Audit	External Auditor	<ul style="list-style-type: none"> • EY to present <ul style="list-style-type: none"> • 2021/22 West Sussex County Council Audit Results Report • 2021/22 West Sussex Pension Fund Audit Results Report • 2021/22 Draft West Sussex County Council Auditor's Annual Report

Committee Date:- 16 January 2023

Item	Lead Officer	Objectives and comments
Quarterly Treasury Management Report	Vicky Chuter	<ul style="list-style-type: none"> Treasury Management Compliance Update - Quarterly Report on compliance and performance against the Treasury Management Strategy and planned parameters.
Quarterly Risk Management Report	Fraser Pake	<ul style="list-style-type: none"> To receive quarterly update report on the effectiveness of risk management arrangements.
Internal Audit Progress Report	Neil Pitman	<ul style="list-style-type: none"> To receive a progress update against the audit plan, outstanding management actions, audit performance and any significant issues arising from internal audit reviews
Internal Audit Plan (Q4)	Neil Pitman	<ul style="list-style-type: none"> To consider the Internal Audit Plan for 2022/23 (Q4)
Annual Governance Statement Update	Charles Gauntlett	<ul style="list-style-type: none"> To provide an update on progress against the action plan
Financial Regulations	Vicky Chuter	<ul style="list-style-type: none"> To review the processes in place
External Audit Report	External Auditor	<ul style="list-style-type: none"> Progress report

Committee Date:- 20 March 2023

Item	Lead Officer	Objectives and comments
Financial Statements 2022/23 - Plans and Progress	Vicky Chuter	<ul style="list-style-type: none"> To update on progress to date for closing the 2022/23 accounts for West Sussex County Council and the West Sussex Pension Fund.
Quarterly Risk Management Report	Fraser Pake	<ul style="list-style-type: none"> To receive quarterly update report on the effectiveness of risk management arrangements.
Internal Audit Progress Report	Neil Pitman	<ul style="list-style-type: none"> To receive a progress update against the audit plan, outstanding management actions, audit performance and any significant issues arising from internal audit reviews
Internal Audit Plan 2023/24	Neil Pitman	<ul style="list-style-type: none"> To consider the Internal Audit Plan 2023/24 (Q1) and Fraud Plan for 2023/24
Internal Audit Charter 2023/24	Neil Pitman	<ul style="list-style-type: none"> To consider the Internal Audit Charter 2023/24
External Audit Report	External Auditor	<ul style="list-style-type: none"> Progress report
Annual Governance Statement Update	Charles Gauntlett	<ul style="list-style-type: none"> To provide an update on progress against the action plan and to consider the draft 2022/23 Statement.
Work Programme 2023/24	Adam Chisnall	<ul style="list-style-type: none"> To agree the work programme for the following year.