

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



8 July 2022

Regulation, Audit and Accounts Committee

A meeting of the committee will be held at **10.30 am** on **Monday, 18 July 2022** at **County Hall, Chichester, PO19 1RQ**.

Tony Kershaw
Director of Law and Assurance

Agenda

1. Declarations of Interest

Members and officers must declare any pecuniary or personal interest in any business on the agenda. They should also make declarations at any stage such 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 14 March 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 and note the 2021/22 West Sussex County Council Full Audit Planning Report and the 2021/22 West Sussex Pension Fund Audit Planning Update Report from the External Auditor Ernst & Young (EY).

- a) **2021/22 West Sussex County Council Full Audit Planning Report**
(Pages 11 - 58)
- b) **2021/22 West Sussex Pension Fund Audit Planning Update Report**
(Pages 59 - 92)

5. **Internal Audit Progress Report (June 2022)** (Pages 93 - 118)

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

The Committee will also receive verbal updates on Directorate progress on Internal Audit actions.

The Committee is asked to note the Internal Audit Progress Report (June 2022).

6. **Internal Audit Annual Report & Opinion 2021-22** (Pages 119 - 138)

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

The Committee is asked to approve the annual audit report and opinion for the year ended 2021-22.

7. **Internal Audit Plan 2022-23 (Q2)** (Pages 139 - 150)

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 (Q2).

8. **Quarterly Review of Corporate Risk Management** (Pages 151 - 190)

Report by the Director of Finance and Support Services.

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

9. **Annual Governance Statement Action Plan 2020/21 Update** (Pages 191 - 206)

Report by the Director of Law and Assurance.

The Committee is invited to note progress on the Action Plan from 2020/21.

10. **Inspection on use of investigatory powers by Trading Standards** (Pages 207 - 212)

Report by the Director of Law and Assurance.

The Committee is asked to note the outcome of the recent inspection and the actions and proposals in response to its recommendations. The Committee is also asked to confirm that a further report be presented at a future meeting to receive a review of the operation of investigatory powers in accordance with the recent inspection output.

11. **Treasury Management Compliance Report - First Quarter 2022/23**
(Pages 213 - 220)

Report by the Director of Finance and Support Services.

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

12. **Date of Next Meeting**

The next meeting of the Committee will be held at 10.30am on 22 September 2022 at County Hall, Chichester.

To all members of the Regulation, Audit and Accounts Committee

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Regulation, Audit and Accounts Committee

14 March 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 and Cllr Montyn

Apologies were received from Cllr Dunn, Cllr Turley, Cllr Wall and Mr Parfitt

Also in attendance: Cllr Hunt

Part I

41. Declarations of Interest

41.1 None.

42. Minutes of the last meeting of the Committee

42.1 Resolved – That the minutes of the meeting of the Committee held on 17 January 2022 be approved as a correct record and that they be signed by the Chairman.

43. External Audit

43.1 The Committee considered the 2021/22 Outline Audit Plans for West Sussex County Council and the West Sussex Pension Fund from the External Auditor Ernst & Young (EY) (copies appended to the signed minutes).

43.2 Mrs Thompson (EY) introduced the West Sussex County Council 2021/22 Outline Audit Plan and explained that National issues could impact risks, and the report outlined the key impacts for consideration. It was confirmed that the consultation for Local Authority Accounting Code of Practice closed in March. It was confirmed that a letter had been sent to the objector in relation to the 2020/21 financial statements, and it had been concluded that there were no matters to take formal action with. The 2020/21 Auditor's Annual Report had been issued as final. The aim was to complete the 2021/22 audit by September.

43.3 Mr Mathers (EY) outlined the areas of risk consideration which would be the area of audit focus.

43.4 The Committee made comments including those that follow.

- Queried if pressures from inflation would impact on the audit. – Mrs Thompson confirmed that this was considered as part of the value for money risk assessment to monitor the impact to council services.
- Asked if consideration of national guidance and advice added strain to the audit. – Mrs Thompson confirmed that it impacted EY and all areas of audit. The Financial Reporting Council (FRC) expected County Councils to report in the same way as corporate accounts

which could lead to disproportionate extra work due to the differences in processes. It was also difficult to recruit in the market which added to the long term issues to see a return to normal practices. EY were continuing to work through their backlog of audits across the firm. Reassurance was given that staff were not being redirected, but that resourcing continued to be a challenge.

- Queried if the reported 1.8% of gross revenue expenditure used as the basis for 2021/22 materiality was the same as for 2020/21. – Mrs Thompson confirmed it was the same.

43.5 Mrs Thompson introduced the 2021/22 Audit Plan for the West Sussex Pension Fund. Mrs Thompson explained that consideration was also now being given to any impacts of the conflict in Ukraine on the 2021/22 financial statements, either in terms of investments directly held or the impact on the global stock market.

43.6 Mr Mathers outlined the risks for the Pension Fund and confirmed that the audit was hoped to be completed in July, and concluded and reported in September together with the County Council audit. An updated Planning Report was likely to be brought to the July meeting of the Committee.

43.7 Resolved – That the Committee notes the 2021/22 Outline Audit Plans.

44. Financial Statements 2021/22 - Plans and Progress

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

44.2 Mrs Chuter, Financial Reporting Manager, introduced the report which outlined risks and plans for the statements. The Committee were reminded that the annual financial statement briefing session would be in September in advance of the September Committee meeting.

44.3 The Committee made comments including those that follow.

- Sought clarity on external audit visit arrangements. – Mrs Chuter confirmed that visits were documented and covered walkthroughs of all financial systems and reporting arrangements. Tests were also conducted on statement areas.
- Noted the comprehensive list of tasks for the statements and queried if each needed to be completed in turn and how achievable the tasks were. – Mrs Chuter confirmed that there was confidence in meeting all the necessary tasks. The tasks were not all interdependent, but it was confirmed that a detailed plan sat underneath the task list to cover all areas of the account creation.

44.4 Resolved – That the Committee notes the project plans for the County Council and Pension Fund accounts and their progress to date. The Committee also notes the draft accounting policies for both the County Council and Pension Fund accounts for 2021/22 and approves them for application in preparing this year's accounts.

45. Internal Audit Progress Report

45.1 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).

45.2 The item began with attendance from Mr Poland, Head of Directly Provided Services, and Ms Fenn, Service Manager, to discuss Hammonds Residential Care Home.

45.3 Mr Poland began by explaining that the 2021 audit had shown 17 areas that required action; 13 were rated high, 3 medium and 1 low. The service had taken responsibility of the actions and there were now only minor outstanding actions. Work was ongoing with Capita to work back to 2016 to resolve all accounting issues. It was confirmed that the accounting issues were not fraudulent.

45.4 Ms Fenn, who had been the Service Manager for Hammonds since January 2022, confirmed that all transactions since 2016 were being looked through to understand all issues. It was confirmed that correct procedures were now in place with no margins for error.

45.5 The Committee made comments including those that follow.

- Queried if there were any County Council liabilities outstanding. – Ms Fenn confirmed this was unlikely.
- Asked if churn within Capita could impact other services. – Mr Poland explained that these had been outposted roles with only a few hours a week. Mr Poland believed that the issues would resolve in the longer term as staff would be in house.
- Questioned if the same issues were likely to occur in other care homes. – Mr Poland explained that this was a unique service that had experienced particular COVID-19 issues. There had also been unique processes in place where audits had closed off accounts after each manager left the home.
- Sought clarity over the audit account closure process. Members of the Committee and the Cabinet Member for Finance and Property were strong in their view that management should take accountability for the effective maintenance of the clients' accounts and would want assurance this is the case moving forward. – Ms Fenn explained that it wasn't generally an audit responsibility and that new processes would be installed to close down accounts appropriately. The committee noted the new arrangements would be installed and requested that appropriate lessons were learned on correct procedures.

45.6 Mr Poland summarised by confirming that the issues discovered at Hammonds had been part of a wider thematic review, followed by a concentrated look at the particular issues. Reassurance was given to the committee that the issues were not wider service concerns that would impact other care facilities.

45.7 Mr Pitman, Head of Southern Internal Audit Partnership, introduced the report which covering internal audit activity and the progress made against the internal audit plan. Mr Pitman apologised that the report did

not include risks and resolved to include in future reports and circulate current risks to committee members after the meeting.

45.8 The Committee made comments including those that follow.

- Queried the actions relating to the limited assurance for P-Cards. – Mr Pitman highlighted that the annexe gave an update on actions and reported that a new officer had taken responsibility for the actions. Progress was being made and would be reported on at the next committee meeting. Cllr Hunt, Cabinet Member for Finance and Property, resolved to raise the issues at a Cabinet meeting. The Committee resolved to invite service officers to the next meeting of the committee if the issue was not resolved.
- Sought clarity on the School Traded Services and the lack of strategy in place. – Mr Pitman resolved to go back to the service and request details.

45.9 Resolved – That the Committee notes the Internal Audit Progress Report and resolves to invite service officers to the next Committee meeting to discuss P-Cards if the issues are not resolved.

46. Internal Audit Plan 2022/23

46.1 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).

46.2 Mr Pitman introduced the report which included the counter fraud plans. It was confirmed that the area of focus would evolve across the year as intelligence was gathered.

46.3 The Committee made comments including those that follow.

- Queried if the increase in Internal Audit remit had led to any staffing issues. – Mr Pitman reported that COVID-19 had added challenges to the team where people had reflected on COVID-19 and made life choices such as early retirement. There were options available via the audit partnership such as apprenticeships.
- Sought clarity on the Grenfell Tower action plan. – Mr Pitman confirmed this was a service review and resolved to circulate details on what this would cover. Cllr Boram, Chairman of the Fire & Rescue Service Scrutiny Committee, believed it was a review of high rise buildings.
- Questioned how climate change fitted into the Council Plan's strategy. – Mr Pitman confirmed that assurances were given for each directorate and that there was also a separate climate strategy to ensure that it remained a constant consideration.

46.4 Resolved – That the Committee approves the Internal Audit Plan 2022-23 (Q1) and the Counter Fraud Plan 2022-23.

47. Internal Audit Charter 2022/23

47.1 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).

47.2 Mr Pitman introduced the report which set out Internal Audit's responsibility across the organisation. It was reported that Crawley Borough Council and Arun District Council were recent additions to the audit partnership.

47.3 Resolved – That the Committee approves the Internal Audit Charter 2022-23.

48. Quarterly Review of Corporate Risk Management

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

48.2 Mr Pake, Corporate Risk and Business Planning Manager, introduced the report and confirmed there was a new risk added for Climate Change. It was reported that the Tactical Management Group that had been responsible for COVID-19 response was being stood down and that COVID-19 risks would now be considered and managed at service level.

48.3 The Committee made comments including those that follow.

- Noted the format of the Risk Register and how it differed from the version used by the scrutiny committees. – Mr Pake explained that the committee retained the full, detailed report following a previous request to do so. The Chairman resolved to look at the scrutiny format and see if it would be appropriate for the committee's purposes.
- Queried if actions were in place to reduce the Cyber risk rating. – Mr Pake explained that it was hoped that the risk would reduce in time, but the rating reflected the current cyber environment.
- Requested that the risk for care market failure should add consideration for Ukrainian refugees. – Mr Pake confirmed that the Executive Leadership Team (ELT) had weekly discussions on the ramifications of the war in Ukraine, but resolved to ask if more detail should be added to the risk.

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

49. Draft Annual Governance Statement 2021/22

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

49.2 Mr Gauntlett, Senior Advisor – Democratic Services, introduced the report which included a draft action plan update. The report would be finalised and submitted for approval by the committee later in the year. It was likely that this would align with the financial accounts approval in September.

49.3 The Committee made comments including those that follow.

- Noted the inclusion of the COVID-19 pandemic response and felt that the Ukrainian war impact should also be reflected. – Mr Gauntlett resolved to pass this comment to ELT.
- Queried the strain on Council services due to the adoption of Afghan refugees. – Mr Gauntlett resolved to liaise with ELT on this issue.
- Asked if environmental issues would be included going forwards. – Mr Gauntlett confirmed that this was embedded in all areas.
- Sought clarity on benchmarking activity with other local authorities. – Mr Gauntlett confirmed that limited benchmarking had been undertaken with South East authorities and that the activity was now embedded and would happen going forwards.

49.4 Resolved – That the Committee notes the Action Plan update and flowchart. The Committee also supports the draft Statement for 2021/22 subject to the comments that had been raised.

50. Work Programme 2022/23

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

50.2 Mr Chisnall noted a discussion on P-Cards could come to the July meeting as discussed previously during the Committee. Mr Chisnall also noted that the Director of Law and Assurance had confirmed that the Investigatory Powers Commissioner's Office had recently done a routine inspection of the Council's use of investigatory powers. Several recommendations were being made to the Council and would be reported to the committee in July.


50.3 Resolved – that the Work Programme be approved.

51. Date of Next Meeting

51.1 The Committee noted that its next scheduled meeting would be held at 10.30 am on 18 July 2022 at County Hall, Chichester.

The meeting ended at 12.25 pm

Chairman



West Sussex County Council Audit Planning Report

Year ended 31 March 2022
July 2022



Building a better
working world



7 July 2022

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

Dear Committee Members

Audit Planning Report

We are pleased to attach our planning report for the forthcoming meeting of the Regulation, Audit and Accounts Committee. The purpose of this report is to provide you with a basis to review our approach and scope for the 2021/22 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's new 2020 Code of Audit Practice, the auditing standards and other professional requirements. It also aims to ensure that our audit is aligned with the Committee's service expectations.

This report updates our initial assessment of the key issues which drive the development of an effective audit for West Sussex County Council which we reported to the Committee in March 2022. We have aligned our audit approach and scope with these.

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

We welcome the opportunity to discuss this report with you on 17 July 2022 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully



Helen Thompson

For and on behalf of Ernst & Young LLP

Contents



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



01

Overview of our 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 Audit 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	No change in risk or 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.</p>
Non-Operational land and buildings classified as Investment Property (IP) and Surplus Assets	Significant risk	No change in risk, however this has been disaggregated from the risk reported in prior years.	<p>The valuation of land and buildings classified as IP and Surplus Assets 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>

Overview of our 2021/22 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters. It seeks to provide the Audit 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
Operational land and buildings classified as property, plant and equipment (PPE) - DRC	Significant risk	No change in risk, however this has been disaggregated from the risk reported in prior years	<p>The valuation of land and buildings classified as PPE (valued at DRC) 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>
Operational land and buildings classified as property, plant and equipment (PPE) - EUV	Significant risk	No change in risk, however this has been disaggregated from the risk reported in prior years	<p>The valuation of land and buildings classified as PPE (Valued at EUV) 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>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.</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>

Overview of our 2021/22 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters. It seeks to provide the Audit 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 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 it's 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>
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>
Accounting treatment for infrastructure assets	Inherent risk	New risk for 2021/22	<p>The value of infrastructure non-current assets is material in the financial statements. Once an item of property, plant and equipment has been recognised and capitalized, the Council may incur further costs on that asset at a later date. The accounting treatment requires such subsequent expenditure to be capitalized to the value of the asset where these costs meet the recognition criteria. Where the subsequent expenditure represents the replacement of a component, the old component must be written out of the balance sheet. There is a need for the Council to ensure that it has recognised and accounted for such subsequent expenditure appropriately.</p> <p>CIPFA is currently considering potential amendments to the Local Authority Code of Accounting Practice in this area. We will consider the outcome of that consideration as part of the audit.</p>

Overview of our 2021/22 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters. It seeks to provide the Audit 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
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>

Overview of our 2021/22 audit strategy (continued)

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

Materiality



Overview of our 2021/22 audit strategy (continued)

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with our audit opinion on the Council's financial statements for 2021/22. We are also required to report a commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on value for money below and in Section 03, highlighting the changes included in the NAO's Code of Audit Practice 2020.

We will also review and report to the NAO, to the extent and in the form required by them, on the Whole of Government Accounts submission. Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards and will take a substantive approach

When planning the audit we take into account key inputs:

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

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

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the ISA 540 (revised) and the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of West Sussex County Council's audit, we will discuss these with management as to the impact on the scale fee.

Effects of climate-related matters on financial statements and Value for Money arrangements

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to an entity. It is nevertheless important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements and value for money arrangements.

We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

Overview of our 2021/22 audit strategy (continued)

Value for money conclusion

We include details in Section 03 but in summary:

- We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.
- Planning on value for money and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.
- We will provide a commentary on the Council's arrangements against three reporting criteria:
 - Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
 - Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
 - Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.
- The commentary on VFM arrangements will be included in the Auditor's Annual Report.

Timeline

In April 2020, the Ministry of Housing, Communities and Local Government established regulations to extend the target date for publishing audited local authority accounts from 31 July to 30 September, for a period of two years (i.e. covering the audit of the 2020/21 and 2021/22 accounting years).

In December 2021, the Department for Levelling Up, Housing and Communities (DLUHC) announced proposals to extend the deadline for the publication of audited accounts to 30 November for 2021/22.

We are working with the Council to deliver the audit ahead of 30 November. In Section 07 we include a provisional timeline for the audit.



Agenda Item 4a

02

Audit risks





Audit risks

Our response to significant risks

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

Misstatements due to fraud or error*

What is the risk?

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

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

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

What will we do?

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

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

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

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

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



Audit risks

Our response to significant risks

Inappropriate capitalisation of revenue expenditure*

Financial statement impact

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

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

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

What is the risk?

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.

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

What will we do?

We will:

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



Audit risks

Our response to significant risks (continued)

Non-operational land and buildings classified as Investment Property (IP) and Surplus Assets

Financial statement impact

If surplus assets or investment property are incorrectly valued this could have the impact of understating or overstating the carrying value of assets and income and expenditure by a material amount. Relevant accounts had the following balances in the 2020/21 financial statements:

Surplus Assets: £49m

Investment Property: £89m

What is the risk?

There is a high degree of estimation uncertainty in the valuation of property. We note that the Council's IP and surplus property is subject to annual revaluation.

This risk specifically pertains to surplus assets and investment property. We will also consider the impact of Covid-19 on the risk as the market volatility brought about by Covid-19 throughout the 2021/22 year relates primarily to assets carried at a market value, including those that are measured at fair value (investment property and surplus assets).

We have raised separate risks for Investment Properties, PPE valued at EUV and PPE valued at DRC because each valuation methodology is reliant on different assumptions and estimation processes. These assumptions are linked to different risks, for example market value volatility only impacts investment properties and PPE valued at EUV. Separating these into three specific risks therefore allows a more tailored testing approach.

What will we do?

We will:

- Consider the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Sample test key asset information used by the valuer in performing its valuation (e.g. comparative market valuation) and challenge the key assumptions used by the valuer.
- Test accounting entries have been correctly processed in the financial statements.
- Commission EY Real Estates, our internal specialists on asset valuations, to consider the valuation approach in more detail for a sample of assets. Sampling will focus on:
 - Assets more susceptible to the market volatility brought about by C-19.
 - Asset categories where recommendations were made in the prior year.



Audit risks

Our response to significant risks (continued)

Operational land and buildings classified as property, plant and equipment (PPE) – Existing Use Value (EUV)

Financial statement impact

If land and buildings or investment property are incorrectly valued this could have the impact of understating or overstating the carrying value of assets and income and expenditure by a material amount. Relevant accounts had the following balances in the 2020/21 financial statements:

Other Land and Building:
£1,011m

Valued at EUV: £147m

What is the risk?

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

This risk specifically pertains to surplus assets carried at EUV. We will also consider the impact of Covid-19 on the risk as the market volatility brought about by Covid-19 throughout the 2021/22 year relates primarily to assets carried at a market value.

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.

We have raised separate risks for Investment Properties, PPE valued at EUV and PPE valued at DRC because each valuation methodology is reliant on different assumptions and estimation processes. These assumptions are linked to different risks, for example market value volatility only impacts investment properties and PPE valued at EUV. Separating these into three specific risks therefore allows a more tailored testing approach.

What will we do?

We will:

- Consider the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Sample test key asset information used by the valuer in performing its valuation (e.g. comparative market valuation) and challenge the key assumptions used by the valuer.
- Test accounting entries have been correctly processed in the financial statements.
- Commission EY Real Estates, our internal specialists on asset valuations, to consider the valuation approach in more detail for a sample of assets. Sampling will focus on:
 - Assets more susceptible to the market volatility brought about by C-19.
 - Asset categories where recommendations were made in the prior year.
- Review assets not subject to revaluation by the valuer in the period to gain comfort carrying values have been updated, where there is a material need to do so, based on the valuation movements for similar assets actually subject to revaluation during the year.
- Follow-up on the level of progress made in addressing the recommendation raised in the prior year.

Our response to significant risks (continued)

Operational land and buildings classified as property, plant and equipment (PPE) – Depreciated Replacement Cost (DRC)

Financial statement impact

If land and buildings or investment property are incorrectly valued this could have the impact of understating or overstating the carrying value of assets and income and expenditure by a material amount. Relevant accounts had the following balances in the 2020/21 financial statements:

Other Land and Building:
£1,011m

Valued at DRC: £864m

What is the risk?

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

This risk specifically pertains to surplus assets carried at DRC. The Council applies a 'Modern Equivalent Asset' approach, where for DRC valuations (such as for schools), the valuation is based on the cost to construct an asset with equivalent service potential rather than a like-for-like replacement of the existing structure. This is a subjective approach where we need to challenge that the assumptions made by the valuer in determining the DRC are both reasonable and supportable.

We have raised separate risks for Investment Properties, PPE valued at EUV and PPE valued at DRC because each valuation methodology is reliant on different assumptions and estimation processes. These assumptions are linked to different risks, for example market value volatility only impacts investment properties and PPE valued at EUV. Separating these into three specific risks therefore allows a more tailored testing approach.

What will we do?

We will:

- Consider the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Sample test key asset information used by the valuer in performing its valuation (e.g. replacement build cost per square meter) and challenge the key assumptions used by the valuer.
- Test accounting entries have been correctly processed in the financial statements.
- Commission EY Real Estates, our internal specialists on asset valuations, to consider the valuation approach in more detail for a sample of assets. Sampling will focus on:
 - Assets more susceptible to the market volatility brought about by C-19.
 - Asset categories where recommendations were made in the prior year.
- Review assets not subject to revaluation by the valuer in the period to gain comfort carrying values have been updated, where there is a material need to do so, based on the valuation movements for similar assets actually subject to revaluation during the year.

Other areas of audit focus

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

What is the risk/area of focus?

Pension Liability Valuation (inherent risk)

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2021 this totalled £666 million.

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

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

Going Concern (area of focus)

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

Under the auditing standard in relation to going concern (ISA570), which was revised with effect from the 2020/21 accounts audit, 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. Under the revised standard we are required to conclude on whether a material uncertainty related to going concern exists and assess the appropriateness of the Council's use of the going concern basis of accounting in the preparation of the financial statements.

What will we do?

We will:

- Liaise with the auditors of West Sussex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to West Sussex County Council.
- Assess the work of the pension fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- Evaluate the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model; and
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

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

We will:

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

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?	What will we do?
<p><u>Accounting for infrastructure assets</u></p> <p>The gross cost of infrastructure non-current assets is material in the financial statements. Once an item of property, plant and equipment has been recognised and capitalized, the Council may incur further costs on that asset at a later date. The accounting treatment requires such subsequent expenditure to be capitalized to the value of the asset where these costs meet the recognition criteria. Where the subsequent expenditure represents the replacement of a component, the Local Authority Accounting Code of Practice requires the old component to be written out of the balance sheet. There is a need for the Council to ensure that it is has recognised and accounted for such subsequent expenditure appropriately.</p> <p>CIPFA is currently consulting on potential changes to this area of the Code. Our audit procedures, and the associated level of risk, may have to be varied if the consultation results in changes.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Gain assurance that infrastructure assets accounted for continue to exist. • Discuss the procedures applied by the Council to ensure the subsequent capital spend is recognised in accordance with the Code, i.e., where the subsequent expenditure concerns the replacement of a part/component, what procedures are performed to identify and derecognise the carrying amount of the old part/component (and any associated accumulated depreciation). • Obtain evidence to match the subsequent expenditure to the carrying amount of the replaced part or component that is being derecognised. • If the carrying amount of the replaced part or component cannot be identified, test the Council's use of the cost of the replacement as a proxy for the deemed carrying amount of the replaced part, ensuring the calculation appropriately adjusts the cost for depreciation and impairment. • Test accounting entries have been correctly processed in the financial statements.
<p><u>Accounting for Covid-19 related grant funding (inherent risk)</u></p> <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. The Council also expected to receive £15.6million under the Covid-19 Expenditure Pressures Grant, which is new for 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>	<p>We will consider the Council's judgement on material grants received in relation to whether it is acting as:</p> <ul style="list-style-type: none"> • Agent, where it has determined that it is acting as an intermediary; or • Principal, where the Council has determined that it is acting on its own behalf. <p>We will ask the finance team to provide its assessment of grant accounting before it prepares the statements so that we can provide an early view on its proposed accounting treatment. We will also seek to ensure that grants, for example the local government income compensation scheme for lost sales, fees and charges, have been claimed and recognised in accordance with scheme rules</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?	What will we do?
<p><u>Teacher's Pension:</u></p> <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:</p> <ul style="list-style-type: none"> 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. Ensure that the matter is properly accounted for and disclosed in the financial statements. This will require us to consider whether there is sufficient certainty for the obligation now to be disclosed as a liability or provision, rather than contingent liability. We will also ensure that details of assumptions made and the level of estimation uncertainty in the quantification of any liability or provision are adequately disclosed.



03

Value for Money Risks



Agenda Item 4a



Value for money

The Council's responsibilities for value for money

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

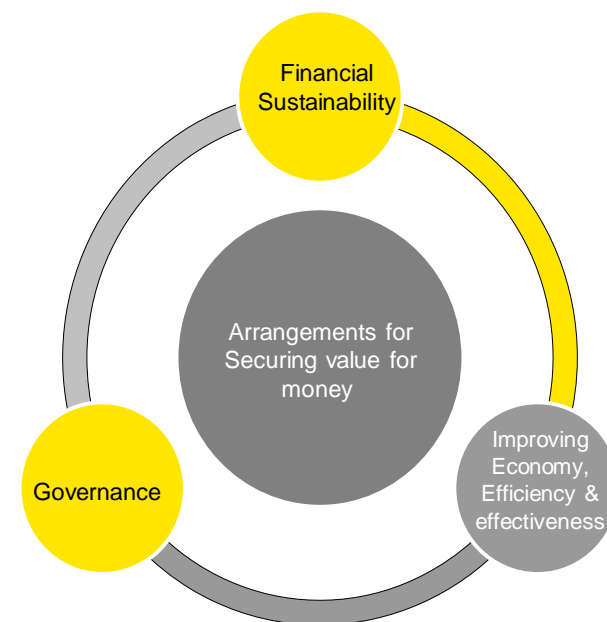
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its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

Auditor responsibilities under the new Code

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

The specified reporting criteria are:

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





Value for money (continued)

Planning and identifying VFM risks

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

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

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

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

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

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Council;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves, or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Council's reported performance;
- Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Council has had to respond to the issue.



Value for money (continued)

Responding to identified risks

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

Reporting on VFM

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

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

Status of our 2021/22 VFM planning

We are currently undertaking our VFM Planning work and will provide a verbal update at the Regulations, Audit and Accounts Committee.



04 Audit materiality

Materiality

Materiality

For planning purposes, materiality for 2021/22 has been set at £31.88m. This represents 1.8% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process.



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

Key definitions

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

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £23.91m which represents 75% of planning materiality.

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

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

Specific materiality - We have, also set specific materiality of £5,000 for officer remuneration, related party transaction, members' allowances and exit packages disclosures appearing in the financial statements. This reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to these areas. This specific materiality is based on the value of pay bandings disclosed in the officer's remuneration note.

Materiality

The amount we consider material at the end of the audit will be based on the draft financial statements, and therefore will differ from our initial determination which is based on the audited 2020/21 accounts. We also reassess the materiality we apply based on the final financial statements and any misstatements identified as a result of our work. We will provide an update to the Regulation, Audit & Accounts Committee on the materiality levels applied as part of our Audit Results Report. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. 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 financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- Remuneration disclosures including councillor allowances: we will agree all disclosures back to source data, and councillor allowances to the agreed and approved amounts.
- Related party transactions we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.



05

Scope of our audit



Scope of our audit

Objective and scope of our audit

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our opinion on the financial statements:

- whether the financial statements give a true and fair view of the financial position of the audited body and its expenditure and income for the period in question; and
- whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- whether other information published together with the audited financial statements is consistent with the financial statements; and
- where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

Other procedures required by the Code:

- Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the NAO

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

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

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

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

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



06

Audit team



Agenda Item 4a

Audit team

Audit team structure:

Helen Thompson
Lead Audit Partner

Simon Mathers
Senior Manager

Shannon Phillips
Assistant Manager

Yi Ong
Senior

EY Real Estates

Specialist PWC
(consulting
actuary) and EY
Actuaries

Use of specialists

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

Area	Specialists
Valuation of Land and Buildings	<p>Management's Specialist: Bruton Knowles, externally appointed Council valuer.</p> <p>Auditor's Specialist: EY Real Estates Team to consider the work of the Council's valuer</p>
Pensions disclosure	<p>Management's Specialist: Hymans Robertson, West Sussex Pension Fund actuary.</p> <p>Auditor's Specialist: PWC (Consulting actuary) and EY Actuaries to consider the work of the Pension Fund actuary</p>

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

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

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

Developing the right Audit Culture

In July 2021, EY established a UK Audit Board (UKAB) with a majority of independent Audit Non-Executives (ANEs). The UKAB will support our focus on delivering high-quality audits by strengthening governance and oversight over the culture of the audit business. This focus is critical given that audit quality starts with having the right culture embedded in the business.

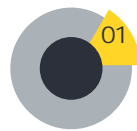


Our audit culture is the cement that binds together the building blocks and foundation of our audit strategy. We have been thoughtful in articulating a culture that is right for us: one that recognises we are part of a wider, global firm and is clear about whose interests our audits serve.

There are three elements underpinning our culture:

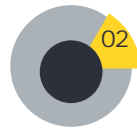
1. Our people are focused on a common purpose. It is vital we foster and nurture the values, attitudes and behaviours that lead our people to do the right thing.
2. The essential attributes of our audit business are:
 - Right resources – We team with competent people, investing in audit technology, methodology and support
 - Right first time – Our teams execute and review their work, consulting where required to meet the required standard
 - Right reward – We align our reward and recognition to reinforce the right behaviours

3. The six pillars of Sustainable Audit Quality are implemented.



Tone at the top

The internal and external messages sent by EY leadership, including audit partners, set a clear tone at the top - they establish and encourage a commitment to audit quality



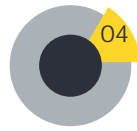
Exceptional talent

Specific initiatives support EY auditors in devoting time to perform quality work, including recruitment, retention, development and workload management



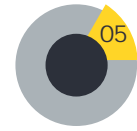
Accountability

The systems and processes in place help EY people take responsibility for carrying out high-quality work at all times, including their reward and recognition



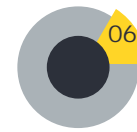
Audit technology and digital

The EY Digital Audit is evolving to set the standard for the digital-first way of approaching audit, combining leading-edge digital tools, stakeholder focus and a commitment to quality



Simplification and innovation

We are simplifying and standardising the approach used by EY auditors and embracing emerging technologies to improve the quality, consistency and efficiency of the audit



Enablement and quality support

How EY teams are internally supported to manage their responsibility to provide high audit quality

A critical part of this culture is that our people are encouraged and empowered to challenge and exercise professional scepticism across all our audits. However, we recognise that creating a culture requires more than just words from leaders. It has to be reflected in the lived experience of all our people each and every day enabling them to challenge themselves and the companies we audit.

Each year we complete an audit quality culture assessment to obtain feedback from our people on the values and behaviours they experience, and those they consider to be fundamental to our audit quality culture of the future. We action points that arise to ensure our culture continues to evolve appropriately.

2021 Audit Culture Survey result

A cultural health score of 78% (73%) was achieved for our UK Audit Business

We bring our culture alive by investing in three priority workstreams:

- Audit Culture with a focus on professional scepticism
- Adopting the digital audit
- Standardisation

This investment has led to a number of successful outputs covering training, tools, techniques and additional sources. Specific highlights include:

- Audit Purpose Barometer
- Active Scepticism Framework
- Increased access to external sector forecasts
- Forensic risk assessment pilots
- Refreshed PLOT training and support materials, including embedding in new hire and trainee courses
- Digital audit training for all ranks
- Increased hot file reviews and improved escalation processes
- New work programmes issued on auditing going concern, climate, impairment, expected credit losses, cashflow statements and conducting effective group oversight
- Development of bite size, available on demand, task specific tutorial videos

"A series of company collapses linked to unhealthy cultures.....have demonstrated why cultivating a healthy culture, underpinned by the right tone from the top, is fundamental to business success."

Sir John Thompson
Chief Executive of the FRC



07 Audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 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 Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit committee timetable	Deliverables
Initial Planning: Risk assessment and setting of scopes. Walkthroughs of key systems and processes	March 2022	Regulation, Audit and Accounts Committee	Outline Audit Plan
	April		
	May		
	June		
	July	Regulation, Audit and Accounts Committee	Audit Planning Report
Year end audit Audit Completion procedures	August		
	September	Regulation, Audit and Accounts Committee	Audit Results Report
	November		Annual Auditor's Report including commentary on VFM



08 Independence

Introduction

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

Required communications

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

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

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

Relationships, services and related threats and safeguards

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

Overall Assessment

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

Self interest threats

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

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

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

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

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

Self review threats

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

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

Management threats

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

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

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 end 30 June 2021: https://www.ey.com/en_uk/about-us/transparency-report-2021



09 Appendices

Fees

Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 2021/22 accounts of opted-in principal local government and police bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2021/22	Final Fee 2020/21
	£	£
Scale Fee – Code work	£90,561	£90,561
Additional work required for PPE valuation (See Note 1)	TBC	£15,511
Additional specific work in relation to Pension Fund IAS 19. We will engage with our internal pensions specialists to undertake an auditor's estimate of the gross liability (See Note 1)	TBC	£1,756
PSAA additional fee for VFM and ISA540 (See Note 1)	TBC	£17,413
Risk based fee variations agreed by PSAA (See Note 1)	TBC	£23,240
PSAA additional fee for objection to the 2020/21 financial statements (See Note 1)	-	£10,745
Total Fees	TBC	£159,226




All fees exclude VAT

Note 1 – PSAA have now determined the additional fees requested for the 2020/21 audit as shown in the table above. The total amount determined represents 65% of the amount requested of £104,877, of which we considered £66,426 to be recurrent. We will confirm our proposed additional fees for 2021/22 upon completion of our detailed work.




Appendix B

Required communications with the Regulation, Audit and Accounts Committee

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




		 Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Regulation, Audit and Accounts Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Planning Report – July 2022/ Outline Plan March 2022 meetings 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.
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	Audit results report – September 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
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	<ul style="list-style-type: none"> Significant matters arising during the audit in connection with the entity's related parties including, when applicable: Non-disclosure by management Inappropriate authorisation and approval of transactions Disagreement over disclosures Non-compliance with laws and regulations Difficulty in identifying the party that ultimately controls the entity 	Audit results report – September 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
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Planning Report – July 2022 and Audit Results Report – September 2022 meeting of the Regulation, Audit and Accounts Committee.
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report – September 2022 meeting of the Regulation, Audit and Accounts Committee.
Consideration of laws and regulations	<ul style="list-style-type: none"> • Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off • Enquiry of Regulation, Audit and Accounts Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Regulation, Audit and Accounts Committee may be aware of 	Audit results report – September 2022 meeting of the Regulation, Audit and Accounts Committee.
Internal controls	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit 	Audit results report – September 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
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report – September 2022 meeting of the Regulation, Audit and Accounts Committee.
Material inconsistencies and misstatements	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"> 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
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	<p>Outline Audit Planning report– March 2022 meeting of the Regulation, Audit and Accounts Committee.</p> <p>Audit planning report - July 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>

Additional audit information

Objective of our audit

Our objective is to form an opinion on the Council's financial statements under International Standards on Auditing (UK) as prepared by you in accordance with International Financial Reporting Standards as adopted by the EU, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the formal terms of engagement between the PSAA's appointed auditors and audited bodies. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit Committee. The audit does not relieve management or the Audit Committee of their responsibilities.

Other required procedures during the course of the audit

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

Our responsibilities required by auditing standards

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

Additional audit information (continued)

Other required procedures during the course of the audit (continued)

Procedures required by the Audit Code	<ul style="list-style-type: none"> Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement. Examining and reporting on the consistency of consolidation schedules or returns with the Council's audited financial statements for the relevant reporting period
Other procedures	<ul style="list-style-type: none"> We are required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice

We have included in Appendix B a list of matters that we are required to communicate to you under professional standards.

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 level of work performed on individual account balances and financial statement disclosures.

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



West Sussex Pension Fund Audit planning report update

Year ended 31 March 2022

July 2022



18 July 2022

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

Dear Committee Members

Audit planning report update

We are pleased to attach our updated 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.

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 18 July 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 level 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 it's 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>
IAS 26 – Actuarial present value of promised retirement benefits	Inherent Risk	New risk for 21/22	<p>We consider the valuation of IAS 26 to be of a higher degree of inherent risk because of the level of estimation uncertainty resulting from the calculation using a number of underlying assumptions. The actuary is required to make assumptions on salary increases, discount rates, pension rates, scheme member longevity and other variables. While IAS 26 does not inform the primary statements, there is stakeholder interest in this disclosure due to its nature.</p>

Overview of our 2021/22 audit strategy

Materiality

Planning
materiality

£55.0m

Materiality has been set at £55 million which represents 1% of net assets reported in the draft 2021/22 financial statements. This has changed from £54.8million reported at the planning stage which represents 1% of the net assets reported in the audited 2020/21 financial statements.

Performance
materiality

£41.3m

Performance materiality has been set at £41.3 million, which represents 75% of materiality. This has changed from £41.1million at the planning stage.

Audit
differences

£2.8m

We will report all uncorrected misstatements relating to the Net Assets Statement and Pension Fund Account over £2.8 million (This has changed from £2.7million at the planning stage). 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





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>What will we do?</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>Draft 2021/22 financial statements: Net return on investments: £5,379,000</p> <p>Total net assets of the Fund available: £5,500,702,000</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>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>

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 level 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.



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?

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.

IAS 26

We consider the valuation of IAS 26 to be of a higher degree of inherent risk because of the level of estimation uncertainty resulting from the calculation using a number of underlying assumptions. The actuary is required to make assumptions on salary increases, discount rates, pension rates, scheme member longevity and other variables. While IAS 26 does not inform the primary statements, there is stakeholder interest in this disclosure due to its nature.

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.

We will:

- Agree the disclosure to the IAS 26 actuarial statement and reporting requirements
- Engage auditor's specialists to review the IAS 26 calculation approach and comment on the underlying assumption.
- Review the work of the management specialist (the actuary) and auditor's specialist.
- Consider the controls used by Hymans Roberson in undertaking the calculation.
- Perform IAS 19 procedures, which give us assurance over the data input into the calculation



03 Audit materiality

Agenda Item 4b

Materiality

Materiality

For planning purposes, materiality for 2021/22 has been set at £55 million. This represents 1% of net assets in the draft 2021/22 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 £41.3 million which represents 75% of planning materiality. We apply 75% when it is not an initial audit and we have a sound understanding of the entity and past experience with the engagement indicates that a higher risk of misstatement is unlikely.

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

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



04 Scope of our audit

Agenda Item 4b

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 Report Update
	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 £	Scale Fee 2021/22 £	Final Fee 2020/21 £	Planned Fee 2020/21 £
Scale Fee – Code work	20,364	20,364	20,364	20,364
Risk based fee variations (see Note 1).	TBC	TBC	12,375	TBC
PSAA pre-approved additional fee for ISA540 (See Note 2)	1,900	1,900	1,911	-
Additional fee for IAS19 assurance work on behalf of admitted bodies (see Note 3).	8,500	8,500	8,000	8,000
Total Fees	TBC	76,183	76,183	TBC

Note 1 – PSAA have approved an additional scale fee variation of £14,286 for 2020/21, £1,911 of this relates to ISA540 Estimates and the remaining £12,375 relates to risk based work.

Note 2 - PSAA communicated a range of fees in August 2021 for the revised International Standard of Auditing 540 on Estimates. In the absence of further information, we have rolled this forward for 2021/22.



Note 3 – In 2021/22 we have received an additional request for IAS 19 assurance for an extra admitted body and this has created an additional IAS19 fee of £500,

Required communications with the Regulation, Audit and Accounts Committee

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



Our Reporting to you

Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Regulation, Audit and Accounts Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit Planning Report, March 2022 meeting of the Regulation Audit and Accounts Committee. Audit Planning Report Update, July 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.

Agenda Item 4b

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 	Audit Results Report, September 2022 meeting of the Regulation, Audit and Accounts Committee.
Consideration of laws and regulations	<ul style="list-style-type: none"> • Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off • Enquiry of the Regulation, Audit and Accounts Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Committee may be aware of 	Audit Results Report, September 2022 meeting of the Regulation, Audit and Accounts Committee.
Internal controls	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit 	Audit Results Report, September 2022 meeting of the Regulation, Audit and Accounts Committee.
Representations	<ul style="list-style-type: none"> • Written representations we are requesting from management and/or those charged with governance 	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
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.



Appendix C

Additional audit information (continued)

Purpose and evaluation of materiality

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

Materiality determines:

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

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

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Key decision: Not applicable
Unrestricted
Ref:

Regulation Audit & Accounts Committee

18 July 2022

Internal Audit Progress Report (June 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 (June 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
- 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 June 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 (June 2022)

Background papers

None



Southern Internal Audit Partnership

Assurance through excellence
and innovation

WEST SUSSEX COUNTY COUNCIL INTERNAL AUDIT PROGRESS REPORT JUNE 2022

Prepared by: Neil Pitman, Head of Partnership

June 2022

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	8-13
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7.	Rolling work programme	14-17
Annex 1	Overdue 'High Priority' Management Actions	18-23
Annex 2	Overdue 'Low and Medium' Management Actions	24

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

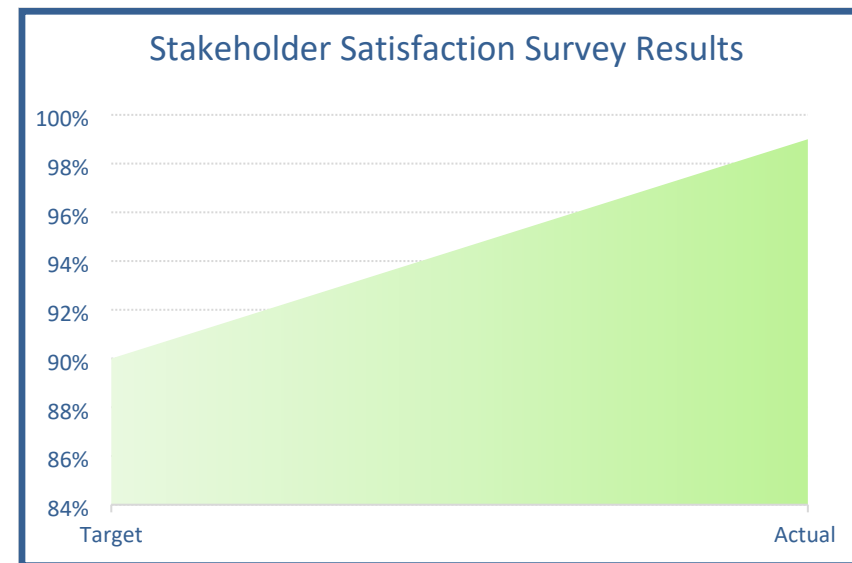
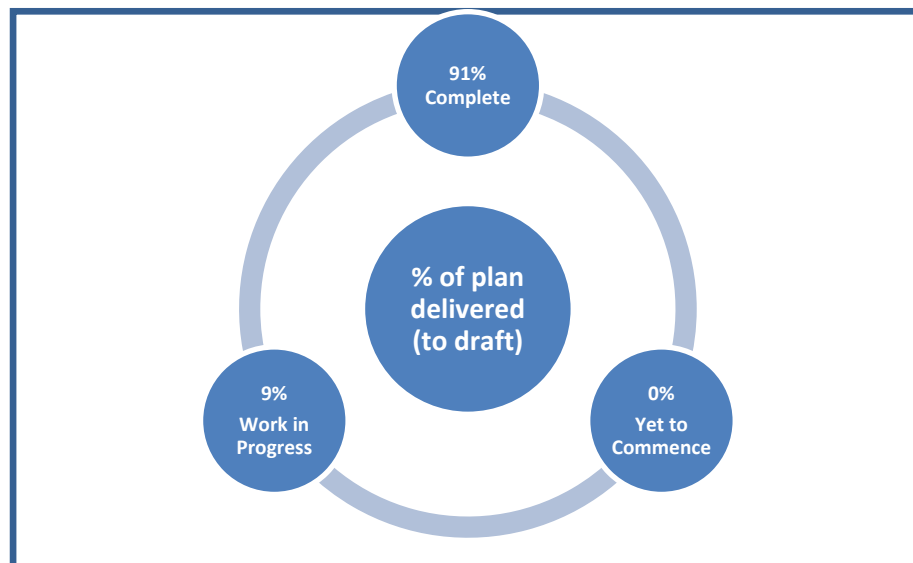
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to 'Senior Management' and 'the Board', summarising:

- 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	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
Special Educational Needs	Oct 2020	DCYP&L	Limited	7	0	0	6		1	
School Traded Services	Mar 2021	DCYP&L	Reasonable	7	0	0	3		1	3
S75 Governance	Apr 2021	JSDC	Limited	12	0	0	10		2	
Children's Services P-Cards	Jun 2021	DCYP&L	Limited	17	0	0	16			1
Cyber Security (Risk Treatment)	Jul 2021	DFSS	Reasonable	3	0	1	1		1	
Cloud Service Provisioning	Jun 2021	DFSS	Reasonable	5	0	0	3		2	
Hammonds (Residential Care Home)	Nov 21	DA&H	No	17	0	0	16		1	
Home to School Transport	Nov 21	DPS	Reasonable	7	0	0	6		1	
Annual Governance Statement	Nov 21	DL&A	Reasonable	9	0	1	8			
WSFRS Fleet Management	Nov 21	CFO	Reasonable	3	0	0	2		1	
Special Schools Funding Thematic	Nov 21	DCYP&L	Reasonable	4	0	0	0	2	2	
WSFRS Operational Training Delivery	Jan 22	CFO	Limited	14	0	0	8		3	3
Firewatch	Jan 22	CFO	Limited	4	0	0	2		1	1
IR35	Feb 22	DHR&OD	Limited	11	0	0	9		2	
WSFRS Risk and Business Continuity	Mar 22	CFO	Reasonable	15	0	5	5		5	
AMHPs	Mar 22	DA&H	Reasonable	5	0	1	2			2
School Thematic – Governors' Pay Decisions (Governance)	Mar22	DCYP&L	Reasonable	5	0	2	3			
IT Assurance Mapping	Apr 22	DFSS	Reasonable	6	0	3	1			2
Information Governance - GDPR	May 22	DL&A	Limited	19	0	16	3			
ITIL Process Transition	May 22	DFSS	Reasonable	6	0	5	1			
Equality Impact Assessments	May 22	DPS	Limited	12	0	12	0			

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)	Not Accepted	Not Yet Due	Complete	Overdue		
								L	M	H
WSFRS Working Time Regulations	May 22	CFO	No	7	0	7	0			
School Thematic-Summer School Funding	June 22	DCYP&L	Reasonable	1	0	1	0			
WSFRS Safe & Well Visits	June 22	CFO	Limited	13	0	11	2			
Total								2	23	12

Overdue Management Actions - Direction of travel since March 2022 progress report	-6	+1	-5
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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)		(DPS)	(ACE)		(DHR/OD)	(DL&A)
Sabrina Cohen- Hatton	Alan Sinclair	Lucy Butler	Lee Harris	Sarah Sturrock	Katharine Eberhart	Gavin Wright	Tony Kershaw

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

Information Governance - GDPR			
Audit Sponsor	Assurance opinion	Management Actions	
Director of Law & Assurance	Limited	<div>Low 1</div>	<div>Medium 15</div> <div>High 3</div>

Summary of key observations:

This audit sought to review compliance with the operational controls and processes to provide assurance effective information governance was in place. The report refers to The Information Commissioner's Office (ICO) guidance and Codes of Practice which are not mandatory but should be considered in the monitoring and control of personal data.

Whilst the review and its objectives were focussed on GDPR in relation to employees, similar such risks can apply to members and therefore reference has been made where such risks were apparent. As elected members are not employees and are not contracted to the Council different measures to address risks associated with data processing must be established using different methods of enforcement to minimise risks.

The Data Protection Officer for WSCC is the Director of Law & Assurance and via onward delegation, operationally the responsibilities are discharged by the Data Protection Team, who keeps up to date on legislative changes and has been established to provide support to the Authority on all aspects of data protection.

Comprehensive policies and procedures/guidance were found to be available and accessible to staff, however, a number did not contain sufficient version control, ownership or review dates. The remote working policy is for employees and therefore does not specifically include or refer to members and there is no equivalent guidance for members.

A log is maintained of all data breaches and used to record personal data incidents and breaches. Lessons learned from data breaches are shared to prevent future re-occurrences.


There is mandatory data protection training on induction and attendance/completion is monitored. Any outstanding induction training is escalated until completed and the Data Protection and Cyber Security induction modules have a 95.6% or above completion rate. However, there is also mandatory annual refresher training for staff on Data Protection and Cyber Security. Although attendance/completion is monitored, and outstanding training is escalated to Line Managers and subsequently Directors, the Data Protection and Cyber Security & GDPR refresher training only has a completion rate of 78.7% and 77.1% respectively.

As of May 2022, approximately 11% of members have not undertaken IT Security and Data Protection Training which is mandatory for employees and deemed important for members by the Governance Committee as it strengthens data protection awareness. The Governance Committee deliberately adopted the term 'mandatory' to give it more importance even though members cannot be mandated to comply. The Member's Training Plan shows that regular reminders are issued to encourage them to complete refresher training via e-learning. This is to be raised at the Governance Committee on 09/05/22, where the importance of training will be re-enforced.

A requirement of the ICO is for an Information Asset Register (IAR) to be in place to record details of personal information held by WSCC. Information Asset Owners (IAOs) are responsible for the accuracy and completeness of information held in the IAR. From examining the IAR there are significant gaps in the information recorded. The ICO sets expectations on their website to help public bodies fulfil and comply with their data protection obligations. The template currently being used does not record the expected information to comply with ICO expectations.

The Information Governance Group (IGG) have a compliance plan which covers the risks and actions associated with data security, training & awareness, data sharing, data subject rights, accountability and data protection principles. However, it does not record anything relating to monitoring departments retention and deletion/disposal of documents or any reference to the IAR, which would provide the IGG with information on the sources of information held, including how sensitive it is and the volumes involved to enable them to assess the associated risk, thereby providing greater assurance on information governance to the Authority.

The ICO expect Authorities to have a range of data protection KPIs to help provide assurance on information governance activities/processes e.g. completion of data protection and information governance training, security breaches, incidents & near misses and records management. Although the IGG contribute to the compliance programme, identify and share areas of good practice, report areas of concern/risk and agree actions with relevant directorates, the IGG do not maintain any KPIs or make reference to any held, monitored or maintained by other sources.

Equality Impact Assessments		
Audit Sponsor	Assurance opinion	Management Actions
Director of Place Services		<div> <div>Low 1</div> <div>Medium 5</div> <div>High 6</div> </div>

Summary of key observations:

The scope of this review focused on the processes in place within the Highways, Transport and Planning Directorate for the management of the Equality Impact Assessment process to ensure that obligations under the Equality Act 2010 are met.

Whilst there is an awareness within the Directorate of the Equality Act 2010 and the requirement that an EIA is needed to support decision reports for executive decisions, there is a lack of understanding of the needs and issues of some groups with protected characteristics. Although corporate guidance is available detailing the processes for the completion and sign off of Equality Impact Assessments and some voluntary on-line training in respect of some of the protected characteristics, there is no comprehensive corporate training in respect of the Equality Act 2010 and the needs of all protected characteristics.

Although corporate guidance and information is available to all staff through the intranet, this is not easily located. The guidance available is not dated to confirm it is up to date and the latest available. In addition, EIA processes for non-executive decisions are not addressed.

Decision reports for executive decisions should be supported by a completed EIA with reference to the outcome of the EIA process detailed in Section 7 - Policy Alignment and Compliance of the decision report. Ten decision reports were tested with only four EIAs available to confirm the EIA process had been followed.

EIAs are not completed in respect of highways works that do not require an executive decision. These operational works are subject to National Standards relating to the specific type of work being carried out with National Standard GG101 (Design Manual for Roads and Bridges) confirming “an initial EIA screening should be carried out to determine if a full EIA process should be undertaken”. However, these are not being undertaken either.

WSFRS – Safe and Well Visits		
Audit Sponsor	Assurance opinion	Management Actions
Chief Fire Officer	Limited	<div>Low 0</div> <div>Medium 7</div> <div>High 6</div>

Summary of key observations:

The audit focused on the recommendations within the 2018/19 HMICRFS inspection report aimed at ensuring WSFRS prioritise home fire safety check activity to target those most at risk, with visits being carried out in a timely manner. We reviewed documented procedures and carried out testing on a sample of completed safe and well visits to ensure procedures are being followed. We also reviewed safeguarding training and performance monitoring.

Testing found a good overarching governance framework in place regarding the Community Risk Management Plan and Prevention Service Plan (both of which replace the Prevention Strategy 2018-22). There was an up-to-date Standard Operating Procedure in place which outlined the process to be followed for completing visits.

We also can report that an initial risk rating is assigned to each referral received based on various risk factors, and timescales are in place for the completion of a visit depending upon the risk rating. Following the completion of the Safe and Well Visit, a final risk rating is assigned to the individual on the system which provides the Service with valuable management information about their most vulnerable residents.

Testing found however, that overall performance targets for completion of Safe and Well visits were not being met. We acknowledge that COVID-19 has had a significant impact on referrals received, and therefore, visits undertaken, however there remains a significant gap between the target and actual figures. The recording system, Farynor, enables monitoring of referral numbers over a five-year period to identify trends and gaps in referrals. As a result of the monitoring that has been taking place since January 2022, the Service has met with a number of key partners to increase awareness of safe and well visits with the aim of increasing referrals and, as a result, visits undertaken. This work is ongoing and will play a vital role in aiding the Service to meet targets moving forward.

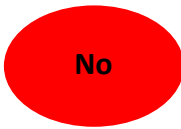
We also identified some issues around completion of the visit records on the system and a number of historic cases where it was unclear whether the visit had taken place.

Review of training records found that the two mandatory safeguarding training modules (Adults and Children) were overdue for a number of staff. We understand that there are some discrepancies with training records which has resulted in some training that has been completed not showing on the system.

Management information is produced and reviewed by key staff on a weekly basis and performance against core measures, which includes the number of safe and well visits delivered against targets, is reported to Strategic Performance Board on a quarterly basis.

Home Office and HMICFRS returns, which include data on safe and well visits, are submitted in line with requirements.

Given the priority placed on SWVs by the service an immediate and robust action plan has been initiated with many of the issues already addressed. A follow up internal audit has also been booked for Q3 to reassure on the progress of this action plan.

WSFRS – Working Time Regulations		
Audit Sponsor	Assurance opinion	Management Actions
Chief Fire Officer		<div>Low 0</div> <div>Medium 5</div> <div>High 2</div>

Summary of key observations:

Following the HMICFRS report published in June 2019, which highlighted the monitoring of working hours as an area for improvement there is a draft project mandate which is going through the WSFRS governance process to develop a system in line with the appropriate organisational policies/procedures for monitoring the working hours of employees to ensure compliance with the Working Time Regulations, Grey Book, WSCC constitution and associated FR Service SOPs. This will include monitoring of employees' total working hours for WSFRS/WSCC (multiple contracts and additional hours/overtime); RDS employee declarations of primary employment, monitoring and any subsequent changes; wholetime and support staff requests for permission for secondary employment, monitoring and any subsequent changes. This audit was requested to help inform this project through identifying current issues and gaps in the control framework.

The Working Time Regulations require that a worker's working time, including overtime, in any reference period which is applicable in each case shall not exceed an average of 48 hours for each seven days. With some exceptions, workers can choose to work more than 48 hours a week on average ('opt out'); employers should keep up to date records of all workers who have opted out.

Our testing identified that the WSFRS Working Hours Policy details how WSFRS ensure compliance with Working Time Regulations, however, there have been numerous amendments to the legislation referenced in the policy since the last review date in 2010. The Working Hours SOP was also found to be out of date as it does not refer to FireWatch, the main system used to record working hours and has not been updated since 2015.

Testing of a sample of records found that signed opt out forms were not consistently held on employee files or, where held, forms were out of date, with inconsistencies to what was recorded in FireWatch.

There is no overall record of the number of hours an employee has worked for WSFRS including all regular shifts, full shift overtime and compulsory overtime. Information from different systems used for recording overall working hours is not readily available to allow active monitoring. In addition, records of other employment for Wholetime, Retained and Support Staff are not up to date.

There are currently no formal monitoring arrangements in place to provide assurance over compliance with the Working Time Regulations.

We understand that the completion, review and audit of flexi duty working time record sheets were included in recommendations made in a report following a Health and Safety incident in 2016. The Flexible Duty System SOP states that People Support will monitor flexible duty working hours and will conduct an audit of the Flexible Duty System Working Time Record Sheets on a quarterly basis; we were advised that an audit spreadsheet was completed up to December 2018 but is no longer used as it did not provide meaningful outcomes.

According to the Working Hours SOP, quarterly reports should be available to group and/or line management on request from Pay & Employment Services, to monitor hours worked and any potential risks; Payroll were unaware of the quarterly reports referred to.

The Group Crewing SOP states that Station Managers will audit records, including the accuracy of FireWatch, for their station and send quarterly audit reports to Operational Group Managers however, we were advised that no reports are received. We were also advised that the IT Infrastructure does not support overall monitoring of hours across multiple contracts or report accurately on shifts worked or owed.

6. Planning & Resourcing

To ensure internal audit focus remains timely and relevant to the changing needs and requirements of the organisation that SIAP have adopted an approach of quarterly planning. The quarter 1 plan was approved by the County Council's Executive Leadership Team and the Regulation, Audit & Accounts Committee in March 2022.

SIAP will 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 2021/22 and 2022/23 (Q1).

7. Rolling Work Programme

Audit Review	Sponsor	Scoping	ToR	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
2020/21								
Dual Use Agreements	P&A	✓	✓	✓	Dec 21	Dec 21	Position Statement	
Central Government Grants (allocation)	Corporate	✓	✓	✓	Oct 21	Nov 21	Reasonable	
Cyber Security (Risk Treatment)	DFSS	✓	✓	✓	Jun 21	Jul 21	Reasonable	
Cloud Service Provisioning	DFSS	✓	✓	✓	Jun 21	Jun 21	Reasonable	
School Thematic Review(s)	DCYP&L	✓	✓	✓	Jun 21	Nov 21	Reasonable	
2021/22								
Ash Dieback	DHT&P	✓	✓	✓	Jan 22	Jan 22	Reasonable	
Our Council Plan - Performance	CE/DF&SS	✓	✓	✓	Sep 21	Oct 21	Reasonable	
Think Family claims	DCYP&L	✓	n/a	n/a	n/a	n/a	n/a	Two claims completed
Firewatch	CFO	✓	✓	✓	Aug 21	Jan 22	Limited	
Home to School Transport	DPS	✓	✓	✓	Sep 21	Nov 21	Reasonable	
Highways Maintenance	DPS	✓	✓	✓	Jul 21	Aug 21	Reasonable	
School Thematic – HT Pay	DCYP&L	✓	✓	✓	Feb 22	Mar 22	Reasonable	
SFVS (20/21 analysis)	DCYP&L	✓	n/a	n/a	May 22	Jun 22	n/a	
Hammonds-Residential Care Home	DA&H	✓	✓	✓	Sep 21	Nov 21	No	

Audit Review	Sponsor	Scoping	ToR	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
People Framework	DHR&OD	✓	✓	✓	Aug 21	Nov 21	Reasonable	
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	Position Statement	
IT Assurance Mapping	DF&SS	✓	✓	✓	Mar 22	Apr 22	Reasonable	
ITIL Process Transition	DF&SS	✓	✓	✓	April 22	May 22	Reasonable	
Adults Income	DA&H	✓	✓	✓	May 22			
AMHPS	DA&H	✓	✓	✓	Feb 22	Mar 22	Reasonable	
WSFRS Risk & Business Continuity	CFO	✓	✓	✓	Feb 22	Mar 22	Reasonable	
Health & Safety	DHR&OD	✓	✓	✓	May 22	Jun 22	Reasonable	
Capital Project Delivery (Education)	DCYP&L / DPS	✓	✓	✓	Jun 22			
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	✓	✓	✓	Apr 22	May 22	No	
IR35	DHR&OD	✓	✓	✓	Aug 21	Feb 22	Limited	
Parkside Service Charge Review	DPS	✓	✓	✓	n/a	Sep 21	n/a	
Information Governance - GDPR	DL&A	✓	✓	✓	Apr 22	May 22	Limited	
Assurance Mapping (Children's)	DCYP&L	✓	✓	✓	n/a	May 22	Position Statement	
Equality Impact Assessments	DHT&P	✓	✓	✓	Apr 22	May 22	Limited	
Climate Change Strategy	DE&PP	✓	✓	✓	Apr 22	Jun 22	Reasonable	
Payments to Providers (Hospital Discharge Pathway)	DA&H	✓	✓	✓				
Assurance Mapping (Adults)	DA&H	✓	✓	✓	May 22			
Savings Realisation Framework	DF&SS	✓	✓	✓	Jun 22	Jun 22	Reasonable	

Audit Review	Sponsor	Scoping	ToR	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Financial Resilience	DF&SS	✓	✓	✓	Jun 22	Jun 22	Reasonable	
Vaccination (Preparedness)	DHR&OD / EDAH	✓	✓	✓	n/a	Nov 21	Position Statement	
Business Continuity (WSCC)	CFO	✓	✓	✓	Apr 22	Apr 22	Reasonable	
School Thematic – Summer School Funding	DCYP&L	✓	✓	✓	Apr 22	Jun 22	Reasonable	
HR Policy Decision Making	DHR&OD	✓	✓	✓				
Treasury Management	DF&SS	✓	✓	✓	Jun 22	Jun 22	Substantial	
SEND (Follow Up)	DCYP&L	✓	✓	✓				
WSFRS Communication and Equipment	CFO	✓	✓	✓	May 22	Jun 22	Position Statement	
WSFRS Safe and Well Visits	CFO	✓	✓	✓	May 22	Jun 22	Limited	
SFVS Returns Q4 21-22	DCYP&L	✓	n/a	n/a	n/a	n/a	n/a	
Contract Management-Advocacy	DA&H	✓	✓	✓				
Local Energy Communities 2 Seas Region	DPS	✓	✓	✓	May 22			
Grants 2021/22								
Highways Maintenance Block Grant	DHTP	n/a	n/a	n/a	n/a	n/a	n/a	Complete
HIV PrEP	DPH	n/a	n/a	n/a	n/a	n/a	n/a	Complete
Additional Home to school transport	DHTP	n/a	n/a	n/a	n/a	n/a	n/a	Complete
Bus Services Operator Grant	DHTP	n/a	n/a	n/a	n/a	n/a	n/a	Complete
Travel Demand Management Grant	DHTP	n/a	n/a	n/a	n/a	n/a	n/a	Complete
2022/23 (Q1)								
Company Governance Framework	DL&A	✓	✓	✓				
Capita Contract	DF&SS	✓	✓					
Children's Care Placements	DCYP&L	✓						
Grenfell Tower – Action Plan	CFO	✓	✓	✓	Jun 22	Jun 22	Reasonable	
School Thematic – School buildings upkeep / maintenance	DCYP&L	✓	✓					
SFVS Q1	ADE&S	n/a	n/a	n/a	n/a	n/a	n/a	Complete
Shaw Homes – Contract Management	DA&H							

Audit Review	Sponsor	Scoping	ToR	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Adults Assurance (Safeguarding / SAB / Provider Failure)	DA&H	✓	✓					
Direct Payments	DA&H / DFS&S	✓	✓					
Workforce Planning	DHR/OD	✓						
Fraud (Proactive / Reactive)	DF&SS	✓	✓	✓				
Procurement	DF&SS	✓	✓					
Contract Management	Corporate							
Use of Agency Staff	DHROD	✓	✓					
XMA Contract Delivery	DF&SS							
IT Contingency	DF&SS							
Grants 2022/23								
Contracted Public Bus Services	ADHTP	n/a	n/a	n/a	n/a	n/a	n/a	Complete
Supporting Families Q1 claim	DCYP&L	n/a	n/a	n/a	n/a	n/a	n/a	Complete

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.

Risk: School traded services income will not meet the assigned income targets

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.

Risk: Missed opportunity for scrutiny and improvement if some school services are not directed towards the QA Board.

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.

Children's Services - P-Cards - Limited

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.

Risk: P-cards with no business need are approved or remain in circulation, risking unnecessary spend.

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	30.06.22	This remains partly completed. Due to the substantial restructuring of the Childrens' Social Care teams in February there were a significant number of managers and staff moving hierarchy which took longer than anticipated to confirm on SAP. This meant a delay to confirming new approvers and cardholders, this is now nearing completion. Following this an assurance exercise will take place to ensure that no other members of staff other than those approved hold P cards. Managers have been reminded to ensure that those on maternity leave, leavers etc are removed as P card holders as part of their exit.

WSFRS Operational Training Delivery- Limited

Observation: Training Database

WSCC's training database is Learning Pool, and WSFRS also maintain their own database, FireWatch. Training is recorded in Learning Pool on completion of training and then the FireWatch record should be updated; and therefore, staff training records should align. However, testing found that Learning Pool records for mandatory training around Maintenance of Knowledge (MOK) and Maintenance of Competence (MOC) training courses are not accurately reflected in FireWatch.

Risk: Risk to staff and public creating potential for reputational damage, should operational staff be ordered to incidents for which they have not completed adequate training.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Complete API (automated link) between Learning Pool and FireWatch	31.03.22	30.06.22	The API installation is now paid for and being tested with a view to it being introduced in the next 2 months

Observation: Policy Update

Audit testing found that the latest version, (V2), of the Training Policy was dated 2nd December 2011. This means that it has been approx. 10 years since the last recorded revision which, at that point in time, was noted as "Course Changes". During our review we confirmed that courses change with greater frequency than every 10 years, and the availability of facilities to provide certain training have also changed.

While the Policy reflects key elements of training required, and demonstrates future focus, a more frequent review would enable greater assurance to be taken around it being in date; and therefore, a current and active source of control.

Risk: Policy if out of date and does not reflect current requirements.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Review and update of Learning & Development (Training) policy. Include a regular review process	28.02.22	31.07.22	L&D review and update nearing completion and will then be passed over to RMG for final scrutiny and publication
As part of the above – update the Assessment Frequency model (in line with up-to-date best practice)	31.03.22	30.06.22	MOC scheme has now been reviewed and updated with a view to introducing a 3-year scheme (was 2 year). This has included a review of the assessment frequencies through the most up to date risk-rated model

Firewatch - Limited

Observation: Monitoring of competencies against training records in Firewatch

Our review found a lack of assigned responsibility and formalised procedures around the monitoring of training records within Firewatch to ensure the correct competencies have been assigned both initially and following contract changes, which could result in different competencies being required. This element of administration was previously carried out by the Training Administrator who is no longer in post, and it has not been consistently carried out since their departure. Whilst these tasks have been carried out by the Learning and Development Instructor since their appointment in March 2021, monitoring of records is an administratively heavy task and is limited to the time available by the Learning and Development Instructor

Risk: Inaccurate data is held in Firewatch, increasing the risk of the mobilisation of staff who do not meet competency requirements for the role.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Firewatch API installation	31.03.22	30.06.22	The API installation is now paid for and being tested with a view to it being introduced in the next 2 months

AMHPs - Reasonable

Observation: SAMHP Register

The AMHP Service works within various legislative requirements including 'The Mental Health (Approved Mental Health Professionals) (Approval) (England) Regulations 2008'. The regulations require that a record is kept of each AMHP it approves and specify eight key areas including the completion of training.

The information is retained in a local spreadsheet. Comparison of the spreadsheet to the 2008 regulations found that the register did not include confirmation of the 18 hours training required per year. Whilst this is mitigated to some extent through the re-approval process undertaken via the Approval Panel which requires confirmation of the training completed by the AMHP, and some records are retained in alternative systems the local spreadsheet does not hold all required information as one source.

Risk: Non-Compliance with legislative requirements.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
The AMHP register, maintained within the AMHP Service on behalf of the Council, has now been redesigned to clearly account for these specific requirements of the AMHP Regulations 2008. This includes adding information that each AMHP's CPD record has been checked at six-monthly and 12-monthly intervals.	31.03.22	31.08.22	The register has been amended so we can capture CPD, but we have yet to commence the 6 monthly checks as we need a template, which is nearing completion.
All AMHPs will be instructed to discuss and show their CPD records to their named AMHP professional supervisor, and those records will be documented on an agreed CPD template which will be circulated.	31.03.22	31.08.22	The register has been amended so we can capture CPD, but we have yet to commence the 6 monthly checks as we need a template, which is nearing completion.

IT Assurance Mapping - Reasonable

Observation: Microsoft Azure Security Configuration Assessment

The results of the Microsoft Azure Security Configuration assessment are documented in the “WSCC Review PowerON CA MFA” report. To address some of the issues in this report we were provided with an email discussion on the results and evidence of the implementation of geographic conditional access and enforcement of the use of multi factor authentication.

However, there is no evidence of governance over the management of all the results of this assessment such as a risk or strategic fit assessment, the assignment of resources and time bounding of actions.

Interview with the Head of IT established that this piece of work contributed to the forward planning for cloud services and plans for future direction of travel but has not required formal governance of specific actions pending further strategic implementations.

Risk: Security configuration weaknesses are not addressed. Value is not obtained from the commissioned work.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Immediate implementation of an Azure Tenant Development Working group to comprise Council officers and technologists from Version 1. Scope: Technical review and documentation of proposed configuration options and applicable considerations or risks	29.04.22	30.06.22	This delay is on the basis that Version 1 Datacentre Migration due diligence started later than anticipated and therefore we are still awaiting their analysis and recommendations.
Modification of TDA (Technical Design Authority) ToR to reflect widened formal governance scope as the decision making body within IT Services.	29.04.22	30.06.22	This delay is on the basis that Version 1 Datacentre Migration due diligence started later than anticipated and therefore we are still awaiting their analysis and recommendations.

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

Audit Review	Report Date	Opinion	Priority		Due Date	Revised Due Date
			Low	Medium		
Special Educational Needs	Oct 2020	Limited		1	31.12.20	31.01.22
School Traded Services	Mar 2021	Reasonable		1	30.06.21	30.09.22
S75 Governance	Apr 2021	Limited		1	30.06.21	31.03.23
				1	31.03.22	31.03.23
Cyber Security (Risk Treatment)	Jul 2021	Reasonable		1	31.12.21	30.09.22
Cloud Service Provisioning	Jun 2021	Reasonable		1	31.03.22	30.06.22
				1	31.03.22	30.06.22
Home to School Transport	Nov 2021	Reasonable		1	31.12.21	30.09.22
Hammonds	Nov 2021	No		1	28.02.22	31.08.22
WSFRS Fleet Management	Nov 2021	Reasonable		1	31.03.22	30.06.22
Special Schools Funding Thematic	Nov 2021	Reasonable		1	31.03.22	31.03.23
				1	31.03.22	31.03.23
			1		31.03.22	31.03.23
			1		31.03.22	31.03.23
WSFRS Operational Training Delivery	Jan 2022	Limited		1	28.02.22	31.07.22
				1	28.02.22	31.07.22
				1	30.01.22	30.06.22
Firewatch	Jan 2022	Limited		1	31.03.22	30.06.22
IR35	Feb 2022	Limited		1	28.02.22	30.09.22
				1	28.02.22	30.09.22
WSFRS Risk and Business Continuity	Mar 2022	Reasonable		1	01.06.22	TBC
				1	01.06.22	TBC
				1	01.06.22	TBC
				1	01.06.22	TBC
				1	01.06.22	TBC
Total			2	23		

Key decision: Not applicable
Unrestricted
Ref:

Regulation Audit & Accounts Committee

18 July 2022

Internal Audit Annual Report & Opinion 2021-22

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

Summary

The purpose of this paper is to provide the Regulation Audit & Accounts Committee with the annual audit opinion (2021-22) summarising internal audits opinion on the Council's framework of governance, risk and control.

Recommendations

- (1) That the Committee approve the annual audit report and opinion for the year ended 2021-22.

Proposal

1 Background and context

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

Risk	Mitigating Action (in place or planned)
There are risks associated with services not	Follow up audit review will be undertaken to ensure that agreed actions have been

Risk	Mitigating Action (in place or planned)
addressing key recommendations arising from the audit findings.	implemented. A report detailing the status of high priority Internal Audit recommendations will be presented to ELT and each meeting of this Committee for monitoring to ensure that key risks are addressed in a timely manner.

Katharine Eberhart

Director of Finance and Support Services

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

Appendices

Appendix A – Internal Audit Annual Report & Opinion 2021-22

Background papers

None



Southern Internal Audit Partnership

Assurance through excellence
and innovation

WEST SUSSEX COUNTY COUNCIL

Annual Internal Audit Report & Opinion 2021-2022

Prepared by: Neil Pitman, Head of Partnership

June 2022

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1. Role of Internal Audit

The Council is required by the Accounts and Audit (England) Regulations 2015, to

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

In fulfilling this requirement, the Council should have regard to the Public Sector Internal Audit Standards (PSIAS), as the internal audit standards set for local government. In addition, the Statement on the Role of the Head of Internal Audit in Public Service Organisations issued by CIPFA sets out best practice and should be used to assess arrangements to drive up audit quality and governance arrangements.



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

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

The 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 organisations’ objectives.

2. Internal Audit Approach

To enable effective outcomes, internal audit provides a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary. A full range of internal audit services is provided in forming the annual opinion.

As the Chief Internal Auditor, I review the approach to each audit, considering the following key points:

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

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



The Southern Internal Audit Partnership (SIAP) maintain an agile approach to audit, seeking to maximise efficiencies and effectiveness in balancing the time and resource commitments of our clients, with the necessity to provide comprehensive, compliant and value adding assurance.

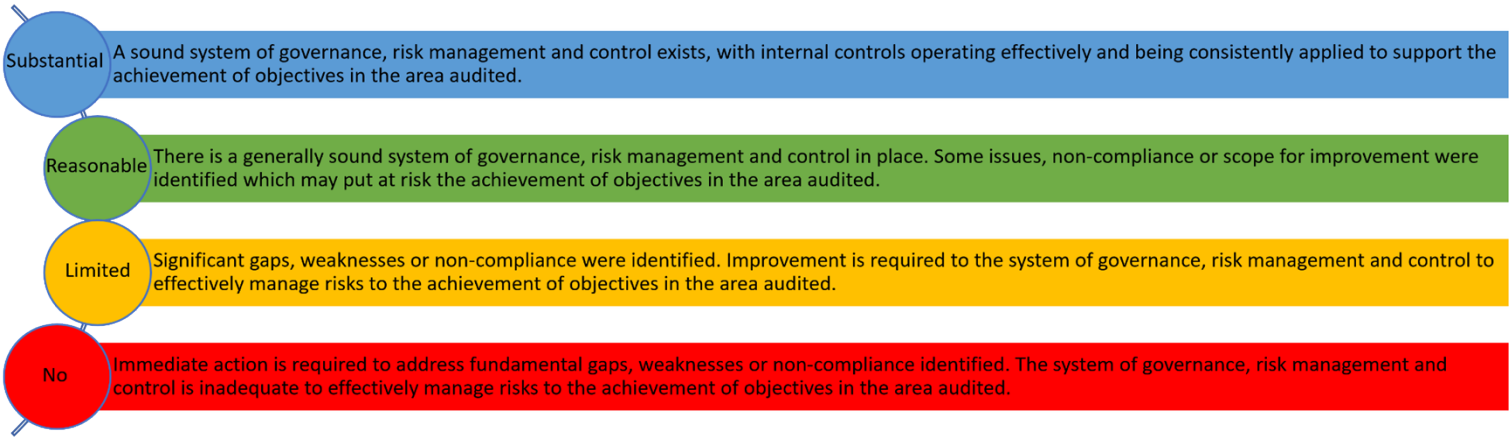
Working practices have been reviewed, modified and agreed with all partners following the impact and lessons learned from the COVID-19 pandemic and as a result we have sought to optimise the use of virtual technologies to communicate with key contacts and in completion of our fieldwork. However, the need for site visits to complete elements of testing continues to be assessed and agreed on a case-by-case basis.

3. Internal Audit Coverage

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Council activities and to support the preparation of the Annual Governance Statement. Work has been planned and performed to obtain sufficient evidence to provide reasonable assurance that the internal control system is operating effectively.

The 2021-22 internal audit plan was considered by the Regulation, Audit and Accounts Committee periodically throughout 2021/22 to complement our approach to quarterly planning. It was informed by internal audit’s own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the organisation. The plan has remained fluid throughout the year to maintain an effective focus and ensure that it continues to provide assurance, as required, over new or emerging challenges and risks that management need to consider, manage, and mitigate. Changes made to the plan were reported to the Regulation, Audit and Accounts Committee in the internal audit progress report(s) which were reviewed at each meeting.

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. The assurance opinions are categorised as follows:



4. Internal Audit Opinion

As Chief Internal Auditor, I am responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform their annual governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisations' framework of governance, risk management and control.

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

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

We enjoy an open and honest working relationship with the Council. Our planning discussions and risk-based approach to internal audit ensure that the internal audit plan includes areas of significance raised by management to ensure that ongoing organisational improvements can be achieved. I feel that the maturity of this relationship and the Council's effective use of internal audit has assisted in identifying and putting in place action to mitigate weaknesses impacting on organisational governance, risk, and control over the 2021-22 financial year.

Annual Internal Audit Opinion 2021-22

I am satisfied that sufficient assurance work has been carried out to allow me to form a conclusion on the adequacy and effectiveness of the internal control environment.

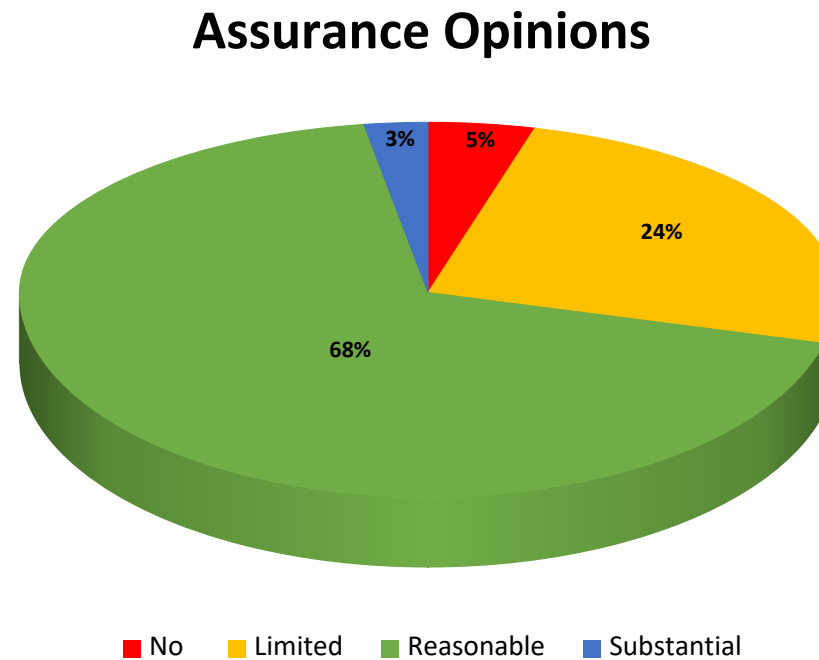
In my opinion frameworks of governance, risk management and management control are **reasonable** and audit testing has demonstrated controls to be working in practice.

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

5. Governance, Risk Management & Control – Overview & Key Observations

Assurance opinions for 2021-22 reviews

Significant findings from our reviews have been reported to the Regulation, Audit and Accounts Committee throughout the year and a summary of the assurance opinions is outlined below.



Governance

Governance arrangements are considered during the planning and scoping of each review and in most cases, the scope of our work includes overview of:

- the governance structure in place, including respective roles, responsibilities, and reporting arrangements
- relevant policies and procedures to ensure that they are in line with requirements, regularly reviewed, approved, and appropriately publicised and accessible to officers and staff.

In addition, during 2021-22 we undertook reviews of the Annual Governance Statement and Our Council (Performance), both of which concluded with a Reasonable assurance opinion and Information Governance (GDPR) which concluded with a limited assurance opinion.

Our review of information governance (GDPR) focused on compliance with the operational controls and processes to provide assurance effective information governance was in place. It was confirmed that comprehensive policies and procedures/guidance were available and accessible to staff, however, a number did not contain sufficient version control, ownership, or review dates.

Training is a mandatory requirement as part of officer induction and by way of periodic refresher. Whilst completion rates at induction were found to be high, those for refresher training were significantly lower. For members, whilst not mandatory, but still deemed important, not all members had completed the IT Security & Data Protection training.

Requirement and expectations of the ICO include an Information Asset Register and data protection KPIs to help provide assurance on information governance activities/processes. Examination of the IAR highlighted significant gaps in the information recorded and the template currently being used does not record the expected information to comply with ICO expectations. Although the IGG contribute to the compliance programme, identify, and share areas of good practice, report areas of concern/risk and agree actions with relevant directorates, the IGG do not maintain any KPIs or refer to any held, monitored or maintained by other sources.

Based on the work completed during the year and observations through our attendance at a variety of management and governance meetings, in our opinion the governance frameworks in place across the Council are robust, fit for purpose and subject to regular review. There is also appropriate reporting to the Regulation, Audit & Accounts Committee to provide the opportunity for independent consideration and challenge including the in-year update and review of the Annual Governance Statement.

Risk management

We last reviewed risk management arrangements in the Council in 2020/21 which resulted in a reasonable assurance opinion. The evidence obtained during the review demonstrated that risk management arrangements were sound, documented and embedded within the Council.

In accordance with the constitution, the Regulation Audit & Accounts Committee play a key role 'to monitor the effective development of risk management, including annually agreeing the Council's risk approach as detailed in the Risk Management Strategy'. This has been supported throughout the year through the Committees overview of the Risk Management Strategy and overview of the Risk Register which has features as a regular agenda item throughout the year.

The risk register is a key document that is taken into account during the development of our risk based internal audit plan, with the planned reviews mapped to the risk register. The information in the risk register is taken into account when scoping each review in detail to ensure that our work is appropriately focussed.

Control

In general, internal audit work found there to be a sound control environment in place across the majority of review areas included in the 2021-22 plan that were working effectively to support the delivery of corporate objectives.

We generally found officers and staff to be aware of the importance of effective control frameworks and compliance, and also open to our suggestion for improvements or enhancements where needed. Management actions agreed as a result of each review are monitored to completion to ensure that the identified risks and issues are addressed. The key areas of challenge identified or confirmed through our work are outlined below:

IR35 (Limited Assurance) - observations highlighted instances where Check Employment Status for Tax (CESTs) were absent or out of date, further, information documented within the Status Determination Statements was found on occasions, to be inaccurate or incomplete.

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

A review of consultancy suppliers revealed half of those reviewed had the employment status of "not an individual" incorrectly selected on the Supplier Approval Form.

Hammonds (Residential Care Home) (No Assurance) - 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 were not accurate.

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.

Equality Impact Assessments (Highways, Transport and Planning Directorate) (Limited Assurance) - whilst there was an awareness within the Directorate of the Equality Act 2010 and the requirement that an Equality Impact Assessment (EIA) is required to support decision reports, there was a lack of understanding of the needs and issues of some groups with protected characteristics.

Corporate guidance is available detailing the processes for the completion and sign-off of EIAs and voluntary on-line training in respect of some of the protected characteristics, however, there is no comprehensive corporate training in respect of the Equality Act 2010 and the needs of all protected characteristics.

Decision reports (for executive decisions) should be supported by a completed EIA with reference to the outcome of the EIA process. Only 40% of decision reports reviewed had EIAs available to confirm the EIA process had been followed.

EIAs were not completed in respect of highways works that do not require an executive decision. Such operational works are subject to National Standards (GG101 - Design Manual for Roads and Bridges) requiring "an initial EIA screening should be carried out to determine if a full EIA process should be undertaken". However, these are not being undertaken.

West Sussex Fire & Rescue Service

- **Working Time Directive (No Assurance)** - following the HMICFRS report published in June 2019, which highlighted the monitoring of working hours as an area for improvement there is a draft project mandate which is going through the WSFRS governance process to develop a system in line with the appropriate organisational policies/procedures for monitoring the working hours of employees to ensure compliance with the Working Time Regulations, Grey Book, WSCC constitution and associated FR Service SOPs. This audit was requested to help inform this project through identifying current issues and gaps in the control framework.

The WSFRS Working Hours Policy details how WSFRS ensure compliance with Working Time Regulations, however, there have been numerous amendments to the legislation referenced in the policy since the last review date in 2010. The Working Hours SOP was also found to be out of date and had not been updated since 2015.

Testing of records found that signed 'opt out' forms were not consistently held on employee files for those choosing to work more than 48 hours a week (on average) or, where held, forms were out of date, with inconsistencies to what was recorded in FireWatch.

There was no overall record of the number of hours an employee had worked. Information from different systems used for recording overall working hours was not readily available to allow active monitoring. In addition, records of other employment for Wholetime, Retained and Support Staff were not up to date.

The Group Crewing SOP states that Station Managers will audit records, including the accuracy of FireWatch, for their station and send quarterly audit reports to Operational Group Managers however, we were advised that no reports are received. It was further apparent that the IT Infrastructure does not support overall monitoring of hours across multiple contracts or report accurately on shifts worked or owed.

- **Firewatch (Limited Assurance)** - key observations highlighted 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.

Recruitment of green book Fire Service staff is managed by WSCC Resourcing and notification should be passed to People Support to enable data to be recorded within Firewatch, however, there was no formalised or documented process and therefore information was often found to be untimely and incomplete.

- **Operational Training Delivery (Limited Assurance)** - 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 the time of the audit. Accuracy of system records retained in Learning Pool and FireWatch found a number of discrepancies between the systems.

Furthermore, the training policy which underpins the strategy, covers essential information required at policy level and aligns with national training guidelines at a high level had not been reviewed since 2011.

Whilst we were advised that trainers had 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.

- **Safe and Well Visits (Limited Assurance)** - the audit focused on the recommendations within the 2018/19 HMICRFS inspection report aimed at ensuring WSFRS prioritise home fire safety check activity to target those most at risk, with visits being carried out in a timely manner.
An initial risk rating was found to be assigned to each referral received based on various risk factors, and timescales are in place for the completion of a visit depending upon the risk rating. Following the completion of the Safe and Well Visit, a final risk rating was assigned to the individual on the system providing valuable management information about the most vulnerable residents.

Testing found however, that overall performance targets for completion of Safe and Well visits were not being met. We acknowledge that COVID-19 has had a significant impact on referrals received, and therefore, visits undertaken, however there remains a significant gap between the target and actual figures.

As a result of the monitoring that has been taking place since January 2022, the Service has met with a number of key partners to increase awareness of safe and well visits with the aim of increasing referrals and, as a result, visits undertaken. This work is ongoing and will play a vital role in aiding the Service to meet targets moving forward.

We also identified some issues around completion of the visit records on the system and a number of historic cases where it was unclear whether the visit had taken place.

Management actions

Where our work identified risks that we considered fell outside the parameters acceptable to the Council, we agreed appropriate corrective actions and a timescale for improvement with the responsible managers.

Progress is reported to the Regulation Audit & Accounts Committee throughout the year through the quarterly internal audit progress reports.

6. Anti-Fraud and anti-corruption

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

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

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

Reactive Fraud Activity - The Southern Internal Audit Partnership work with West Sussex County Council in the effective review and investigation of any reported incidents of fraud and irregularity. All such reviews are undertaken by professionally accredited (CIPFA CCIP) staff, in accordance with the Council's Anti-Fraud & Corruption Strategy & Response Plan. During the year the Southern Internal Audit Partnership were engaged in three reactive fraud & irregularity investigations relating to use of P Cards, social care payments and unauthorised access, however, none were of a material nature.

National Fraud Initiative (NFI) - The NFI is a statutory exercise facilitated by the Cabinet Office that matches electronic data within and between public and private sector bodies to prevent and detect fraud.

Match reports across pensions, payroll, blue badges, concessionary travel, creditors, VAT, and Companies House were released in January 2021. All high priority matches have been risk assessed and action taken to investigate where appropriate.

Whilst there was no fraudulent activity identified from review of the matches in a majority of areas the analysis of concessionary travel data resulted in 4,423 concessionary passes being cancelled. Whilst no fraud was identified and there are no direct cash saving to the organisation, the Cabinet Office does assign a notional value of £24 per pass as a saving to the public purse based on the cost of reimbursement to bus operators for journeys made under the concessionary fares scheme.

We are continuing to review Company House matches in line with our proactive review of business declarations.

Proactive Approach - Whilst our reactive fraud work assists the 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. Initiatives and subsequent outcomes during the year included:

- Advice and guidance were provided across approx. 100 enquiries. The common themes continue to relate to email scams (mandate fraud, malware, and spoof emails), with schools being particularly targeted.
- A 'General Fraud Awareness' eLearning course was rolled out in the early part of the year.
- We have issued a number of fraud awareness bulletins during the course of the year. Key themes covered have included mandate fraud (including the risk to employee payroll information) and social engineering.
- Two themed proactive review were undertaken during the year in relation to direct payments and business interests. The results of each review were collated into summary reports identifying any potential exposure to fraud risks.

7. Quality Assurance and Improvement

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

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

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

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

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

8. Disclosure of Non-Conformance

There are no disclosures of Non-Conformance to report. In accordance with Public Sector Internal Audit Standard 1312 [External Assessments], I can confirm through endorsement from the Institute of Internal Auditors that:

'the Southern Internal Audit Partnership conforms to the Definition of Internal Auditing; the Code of Ethics; and the Standards'.

9. Quality Control

Our aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. In complementing the QAIP this was achieved in 2021-22 through the following internal processes:

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

10. Internal Audit Performance

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

Performance Indicator	Target	Actual
Percentage of internal audit plan delivered <i>(to draft report)</i>	95%	91%
Positive customer survey response		
● West Sussex County Council	90%	99%
● SIAP – all Partners	90%	99%
Public Sector Internal Audit Standards	Compliant	Compliant

Customer satisfaction is an assessment of responses to questionnaires issued to a wide range of stakeholders including members, senior officers and key contacts involved in the audit process (survey date April 2022).

11. Acknowledgement

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

Neil Pitman
Head of Southern Internal Audit Partnership

Annex 1

Summary of Assurance Reviews Completed 2021-22

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.

- Treasury Management

Reasonable

There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

- | | | | |
|---|---|---|---|
| <ul style="list-style-type: none"> • Central Government Grants (allocation) • Cyber Security (Risk Treatment) • Cloud Service Provisioning • School Thematic Review(s) • Ash Dieback • Our Council Plan - Performance • Home to School Transport | <ul style="list-style-type: none"> • Highways Maintenance • School Thematic – HT Pay • People Framework • Annual Governance Statement • Payroll • Mortuary Services Contract Management • IT Assurance Mapping | <ul style="list-style-type: none"> • ITIL Process Transition • AMHPS • WSFRS Risk & Business Continuity • Health & Safety • Budgetary Control • WSFRS Fleet Management • Climate Change Strategy | <ul style="list-style-type: none"> • Savings Realisation Framework • Financial Resilience • Business Continuity • School Thematic – Summer School Funding • LECSEA (DRAFT) |
|---|---|---|---|

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.

- WSFRS Firewatch
- Adults Income (DRAFT)
- Capital Project Delivery (Education) (DRAFT)
- WSFRS Operational Training Delivery
- IR35
- Information Governance - GDPR
- Equality Impact Assessments
- Assurance Mapping (Adults) (DRAFT)
- WSFRS Safe and Well Visits

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.

- Hammonds-Residential Care Home
- WSFRS Working Time Directive

Key decision: Not applicable
Unrestricted
Ref:

Regulation Audit & Accounts Committee

18 July 2022

Internal Audit Plan 2022-23 (Q2)

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 (Q2) (Appendix A).

Recommendations

- (1) That the Committee approve the Internal Audit Plan 2022-23 (Q2) 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.

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 (Q2)

Background papers

None



Southern Internal Audit Partnership

Assurance through excellence
and innovation

WEST SUSSEX COUNTY COUNCIL INTERNAL AUDIT PLAN 2022-23 (Q2)

Prepared by: Neil Pitman, Head of Partnership
June 2022

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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.

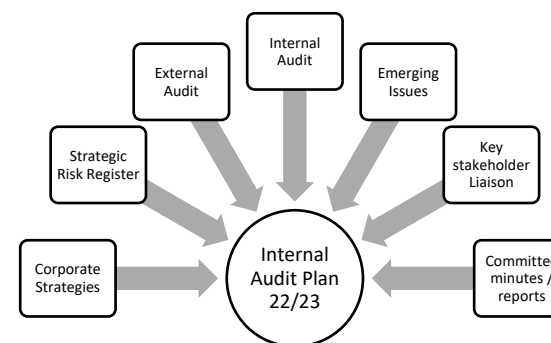
- **Keeping people safe from vulnerable situations**
- **A sustainable and prosperous economy**
- **Helping people and communities to fulfil their potential**
- **Making the best use of resources**

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 2.

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 (Q2)

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
EHCP Statutory Assessments	DCYP&L	Review of EHCP assessment process to ensure they meet statutory / other requirements including timeframes etc.		Q2
Homes for Ukraine	DPS	Preparedness for administering the requirements of the scheme, including governance, due diligence, process etc.		Q2
WSFRS – Overtime & TOIL	CFO	To review the process, recording, authorisation and accuracy of overtime and TOIL		Q2
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

Audit Review	Directorate Sponsor	Potential Scope	Risk	Proposed Timing
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
Direct Payments	DA&H / DFS&S	To provide assurance over Direct Payments processes and compliance with the Care Act requirements		Q1
Adults Contingency (3 to 4 reviews)	DA&H	Review areas to be determine following completion of assurance mapping to support pending CQC inspection(s).	CR58	Q2
Adult Thematic – Medicine Control	DA&H	Medicine control in WSCC establishments - Res homes and potentially Day Care Centres. To include authorisation, qualification, accuracy, data quality.		Q2
School Thematic - Related Party Transactions	DCYP&L	Select a sample of school to obtain assurance that they appropriate arrangements are in place to attain and record RPT		Q2
Making the best use of resources				
Workforce Planning	DHR/OD	Assurance over effective workforce planning (capacity, recruitment, retention, succession)	CR11 CR70	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
Fraud Framework	DF&SS	Review of Anti Fraud & Corruption Strategy (and associated policies) to ensure complete and aligned to best practice.		Q2
Procurement	DF&SS	Sub £100k spend – data analytical review.		Q1

Audit Review	Directorate Sponsor	Potential Scope	Risk	Proposed Timing
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.		Q2
IT Contingency	DF&SS	Reviews to be confirmed following completion of assurance mapping.	CR39a/b	Q2
Payroll	HR&OD	Core system (include travel, overtime and enhancements)		Q2
Accounts Payable	DF&SS	Core System (plus reestablishment of in-house function)		Q2
Grants				
Contracted Public Bus Services	ADHTP	Grant certification		Q1
Supporting Families Q1 claim	DCYP&L	Grant certification		Q1
Supporting Families Q2 claim	DCYP&L	Grant certification		Q2
Grants contingency	-	Contingency for grant certification requests		Q2
Management and review				Q2

Audit SponsorChief 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	Alan Sinclair	Lucy Butler	Lee Harris	Sarah Sturrock	Katharine Eberhart	Gavin Wright	Tony Kershaw

**Key decision: Not applicable
Unrestricted**

Regulation, Audit and Accounts Committee

18 July 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.

A risk relating to postponing the re-procurement of care and support at home services has been added to the corporate risk register this quarter. Risks relating to the financial sustainability of council services, and recruitment and retention of skilled staff have increased in severity. The risk of failing to deliver existing work plans due to responding to COVID19 impacts, and risk that children and young people will not be cared for in the required settings have reduced in severity.

COVID-19 response and management of related risks 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

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

Quarterly update

1 Introduction

1.1 The Committee has responsibility to monitor the effectiveness of risk management arrangements. That role, together with a description of the Council's approach to risk management, is set out in the Constitution at Part 4 Section 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
CR11	Recruitment and Retention - unable to recruit and retain sufficient number of skilled staff	Risk severity increased	To reflect current situation across services with R&R of staff	16
CR22	Financial sustainability of council services	Risk severity increased	To reflect uncertainty over DSG funding and impact of Care Act reforms	20
CR68	COVID19 - Services will fail to deliver existing work plans	Risk severity reduced and tolerated	Specific COVID19 activity/response has reduced significantly	10
CR72	Children and young people will not be cared for in settings that best meet their needs	Risk severity reduced	To reflect completion of mitigating actions and number of children currently in unregulated	12
CR74	Overdue re-procurement of care and support at home services	New risk		15

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
CR22	Financial sustainability	12	20
CR11	Recruitment and retention	12	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 are now delivered as a webinar, with the course content 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 An annual review of the WSCC Risk Management Strategy (Appendix B) has been conducted, with amendments listed on page iv of the strategy (Documents Amendment History). The changes have also been highlighted in the body of the strategy. The committee are requested to review and provide comment as necessary.
- 2.9 The quality and currency of information contained in the corporate and directorate risk registers will continue to be reviewed and updated. The Corporate Risk Manager is continuing to challenge whether identified actions will sufficiently address the concerns, and within a suitable timeframe.
- 2.10 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 Directors, Assistant Directors, service managers and their teams on capturing and communicating risk
 - Attendance at/facilitating various internal boards, meetings and working groups

- 2.11 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.
- 2.12 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

Appendices

Appendix A – Corporate Risk Register

Appendix B - WSCC Risk Management Strategy

Background papers

None

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	Tolerate	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	2	10	Sep-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	Sep-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 2021 - progress review by RAAC March 22. 21/22 AGS actions approved, regularly reviewed and underway. New AGS in process of development for completion July 22.	4	2	8	Jul-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. To be reinforced as part of 2022 AGS and Director Statements of Assurance.				
			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 completed or in train 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	Ongoing	Guidance completed (December 21) Training roll out from Jan 22. CMT session Nov 21 completed. Further officer guide to governance due April 22.				
			5. Censure by external inspection.																

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	
CR11	As a result of skill shortages across various sectors, and less attractive employment offers in comparison to other organisations and locations (amplified by the current cost of living situation), there is a risk that we will not be able to recruit and retain sufficient numbers of skilled staff to manage and deliver quality services.	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, in collaboration with services, to identify skills, capacity and capability requirements (current and future). Including succession planning for key roles, and defining training and career pathways.	Head of HR Bus Ptr & Org Dev	ongoing	Reward & Retention package for Children's Social Workers produced. Development of Workforce Plan being carried out as part of Children First Improvement Plan.	4	4	16	Sep-22
			2. Lack of corporate memory.									Development and regular communication of comprehensive employee value proposition.			Mar-23	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. Recruitment & retention conversations to also take place at Smarter Working Stakeholder Group to inform and support decision making.			
			3. Inadequate pace/speed of delivery.									Longer term strategies for addressing recruitment issues e.g. apprenticeships, growing our own.			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.			
												Benchmarking of salaries against peers to attract and retain talent for key areas.			Jul-22				
			4. Low staff morale and performance.									Conduct planning session with HR team to review current recruitment practices, and meet with key stakeholders to develop comprehensive plan to address areas needing improvement.			Jul-22				
CR22	The financial sustainability of council services is at risk due to uncertain funding from central government, level of inflation impacting on service delivery, 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	Treat	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	5	20	Sep-22
			2. Adverse effect on reserves/balanced budget.									Monitor the use of additional funds made available to improve service delivery.			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.			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.																

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	
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	Sep-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.				
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	Jul-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. Will contact new DASS on arrival May 22 to review position.				
												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.	Head of IT	ongoing	Full and detailed inventory of the remaining systems was 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.				

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	
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. In-house audit tool currently being trialled to assess suitability for widespread implementation.	3	3	9	Sep-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.				
												Regular engagement with services to ensure H&S responsibilities continue to be fully understood and embedded in BAU activities.	Health and Safety Manager	Ongoing	H&S Reps Committee used to reinforce H&S responsibilities, discuss concerns and escalate to H&S Governance if necessary.				
			4. Increase in staff absence.									Regular engagement with other LA's on best practice and lessons learned.	Health and Safety Manager	Ongoing					
												Develop and introduce a more comprehensive risk profile approach and front line service based audits.	Health and Safety Manager	Ongoing	HSW risk profiling programme template created and was launched in some Directorates. C-19 and unforeseen resourcing issues in the H&S team prevented full launch across the council, and stopped the programme. Profiling activity to be re-started across all directorates once the team is better resourced.				

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk			Risk Strategy	Target Risk			Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk			Next Risk Review Date
					Impact	Likelihood	Score		Impact	Likelihood	Score					Impact	Likelihood	Score	
CR58	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. 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	1. Potential that people will come to harm and Council will be unable to ensure statutory safeguarding duty.	Sep-18	5	5	25	Treat	3	3	9	Collection of market information on Firefly. Analysis of information and appropriate level of quality assurance response.	Head of Contracts & Performance	ongoing	Due to the implications of COVID19 and service resource constraints, the ability to conduct face to face quality assurance checks has reduced. There is now an increased focus on supporting/improving infection control and closer working with the CCG to ensure the right level of support to care homes is delivered.	5	5	25	Jun-22
			2. CQC action against service provider which could lead to establishment closure at short notice									Provision of regular support and communication to care homes to monitor financial sustainability (increased engagement during COVID-19 pandemic to monitor Infection Control Grant).			Regular communication (with a COVID19 focus) with care homes to identify risk areas early and support collation of financial information for government. Monitoring of deaths and Covid outbreaks in care homes. This action is reviewed and discussed weekly at WSCC IMT.				
			3. Financial implication of cost of reprovion following closure of services.									Financial analysis of high risk provision - due diligence checks.			Working with strategic contracts to identify key providers for more regular financial checks. Commissioning of sustainability blocks to deliver a level of financial stability.				
			4. Reduced capacity in the market as a result of failure of provision.									In the event of an incident, ensure the consistent implementation of Emergency Response Plans, including a full de-brief and lessons learned.			Emergency plans in place for residential services and Domiciliary Care provision. Continue to work with RET to ensure process is robust and reflects learning from incidences.				
			5. Delay for those residents who are Medically Ready to Discharge (MRD).									Review capacity of residential and non-residential services to ensure service availability and to support identification of contingencies if needed.			Regular contact with registered residential care providers enquiring about vacancies, and the Shaw bed booking system enables information on capacity for the Combined Placement and Sourcing team to utilise to support placements. Information on numbers of packages and placements being sourced is updated weekly and issues with capacity which are escalated to the weekly Capacity Oversight Group meeting. In times of capacity shortages action plans are developed to support improvements.				
			6. Non-compliance with Care Act.									Administration of central government funding to provide financial support to the sector.			Total payments of £43.3million in 20/21 made to the care sector through Department of Health and Social Care (DHSC) Grants, payments to Council commissioned provision and uplifts to Council rates. For 21/22 an uplift to commissioned provision of 1.75% has been decided and implemented. Further DHSC Infection Control and testing funds have been made available until end March 2022.				
			7. Reputational impact. Public perception of the council being willing to accept poor standards of care. Low public confidence in social care.									Regular review of care homes business continuity arrangements to address government vaccination directive.			Engagement to include supply chains/contractors requiring access to ensure maintenance schedules are reviewed and adjusted if necessary.				
			8. Adverse impact on Health and Social Care system.																
CR60	There is a risk of failing to deliver the HMIC FRS improvement plan , leading to an adverse affect on service delivery; which may result in failing any subsequent inspection.	Chief Fire Officer	1. Reputational damage	Apr-19	5	4	20	Treat	5	2	10	Ensure robust project and programme governance in place and monitor delivery.	Chief Fire Officer	ongoing	The FRS Tranche 2 inspection outcomes are still 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 cause of concern and areas for improvement.	5	3	15	Sep-22
			2. Corporate Governance Inspection												The new CRMP has been developed and is now live as at 1st April 2022 to support ongoing continuous improvement. This bring in line to the future plans, all the HMICFRS judgement criteria and activity required. The Fire Reform White Paper was released in May 2022 and references reform areas including people, professionalism and governance and this too will be aligned to the CRMP in line with our HMICFRS improvements.				
			3. Legal implications of not delivering statutory services																
			4. Increased risk harm																

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	
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.	Jun-19	5	5	25	Treat	5	2	10	Implement Practice Improvement Plan (PIP). Improvement Plans include management development and HCC intervention.	Director of Children, Young People and Learning	Ongoing	Improvement activity continues to be embedded within the social work teams. The management assessment programme is now being implemented with all Service Leads being assessed by the end of January. The full programme of assessments 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.	5	3	15	Oct-22
			2. Subject to investigation and further legal action taken against the Council.									Provide proactive improvement support to services to assure effective safeguarding practices.		ongoing	All improvement activity is overseen and supported by the dedicated Practice Improvement team who report regularly to DLT and the Improvement Board. We continue to revise and improve practice guidance, policy and practice on an ongoing basis. Areas of further development have been identified from the latest Ofsted focused visit and they form a focus for the next phase of the improvement work. Outcomes of most recent Ofsted monitoring visit demonstrated positive progress.				
			3. Immediate inspection and Government intervention.																
CR65	The review of corporate leadership, governance and culture recommended in the Children's Commissioner's report is not fully undertaken or effectively implemented leading to a lack of necessary improvement and further service failures or external intervention.	Chief Executive	1. Service failure	Dec-19	5	4	20	Tolerate	3	2	6					3	2	6	Jul-22
			2. External intervention																
			3. Poor value for money																

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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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. A strong year for improvement leading to a change of strategic direction by Secretary of State, resulting in removing the recommendation for childrens services to be placed into a trust.	5	3	15	Oct-22
			2. Significant reputational damage.									Continue to work with Hants CC as a partner in practice to improve the breadth of children's service.			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			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)	Sep-22		4	3	12	Oct-22
			2. Not fulfilling statutory duties to place children in appropriate care settings.									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.		ongoing					
			3. Adverse media coverage.																
			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
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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																
CR74	The overdue re-procurement of care and support at home services has been further postponed, meaning the contractual arrangements are non-compliant, inefficient to manage, difficult to enforce and present a risk of challenge and CQC criticism . The delay is to enable more time for the market to stabilise, to complete service reviews and to allow imminent legislative changes to take effect.	Director of Adults and Health	1. Risk of challenge to the on-going non-compliance and consequent need to remedy.	Apr-22	5	3	15		5	2	10	Update the 2009 contract terms and conditions by variation where these are significantly out of date	Commissioning Lead - Older People, Adults and Health	Jul-22		5	3	15	Aug-22
			2. Increased scrutiny from government bodies.									Regular communication and engagement with providers on programme development/progress, and strategic direction/consequences of changes.	Commissioning Lead - Older People, Adults and Health	ongoing					
			3. The postponement of the Care and Support at Home services may in turn delay the retender of the 2007 Residential Care Home Contract (relevant to Older People, Lifelong services and Mental Health residential contracts) due to resources that will be required to procure both of these large business areas over the same timeframe.									Service commitment to undertake re-procurement if and when required	Director of Adults and Health	ongoing					
			4. Damage to Council's reputation									Focus resource onto managing provider relationships to improve contract management.	Commissioning Lead - Older People, Adults and Health	ongoing					
												Subject to appropriate approvals, opening up the Contingency Contract wider for providers to work with the Council in the interim	Commissioning Lead - Older People, Adults and Health	ongoing					



Risk Management Strategy





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1.0	1 Mar 17	WSCC RM Strategy published	KE
2.0	5 Mar 18	WSCC RM Strategy revised	KE
2.1	24 Apr 18	Para 5.3.3 Action Planning – Amended to capture that the new version risk register now incorporates the action plan	FP
2.2	9 Oct 18	Para 6.2.2 – Addition of guidance for escalating and de-escalating service and directorate risks	FP
2.3	30 Jan 19	App C – Removal of Corporate Business Manager Role	FP
3.0	8 Apr 19	Para 5.6 – reference to ELT viewing key Capital and Transformation risks quarterly	KE
		Para 6.3.1 – Guidance for inclusion of risk considerations in Decision Reports	KE
		Fig 3 – Response Guide to support Heat Matrix	KE
4.0	1 Jul 21	Fig 1 Risk Governance Framework – Inclusion of Scrutiny Committee	KE
		App D Assessment Criteria – Project/Programme impact area added	KE
5.0	21 Apr 22	Fig 1 Risk Governance Framework – Inclusion of DLT risk responsibility (pg. 6)	KE
		App C Roles and Responsibilities – Inclusion of DLT as a key stakeholder (pg. 18)	KE



RISK MANAGEMENT POLICY STATEMENT

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

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

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

Becky Shaw

Chief Executive
West Sussex County Council



1 INTRODUCTION

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

1.1 What is a Risk?

A risk can be defined as:

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

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

A risk can be either a:

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

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

1.2 What is Risk Management?

Risk management can be defined as:

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

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

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

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

1.3 Our Approach to Risk Management

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

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

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



approach to risk management.

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

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

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

1.4 Benefits of Risk Management

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

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

1.5 Risk Management Vision

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

1.6 Objectives of Risk Management

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

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

1.7 Principles of Risk Management

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

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



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

1.8 Risk Appetite

Risk appetite is best defined as:

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

1.8.1 Risk Appetite Statement

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

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

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

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

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

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

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

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

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

1.9 Risk Tolerance Threshold

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

1.10 Risk Appetite v Risk Tolerance Threshold

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

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



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

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

2 RISK MANAGEMENT FRAMEWORK

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

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

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

organisation.

3 RISK GOVERNANCE FRAMEWORK

The Risk Governance Framework

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

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

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

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

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

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

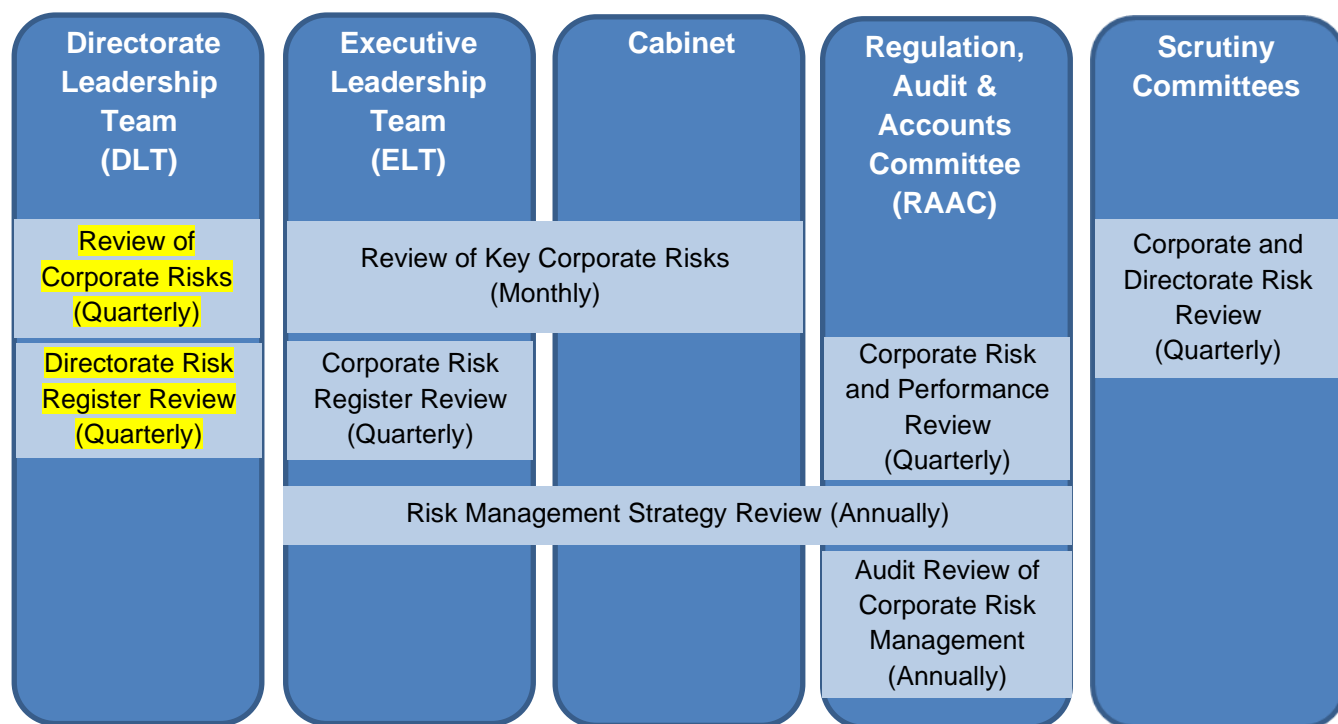


Figure 1 - Risk Governance Framework

4 ROLES AND RESPONSIBILITIES

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

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

5 RISK MANAGEMENT MODEL

The risk management process

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

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

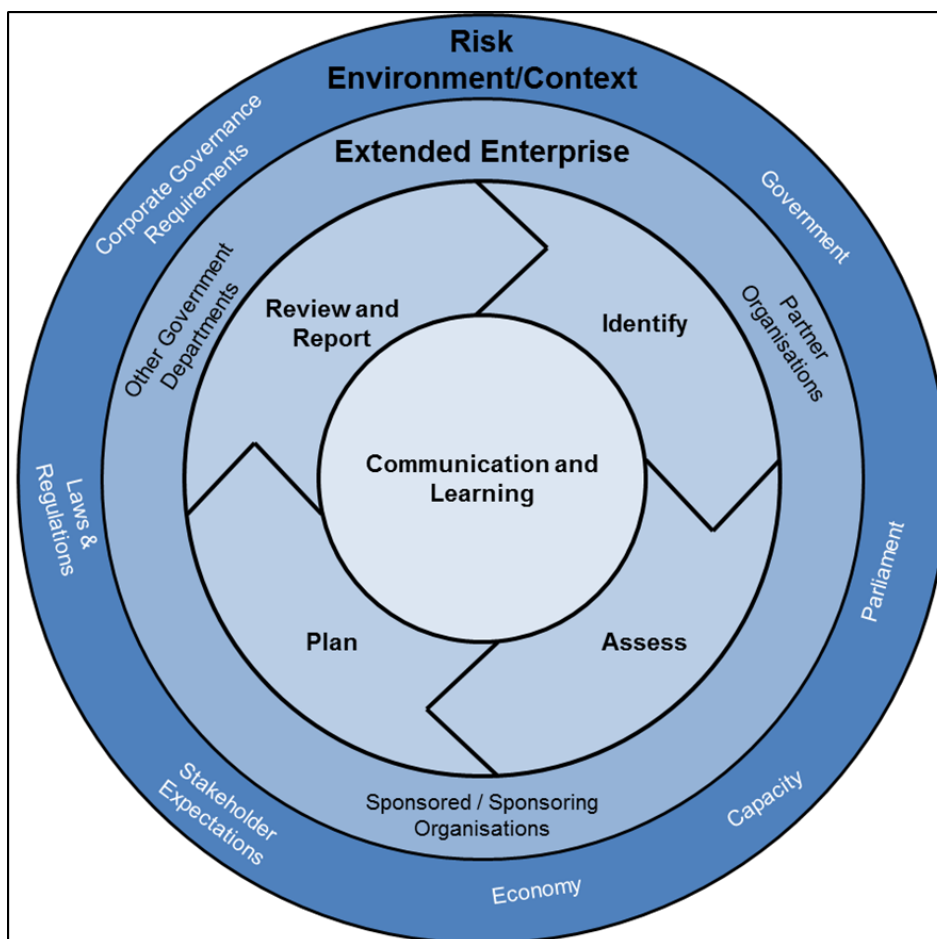


Figure 2 - Risk Management Model (*adapted from HM Treasury Orange Book)

5.1 Identify Risks

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

5.2 Assess Risks

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

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

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

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



5.2.2 Types of Risk Score

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

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

5.2.3 Summary Risk Profile (Heat map)

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

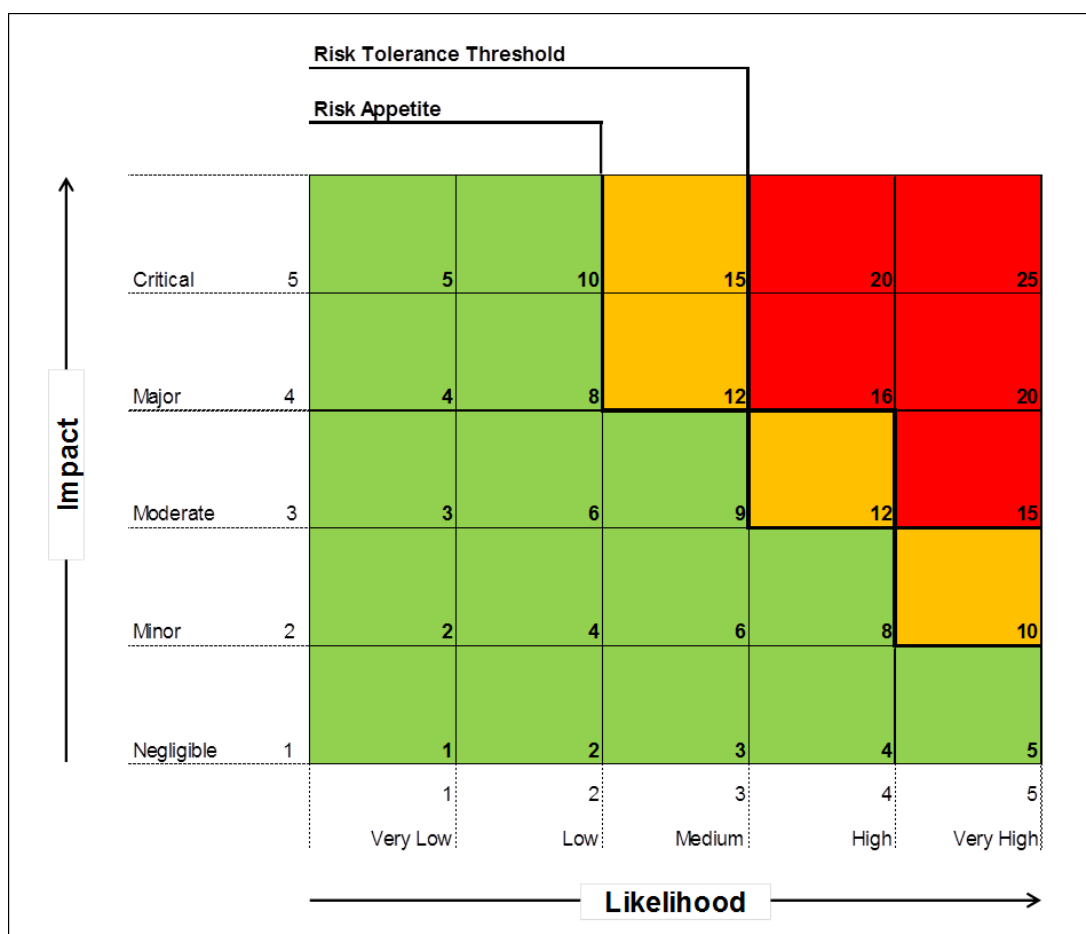


Figure 3 - Summary Risk Profile



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

Figure 4 - Response Guide

5.3 Plan Responses

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

5.3.1 Risk Response Strategies

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

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



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

5.3.2 Risk Register

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

5.3.3 Action Planning (Risk Treatment Plans)

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

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

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

5.4 Review and Report

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

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

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

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

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

The primary function of reporting on risk is to:

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

5.5 Communication and Learning

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

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

5.6 Project, Programme and Portfolio Risks

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

Any project, programme or portfolio should



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

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

6 COMMUNICATION

6.1 Communication Levels

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

6.2 Escalation and De-escalation

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

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

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

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

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

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

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

6.2.1 Escalation and De-escalation of Corporate Risks

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

6.2.2 Escalation and De-escalation of Directorate Risks

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



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

6.3 Reporting

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

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

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

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

6.3.1 Decision Reports

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

7 GUIDANCE, EDUCATION AND TRAINING

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

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

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

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

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

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

8 QUALITY ASSURANCE

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



environment and economic conditions.

8.1 Internal Audit

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

Through the course of the year Internal Audit will also:

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

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

8.2 Risk Maturity Assessments

The need for an assessment is still under consideration.

8.3 Annual Review

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



APPENDIX A GLOSSARY OF TERMS

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



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

(*adapted from HM Treasury Orange Book)



APPENDIX B RISK CATEGORIES

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



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



APPENDIX C ROLES AND RESPONSIBILITIES

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



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



APPENDIX D RISK ASSESSMENT CRITERIA

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



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



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



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



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

Regulation, Audit and Accounts Committee**18 July 2022****Annual Governance Statement Action Plan 2020/21 Update****Report by Director of Law and Assurance**

Summary

The Committee agreed the Annual Governance Statement 2020/21 in November 2021, which included planned actions to address identified governance issues. Progress on the actions is shown in appendix A for the Committee to consider.

Recommendations

That the Action Plan update be noted.

Proposal**1 Background and context**

- 1.1 The Accounts and Audit Regulations require the publication of an Annual Governance Statement (AGS) by the County Council.
- 1.2 Corporate Governance is the system by which the County Council ensures and gives assurance that it is discharging its functions in the right way, in a timely and accountable manner.
- 1.3 The Annual Governance Statement 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.

2 Proposal details

- 2.1 An update on progress against the Action Plan for 2020/21 is attached. The Committee is invited to consider this progress and whether it requires further detail on any particular action for a future meeting. Most actions are now completed. The small number that are still ongoing will be incorporated into the next Annual Governance Statement's Action Plan if not completed by September 2022.

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.

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 Governance.

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

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. July Update

Principle A

Action	Action Owner	Deadline	Updates
To ensure full implementation of officer interests and gifts	Director L&A	March 2022	<p>July 2022 Ongoing - All Directors and Assistant Directors asked to complete updated records before end of July.</p> <p>March 2022 Update - New advice and guidance in preparation to Directors to reinforce current requirements to have completed records in place by end of March.</p>
To complete the implementation of agreed workstreams and proposals from the good governance review.	Chief Executive	March 2022	<p>July 2022 Completed - The officer guide on Council governance was issued in May 2022, has been disseminated to all senior officers and training programmes are in place.</p> <p>March 2022 Update - 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.</p>

Action	Action Owner	Deadline	Updates
To review the scheme of delegation as part of the good governance review	Director L&A	March 2022	<p>July 2022 Completed – Following revisions to the officer structure in March 2022, the scheme of delegation has been revised to reflect this.</p> <p>March 2022 Update - Under preparation in Directorates. Due for completion to align with revisions to officer structure.</p>

Principle B

Action	Action Owner	Deadline	Updates
Implement actions arising from the Good Governance Review	Chief Executive	March 2022	<p>March 2022 Completed - A revised Code of Governance was approved by the Governance Committee on 7 February 2022.</p>

Action	Action Owner	Deadline	Updates
Implement relevant governance actions on openness, culture and collaborative working from Improvement Plan for FRS	CFO	March 2022	<p>July 2022 Ongoing - The new Community Risk Management Plan (CRMP) was launched on the 01 April 2022. This CRMP includes reference to our People Service Plan which aligns to both the council plan and people framework. This clearly sets out our work to further strengthen the work on culture, behaviours and equalities within WSFRS. This work is underpinned by the leadership and culture change programme which was officially launched in June 2022 to which all fire service leaders will attend to further improve cultural leadership for the organisation. We still the await the report for the recent HMICFRS inspection which we anticipate landing in the first week of July from which we can further adapt our improvement plan into a continuous improvement plan which sets out our key priorities in support of the CRMP.</p> <p>March 2022 Update - 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 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</p>

Action	Action Owner	Deadline	Updates
			Service with the results due to be published in Spring 2022.
Implement actions from the Children First Improvement Plan relating to partnership working	Director CS	March 2022	<p>March 2022 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) 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	Assistant Director of Communities	March 2022	<p>July 2022 - No Update</p> <p>March 2022 Update - Cross Council work ongoing, plans for partnership event being developed. (No change from January 2022 update)</p>

Action	Action Owner	Deadline	Updates
Complete work on equality impact assessment in decision making	Director L&A	March 2022	<p>July 2022 Completed – The officer guide on Council governance was issued in May 2022 and senior officers have received training on it. Further action planned for areas most affected by equality duty in decisions.</p> <p>March 2022 Update - Incorporated into new guidance for officers on Council governance. To be supported further through political management/decision-making training for CMT.</p>
Complete promotion and training linked to revised whistleblowing policy.	Director L&A	March 2022	<p>July 2022 Completed – The officer guide on Council governance issued in May 2022 and disseminated to senior managers covered the whistleblowing policy.</p> <p>March 2022 Update - To be included in dissemination of new officer guidance on governance.</p>
Implement final proposals and actions from review of scrutiny and learning from good governance review	Director L&A	March 2022	<p>March 2022 Completed - All revisions to Constitution in place. Internal system of meetings to review effectiveness of new arrangements in place.</p>

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	<p>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.</p>

Action	Action Owner	Deadline	Updates
Implement plans for member roles in performance management arrangements	Director L&A & Director F&SS	March 2022	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	Assistant Director of Environment & Public Protection	March 2022	<p>July 2022 Completed - Meetings of the Climate Change Board are ongoing with a regular cycle of meetings in place, the next meeting of the CCB is on 20th July 2022. Further ELT consultation took place in March on the Climate Change Strategy and the Cabinet has been briefed on progress. Internal Audit has completed an audit of the governance arrangements for climate change and reported in June 2022 that there is a "reasonable" level of assurance in place.</p> <p>March 2022 Update - 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>

Action	Action Owner	Deadline	Updates
Develop arrangements for reporting and monitoring output from the new Economic Strategy	Director of Place Services	March 2022	<p>July 2022 Completed - Arrangements for the reporting and monitoring of output from the Economy Plan has been fully implemented for 22/23, and this action is now fully completed.</p> <p>March 2022 Update - 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	Director CS	March 2022	<p>March 2022 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	<p>July 2022 Ongoing - The main actions for the improvement plan have now been completed and we await the report from the recent HMICFRS inspection to verify the success of this work and to identify any future improvements or adaptations. We anticipate some further learning based on our own self-assessment, which, subject to the HMI report will be incorporated into a continuous improvement board to supplement the existing performance and assurance framework and scrutiny process already embedded within our governance.</p> <p>March 2022 Update - 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).</p>
Implementation of new corporate performance and business planning processes against the Council Plan	Chief Executive	March 2022	<p>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.</p>

Action	Action Owner	Deadline	Updates
			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	<p>July 2022 Ongoing – partly completed through issuing of the officer guide to governance. Additional work underway to clarify and unify the operation of ELT Boards and make terms of reference transparent.</p> <p>March 2022 Update - Underway - focus on Capital and Assets, Economy and Procurement Boards. All to be mapped for clarity. Included in internal officer guide to governance.</p>
Review of capital governance arrangements	Director L&A & Director F&SS	March 2022	<p>July 2022 Completed – The officer guide on Council governance was issued in May 2022 and senior officers have received training on it.</p> <p>March 2022 Update - Underway as part of review of officer guide and in preparation of material related to budget for February 2022.</p>

Principle E

Action	Action Owner	Deadline	Updates
Leadership skill development	Director HR & OD	March 2022	March 2022 Completed - Management Development and Coaching Pathways launched on The Point. Roll out of Level 7 Apprenticeships in Leadership and Management.

Action	Action Owner	Deadline	Updates
People Framework roll out and implementation	Director HR & OD	March 2022	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	<p>July 2022 Completed - Member skills training and development identified through the Good Governance and Scrutiny reviews were included within the induction programme developed by MDG and delivered between May and July 2021. This included training in being an effective councillor, the Code of Conduct and Standards, the role of the local councillor, chairmanship skills and scrutiny practice and effectiveness. In addition, a tailored induction programme for the Cabinet was delivered by the Local Government Association. MDG reviewed the effectiveness of the induction programme in October 2021 and has ensured that key aspects of the development needs identified through the Good Governance and Scrutiny reviews have been embedded within the ongoing programme of member development. This has been supported by the introduction of Training Needs Analysis (TNA) process for all members which provides members with the opportunity to address any individual development needs.</p> <p>March 2022 Update - Member consultation underway. Member Development Group to review further once all analysis and feedback available.</p>

Action	Action Owner	Deadline	Updates
Complete delivery of programme for member skills and knowledge post May 2021 election	Director L&A	March 2022	March 2022 Completed 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	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	July 2022 Completed – The officer guide on Council governance issued in May 2022 alongside single form for onward delegation schemes as adopted by Director and Assistant Directors. March 2022 Update - 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	July 2022 Ongoing - Actions from internal audit reports completed or underway in accordance with timetable. March 2022 Update - 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

Director CS = Director of Children, Families and Learning

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Regulation Audit and Accounts Committee**18 July 2022****Inspection on use of investigatory powers by Trading Standards****Report by Director of Law and Assurance**

Summary

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

These powers are used rarely and in relation to very limited areas of Council activity, primarily Trading Standards and the Council maintains an up to date policy governing the exercise of the powers. This committee has previously approved the policy and oversees the regulatory functions of the Council

The use of the powers is subject to inspection by the investigatory Powers Commissioner and this report summarises the outcome of the recent inspection and the actions following the recommendations of the external inspectorate including a proposal for a further internal review to be reported to this Committee.

Recommendation

- (1) That the Committee notes the outcome of the recent inspection and the actions and proposals in response to its recommendations
- (2) That the Committee confirms that a further report be presented to the Committee at a future meeting to receive a review of the operation of investigatory powers in accordance with the recent inspection output.

Proposal**1 Background and context**

- 1.1 The Regulation of Investigatory Powers Act provides all public authorities which have criminal enforcement powers with a range of powers which it can choose to exercise to help investigations and enforcement activity. The powers cover activity such as the use of covert activity during an investigation.
- 1.2 The County Council has historically only exercised these powers in connection with Trading Standards enforcement work – principally to help trace trade in counterfeit, unsafe or unlawful products and to provide evidence that is used to deter such activity and to prosecute when considered necessary
- 1.3 The Council maintains a policy on its use of regulated investigatory powers and this policy was last reviewed by the Committee in March 2020. Minor updates

have been made mainly to record changes to post holders with authority to approve the use of the powers in particular cases.

- 1.4 The use of the legislation is overseen nationally by the Investigatory Powers Commissioner's Office (IPCO). Regular inspections of the County Council are undertaken by IPCO and the last inspection took place in February 2022.

2 Proposal details

- 2.1 An inspection of the Council's use of the specific powers provided under the Regulation of Investigatory Powers Act was carried out in February 2022. The inspection focused in the use of 'covert human intelligence sources' (officers using false identities to engage suspected offenders). The report was produced in March 2022 and a full response setting out the Council's response to the report's recommendations was sent on 25th May by the Chief Executive.
- 2.2 The inspection report made relatively minor suggestions to address certain matters of process and recording in the use of the powers. Those are summarised in the appendix to the report followed by the Council's responses.
- 2.3 It can be seen that recommendation 8 suggests that an internal review of the management and operation of the service be undertaken and the outcome reported to the responsible body overseeing regulatory activity within the Council. That function is carried out by this Committee and the Committee is asked to confirm that it would wish to consider such a report. It will be timetabled once the resources within Internal Audit and Legal Services have been finalised and the work planned.

3 Other options considered (and reasons for not proposing)

- 3.1 The report covers the inspection of a regulated function and the Council's response to the inspection outcome. No other options were considered in connection with this process.

4 Consultation, engagement and advice

- 4.1 As all activity under the Act and covered by the inspection is undertaken by the Trading Standards service the head of Trading Standards and the Assistant Director were consulted and contributed to both the inspection and the response to the inspection report. The inspection was overseen by the Director of Law and Assurance who is responsible for the Council's compliance with the Act and the Council's policy.

5 Finance HR and other resources

- 5.1 There are no financial or wider resource consequences arising from this report as no costs were incurred in connection with the inspection or the response and no other support services are affected or drawn upon.

6 Risk implications and mitigations

Risk	Mitigating Action (in place or planned)
Non-compliance with the Act or Inspection report	The use of the powers is strictly limited and exercised only by officers with appropriate authority and training. The inspection report is

Risk	Mitigating Action (in place or planned)
may harm the reputation of the Council	considered and responded to at a senior level and approved by the Chief Executive.
Non-compliance with the Act or the Council's policy may prejudice investigations or enforcement activity	The use of the powers is strictly limited and exercised only by officers with appropriate authority and training and this is confirmed through the inspection process.

7 Policy alignment and compliance

Our Council Plan

- 7.1 The Council's Trading Standards service activity, supported by the RIPA policy helps the Council to meet its priorities in relation to keeping people safe from vulnerable situations given the nature of the activities, subject to Trading Standards intervention, which may adversely affect vulnerable people in the community. The use of the powers also enables a more efficient deployment of resources in certain situations of suspected unlawful activity.

Legal implications

- 7.2 The Council's activity is tightly regulated by the legislation and monitored by the independent inspectorate. The Council's enforcement actions would be undermined by any misuse or misapplication of the powers and so compliance with the Council's policy is important as are the strict internal controls over the use of the powers. The inspection report confirms that the Council is acting lawfully and responsibly in this respect.

Equality duty and human rights assessment

- 7.3 There are no specific implications arising from this report but both equality impact and Human Rights implications were considered when developing the Council's policy and at the point at which the use of the powers is considered.

7.4 Climate change – Crime and disorder –Public health – Social value

No implications arising from this report.

Tony Kershaw

Director of Law and Assurance

Contact Officer: Tony Kershaw tony.kershaw@westsussex.gov.uk

Appendices

Appendix A - Summary of response to Inspection recommendations

Background papers

None

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Summary of response to Inspection recommendations

1. That the Council's RIPA policy be amended and updated.

The inspection report refers specifically to the need to maintain a record of covert profiles and on-line pseudonyms for oversight purposes, that this is checked regularly and that assurance is given that the profiles are used correctly and in accordance with authorisations. This is fully accepted and the relevant changes to the policy and to relevant practice within the Trading Standards service will be made.

2. That the structure of deputed officers be revised

This and previous inspections have commented on the cross-over of the roles of SRO and Authorising Officer within the Council. As is again acknowledged the practice of these roles being carried out by one person is not precluded by the guidance, just not recommended. It has not caused any issues to date and the importance of the issue is not underestimated but, given the very low levels of activity and the limited scope of the use of investigatory powers and the need to make use of the expertise and familiarity with the policy and the statutory framework within the officers in these roles it is not felt to be necessary to make this change at this time. The Council will continue to keep this arrangement under review and will include it as an item for the independent review referred to further below. The Council will act on any recommendation from that review.

It has however been noted that the current list of authorising officers needs to be updated to take account of internal changes and the need to identify officers with the relevant capacity to hold the knowledge of the policy and legal framework for the use of RIPA powers will be looked at in the process of revising the list of responsible officers.

3. That a RIPA training session be organised soon

The Council can confirm that a RIPA training course, including coverage of CHIS, has been arranged for 8th July 2022 which around half the Trading Standards staff will attend. A second date is being arranged for remaining staff, likely to be 19th July. This has been timed to cover the forthcoming changes to the CHIS Code of Practice. The course will be directed at both practitioners and managers

4. That the central record of authorisations be made complete

The RIPA policy outlines that a Central Record of Authorisations will be maintained by Director of Law and Assurance (para 15.3). There should be no gaps in these records although some gaps in elements of the record were identified. These will be corrected and, for future arrangements, additional checks will be made to ensure that the information held in the central record aligns with that held in the relevant services and is complete. I can confirm however that the gaps identified indicate errors in recording or data transfer rather than gaps in securing the necessary authorisations or other required steps.

5. To ensure that applications provide thorough non-formulaic assessments

This recommendation is accepted. In future the applicant will be required to ensure that each application avoids an approach which is formulaic in nature and drawn from previous examples. In particular it will be ensured that the case specific assessment of necessity and proportionality is addressed as per para 3.6 of the revised Code. Paragraphs 7.15 to 7.20 of the revised Code covers off the requirement for a meaningful assessment to be made for each application, and again for future procedures the applicant will be required to ensure that this is not formulaic in content.

6. CHIS training specific for Trading Standards officers

As set out in response to 3. above all staff from Trading Standards will be going through RIPA refresher training in July of this year and this will include CHIS. If a member of staff is required to act as a CHIS before that time they will receive a specific refresher on their role as a CHIS by the Applicant.

7. Combining roles of applicant handler and controller and audit of activity

In order to ensure compliance with the revised Code and the recommendation on this issue within the inspection it is proposed that the officer will be considered the CHIS, the officers line manager will be considered the Handler and the Head of the Trading Standards Service will be brought into the process and considered the Controller, the Director of Law and Assurance continuing to act as the Authorising Officer. This will mean that the applicant and the officer are the same person but this appears to be in line with the Code.

Before further use is made of a CHIS the Head of Trading Standards will undertake a review of the CHIS process to take on the Controller role and will take on responsibility for the audit of CHIS case work during scheduled time with team managers.

8. A review of the management function and oversight of the use of CHIS powers

It is hoped that the measures set out in response to the issues raised above should sufficiently address the matters raised in the recent inspection but the Council also agrees that a measure of additional independent oversight would be beneficial. It is therefore proposed that the Council's internal audit service, aided by advice from the Council's legal service be commissioned to undertake the suggested review. The findings and any recommendations from such a review would be presented to the Council's Regulation Audit and Accounts Committee which carries responsibility for the oversight of the Council's regulatory functions. It is felt that this exercise and its consideration by members of the Committee will also raise the corporate profile of and provide transparency to the use of the Council's RIPA policy.

9. Review of the retention review and deletion of records

The Trading Standards service is currently in the process of implementing a new database which incorporates work flows. During the progressive development of the database it is proposed that the RIPA paperwork will be incorporated into the workflows and therefore data retention and deletion arrangements will become automated according to set parameters. It will however be added to the brief for the internal audit review of the functioning and management of the powers and that the senior responsible officer is able to have the necessary assurance for the effectiveness of the arrangements.

END

**Key decision: Not applicable
Unrestricted**

Regulation, Audit and Accounts Committee

18 July 2022

Treasury Management Compliance Report – First Quarter 2022/23

Report by Director of Finance and Support Services

Summary

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

During the first quarter of 2022/23 the County Council complied with all of the relevant statutory and regulatory requirements related to its treasury management activities. The Director of Finance and Support Services confirms that there were no breaches of the approved TMSS (including the Annual Investment Strategy) during the period.

Recommendation

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

Proposal

1. Introduction

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

2. Compliance Report

- 2.1 Throughout the first quarter of 2022/23 the County Council complied with the relevant statutory and regulatory requirements which require officers to identify and where possible quantify the levels of risk associated with its treasury management activities. Additionally, no counterparty that the County Council held investments with during the quarter was negatively impacted by credit rating updates as published by Fitch, Moody's and Standard & Poor's, credit default swap/equity price trends and general media alerts.

2.2 **Borrowing:** On 30 June 2022 the County Council's Public Works Loan Board (PWLB) long-term borrowing for capital purposes totalled £471.3m (no change from 31 March 2022). During the first quarter of 2022/23:

- (a) No new external borrowing (including forward borrowing) for capital purposes was undertaken during the period.
- (b) No external debt rescheduling was undertaken during the period.
- (c) Excluding money held on behalf of the Chichester Harbour Conservancy (and its associated charities) and overdraft facilities with the County Council's main provider of banking services (Lloyds), no short-term borrowing was undertaken for cash flow purposes. The County Council's policy of funding daily cash flow shortages from balances held in short-term Money Market Funds was maintained throughout the period.

2.3 **Investment:** The average level of County Council funds available for treasury investment during 2022/23 (to 30 June) was £440.5m (£428.1m average throughout 2021/22). Actual levels of investments, including cash balances held in the County Council's main Lloyds business bank accounts, amounted to £445m on 30 June 2022 (£442.8m as of 31 March 2022). Cash balances available for investment remain at elevated levels, a consequence of Capital and Revenue funding received ahead of planned spend; including a £13m homes for Ukraine tariff grant received on 30 June 2022.

2.4 UK banking legislation places the burden of rescuing failing banks disproportionately onto unsecured creditors (including local authority investors) through the potential bail-in of unsecured bank deposits. The use of short-term investments (including unsecured bank deposits and Money Market Funds) however remains an integral part of the County Council's treasury management strategy in maintaining adequate cash-flow liquidity. During the first quarter of 2022/23 this included the arrangement of short term investments (up to one year) in UK Government deposits (via the Deby Management Office), financial institution deposits and local authority loans; with liquidity to meet all financial obligations as they arose being maintained in Money Market Funds. As a consequence, the disposition of bank unsecured/other investments on 30 June 2022 as compared with 31 March 2022, is detailed below:

Counterparty Type	Mar-22 £m	Mar-22 %	Jun-22 £m	Jun-22 %
Banks Unsecured (Deposits)	128.6	29.0	134.1	30.2
Short-Term Money Market Funds	118.9	26.9	113.6	25.5
Total Bank Unsecured	247.5	55.9	247.7	55.7
Bank Secured (Deposits)	15.1	3.4	10.0	2.2
UK Government	37.6	8.5	80.1	18.0
UK Local Authority	90.0	20.3	55.0	12.4
Internal Investments	390.2	88.1	392.8	88.3
Externally Managed - Multi Asset	25.8	5.8	24.2	5.4
Externally Managed - Property	26.8	6.1	28.0	6.3
TOTAL INVESTMENTS	442.8	100.0	445.0	100.0

2.5 The full breakdown of the County Council's investment portfolio on 30 June 2022 is shown in **Appendix A**.

- 2.6 In demonstrating compliance with the County Council's creditworthiness policy (as contained within the approved 2022/23 "Annual Investment Strategy") the movement in the investment portfolio (actual cash position) by the credit rating of the financial institution, or the credit rating of the specific investment (for example covered bonds) if higher than the individual counterparty rating, is shown below:

Institution / Investment Credit Rating	Mar-22 £'m	Jun-22 £'m
AAA (i)	134.0	123.6
AA-	77.4	119.9
A+	44.3	49.8
A	44.5	44.5
A-	0.0	0.0
Local Authority (No Rating)	90.0	55.0
Internally Managed	390.2	392.8
Externally Managed	52.6	52.2
Total Investments	442.8	445.0

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

- 2.7 Furthermore, the Director of Finance and Support Services confirms that during the first quarter there were no breaches of the following additional exposure limits as approved within the 2022/23 Annual Investment Strategy, including:

- (a) Up to a maximum of £90m (£30m per individual sovereign) may be invested in non-UK organisations (excluding investments held in short-term Money Market Funds and externally managed pooled funds).

Deposits by Sovereign	Mar-22 £'m	Jun-22 £'m
Australia	24.3	24.7
Canada	14.9	14.9
Finland	9.9	9.9
Netherlands	10.0	10.0
Total Investments on 30 June 2022	59.1	59.5

Total non-UK investments on 30 June 2022 (£59.5m) represents the highpoint of such invested amounts during the first quarter of 2022/23.

- (b) Up to a maximum of £100m may be invested in negotiable instruments (bonds, certificate of deposits etc.) held in a nominated custody account. **Actual:** £94.1m on 30 June 2022 (*being highpoint during the quarter*).
- (c) Up to a maximum of £200m may be invested in short-term Money Market Funds (excluding externally managed pooled funds). **Actual:** £113.6m on 30 June 2022 (*£157.9m highpoint during the quarter*).
- (d) Up to a maximum of £100m may be invested in externally managed pooled funds; of which £60m may be invested in such funds not holding a AAA credit rating. **Actual:** £52.2m total investment on 30 June 2022; all of which is invested in unrated multi-asset income and property funds (*change in fund market valuations being the only movements during the quarter*).

- (e) Up to a maximum of £100m to be made available for long-term strategic investment based on forecast levels of PFI/MRMC reserves (as reported in the County Council's Treasury Indicators). **Actual:** £62.2m on 30 June 2022 *(no new long-term investments arranged during the quarter; but includes £10m Nationwide Building Society covered bond repayable in August 2022 on maturity of this three year investment).*

3. Risk implications and mitigations

- 3.1 Covered in main body of report.

Katharine Eberhart

Director of Finance and Support Services

Contact Officers

Vicky Chuter, Financial Reporting Manager, 033 022 23414

Jon Clear, Treasury Management Officer, 033 022 23378

Appendices

Appendix A – The County Council's investment portfolio on 30 June 2022.

Background Papers

None

Investments held on 30 June 2022

Investments held with counterparty's approved within the County Council's 2022/23 Treasury Management Strategy (together with prevailing credit ratings and maximum monetary and duration limits) at 30 June 2022, are set out below:

Total Investments for period = £445.0m

Table 1: Banks (Secured) – Total £10.0m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	Interest Rate	Amount
Nationwide Building Society (Covered Bond)	AAA	£25m	10 Years	02/08/19	02/08/22	1,096	33	1.456%	£10.0m

Table 2: UK Banks (Unsecured) – Total £74.6m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	Interest Rate	Amount
Goldman Sachs International Bank	A+	£15m	1 Year (i)	04/02/22	04/08/22	181	35	1.020%	£15.0m
Handelsbanken Plc: 35-Day Notice Account	AA-	£15m	1 Year	n/a	n/a	n/a	n/a	0.780%	£15.0m
Lloyds Bank Plc: Business Accounts	A+	£15m	1 Year	n/a	n/a	n/a	n/a	0.000%	£0.1m
Lloyds Bank Corporate Markets Plc	A	£15m	6 Months	01/06/22	01/12/22	183	154	1.725%	£14.5m
National Westminster Bank Plc	A	£15m	1 Year	03/08/21	03/08/22	365	34	0.160%	£5.0m
National Westminster Bank Plc	A	£15m	1 Year	04/02/22	03/02/23	364	218	1.000%	£10.0m
Santander UK Plc	A	£15m	6 Months	11/04/22	22/07/22	102	22	1.000%	£15.0m

- (i) *The 2022/23 Treasury Management Strategy approves investment durations up to a maximum of one year for unsecured deposits in UK Banks holding an A+ long-term credit rating. However, given Goldman Sachs International Bank's elevated CDS price (in comparison with other approved UK banks) the County Council currently only considers deposits up to a maximum six month duration; in line with recommended exposure limits received from Link Group (Link Asset Services).*

Table 3: Non-UK Banks (Unsecured) – Total £59.5m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	Interest Rate	Amount
Australia and New Zealand Bank (Australia)	A+	£15m	1 Year	22/07/21	22/07/22	365	22	0.200%	£5.0m
Australia and New Zealand Bank (Australia)	A+	£15m	1 Year	21/01/22	20/01/23	364	204	0.970%	£5.0m
Australia and New Zealand Bank (Australia)	A+	£15m	1 Year	22/04/22	21/04/23	364	295	2.120%	£5.0m
Commonwealth Bank of Australia (Australia)	A+	£15m	1 Year	30/06/22	30/06/23	365	365	2.825%	£9.7m
Cooperatieve Rabobank (Netherlands)	A+	£15m	1 Year	03/11/21	03/11/22	365	126	0.625%	£10.0m
Nordea Bank (Finland)	AA-	£15m	1 Year	21/09/21	21/09/22	365	83	0.175%	£9.9m
Toronto-Dominion Bank (Canada)	AA-	£15m	1 Year	16/08/21	12/08/22	361	43	0.155%	£10.0m
Toronto-Dominion Bank (Canada)	AA-	£15m	1 Year	15/09/21	13/09/22	363	75	0.195%	£4.9m

Table 4: Short-Term Money Market Funds – Total £113.6m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	Interest Rate	Amount
Aberdeen Standard Sterling Liquidity Fund	AAA	£25m	Note (iii)	n/a	n/a	n/a	n/a	1.077%	£25.0m
Blackrock Sterling Liquidity Fund	AAA	£25m	Note (iii)	n/a	n/a	n/a	n/a	1.069%	£25.0m
Federated (UK) Sterling Liquidity Fund	AAA	£18.7m (ii)	Note (iii)	n/a	n/a	n/a	n/a	1.125%	£17.4m
Goldman Sachs Sterling Liquidity Fund	AAA	£25m	Note (iii)	n/a	n/a	n/a	n/a	1.069%	£25.0m
State Street (SSgA) Sterling Liquidity Fund	AAA	£24.5m (ii)	Note (iii)	n/a	n/a	n/a	n/a	1.088%	£21.2m

(ii) Maximum monetary limit calculated as 0.5% of the Fund's total Assets Under Management (AUM).

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

Table 5: UK Government Backed Securities – Total £80.1m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	Interest Rate	Amount
Debt Management Account Deposit Facility	AA-	Unlimited	50 Years	06/06/22	22/07/22	46	22	1.055%	£50.0m
Debt Management Account Deposit Facility	AA-	Unlimited	50 Years	30/06/22	15/08/22	46	46	1.145%	£20.0m
UK Gilts (HM Treasury)	AA-	Unlimited	50 Years	05/10/21	07/09/22	337	69	0.180%	£10.1m

Table 6: UK Local Authorities – Total £55.0m

Counterparty	Credit Rating	Monetary Limits	Duration Limits	Start Date	Maturity Date	No. of Days	Days to Maturity	Interest Rate	Amount
Blackpool Council	n/a	£25m	20 Years	29/10/21	28/10/22	364	120	0.100%	£5.0m
Enfield Council	n/a	£25m	20 Years	28/02/22	27/02/23	364	242	1.300%	£10.0m
Haringey Council	n/a	£25m	20 Years	11/03/22	12/09/22	185	74	0.850%	£10.0m
Plymouth City Council	n/a	£25m	20 Years	14/04/22	13/04/23	364	287	1.030%	£10.0m
Thurrock Council	n/a	£25m	20 Years	04/08/21	04/08/22	365	35	0.220%	£10.0m
Thurrock Council	n/a	£25m	20 Years	01/10/21	30/09/22	364	92	0.250%	£10.0m

Table 7: Pooled Funds (Externally Managed) – Total £52.2m

Counterparty	Monetary Limits	Duration Limits	Start Date	No. of Days	Invested Amount	Income (Total)	Income (2022/23)	2022/23 EIR (iv)	Market Value
Fidelity Multi-Asset Income Fund	£15m	Note (v)	11/12/18	1,298	£13.5m	£1.5m	£0.14m	4.310%	£12.1m
Ninety-One Diversified Income Fund	£15m	Note (v)	05/12/18	1,304	£13.5m	£1.3m	£0.15m	4.480%	£12.1m
CCLA (Local Authorities' Property Fund)	£15m	Note (v)	28/02/17	1,949	£10.0m	£2.2m	£0.09m	3.750%	£11.6m
Hermes Property Unit Trust (HPUT)	£15m	Note (v)	28/08/18	1,403	£10.0m	£1.3m	£0.08m	3.210%	£11.1m
Lothbury Property Trust (LPT)	£15m	Note (v)	03/09/18	1,397	£5.0m	£0.5m	£0.04m	2.910%	£5.3m

(iv) Actual income relating to 2022/23 (Q1) confirmed by Lothbury and Ninety-One only (as at 06/07/22); income from the other funds estimated based on indicative information received during the quarter from the respective fund managers.

(v) Minimum three to five year investment horizon for externally managed multi-asset income and property pooled funds.

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