

Public Document Pack

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13 September 2022

Regulation, Audit and Accounts Committee

A meeting of the committee will be held at **10.30 am on Thursday, 22 September 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 3 - 12)

The Committee is asked to agree the minutes of the meeting held on 18 July 2022 (cream paper).

3. Urgent Matters

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

4. External Audit

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

a) **2021/22 West Sussex County Council Audit Progress Report**
(Pages 13 - 20)

b) **2021/22 West Sussex Pension Fund Audit Results Report**
(Pages 21 - 60)

5. **Financial Statements 2021/22** (Pages 61 - 116)

Report by the Deputy Chief Finance Officer.

The Committee is asked to approve the Statement of Accounts for 2021/22 for the West Sussex Pension Fund and note the progress update on the audit of the West Sussex County Council Statement of Accounts 2021/22.

6. **Quarterly Review of Corporate Risk Management** (Pages 117 - 130)

Report by the Director of Law and Assurance.

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

7. **Internal Audit Progress Report (August 2022)** (Pages 131 - 152)

Report by the Head of Southern Internal Audit Partnership.

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

8. **Internal Audit Plan 2022-23 (Q3)** (Pages 153 - 164)

Report by the Head of Southern Internal Audit Partnership.

The Committee is asked to approve the Internal Audit Plan 2022-23 (Q3).

9. **Date of Next Meeting**

The next meeting of the Committee will be held at 10.30 am on 16 January 2023 at County Hall, Chichester.

To all members of the Regulation, Audit and Accounts Committee

Regulation, Audit and Accounts Committee

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

Present: Cllr N Dennis (Chairman)

Cllr Boram, Cllr Greenway, Cllr Montyn and Mr Parfitt

Apologies were received from Cllr Turley and Cllr Wall

Absent: Cllr Dunn

Also in attendance: Cllr Hunt

Part I

1. Declarations of Interest

1.1 None.

2. Minutes of the last meeting of the Committee

2.1 Resolved – That the minutes of the meeting of the Committee held on 14 March 2022 be approved as a correct record and that they be signed by the Chairman.

3. External Audit

3.1 The Committee considered the 2021/22 West Sussex County Council Full Audit Planning Report and the 2021/22 West Sussex Pension Fund Audit Planning Update from the External Auditor Ernst & Young (EY) (copies appended to the signed minutes).

3.2 Mrs Thompson (EY) introduced the West Sussex County Council Full Audit Planning Report and confirmed that the risks for Property, Plant and Equipment (PPE) have now been reviewed and that there were no changes in the approach to the audit of the valuations. A new risk had been added for infrastructure valuations; and a CIPFA consultation for this was currently in progress. Mrs Thompson drew attention to the fee table and confirmed Public Sector Audit Appointments Ltd (PSAA) have agreed the 2020/21 scale fee variation. Following a request made at a previous meeting, the specific fee relating to the work responding to the financial statement's objection had been highlighted in the report.

3.3 The Committee made comments including those that follow.

- Queried how the impact of inflation had been considered. – Mrs Thompson confirmed that the 2021/22 report will be impacted by officer assumptions on going concern. EY had no specific concerns on how the County Council put their plans together, and noted that the County Council held good reserves to support their needs. Cllr Hunt, Cabinet Member for Finance and Property, highlighted the Budget Member Day on 28 July as a useful session that would give assurances on this topic.

- Asked if EY was appropriately resourced to meet the outlined timescale. – Mrs Thompson said there were no concerns on this and that the expectation was to meet the September timetable. There were resourcing issues in the sector, with some audits being impacted by the outstanding CIPFA consultation.
- Requested an update on the Horsham Enterprise Park valuation. – Mrs Chuter, Financial Reporting Manager, confirmed that a detailed valuation had been received.
- Queried the current status of the teachers’ pension issue. – Cllr Hunt reported that this was not able to be predicted yet, but early indications showed this was unlikely to be a large concern.
- Sought clarity on the to be confirmed (TBC) items within the planned fee. – Mrs Thompson explained that this related to value for money (VFM) assumptions. The PSAA had issued fee guidance, but the change in PPE valuer means that it was not possible to use last year’s data to predict. The September committee report would include an estimate.
- Noted the fee relating to the objection and asked if this was the final figure. – Mrs Thompson explained that individuals could not object on the same issue, and no additional objections had been raised to date for this year. Therefore the figure was final.
- Queried if the change in use of County Council properties following the COVID-19 pandemic would impact the valuation. – Mrs Thompson explained that fair value and current usage was considered. Lease and rental details were also considered; as were occupancy details for a market based valuation. Cllr Hunt added that this was a small portion of the County Council’s portfolio and that CIPFA had not raised any concerns on this issue.

3.4 Mrs Thompson (EY) introduced the 2021/22 West Sussex Pension Fund Audit Planning Update and highlighted that a key change from the plan presented to the previous meeting was due to the IAS26 actuarial benefit disclosures which EY was looking at. Mrs Thompson commented that the good engagement and collaboration with County Council officers is helping keep the audit on track.

3.5 The Committee made comments including those that follow.

- Queried if inflation could cause pension shortfalls. – Mrs Thompson confirmed that the Pension fund was entering a triennial valuation which would consider this. Ms Eberhart, Director of Finance and Support Services, confirmed that liabilities would be impacted, but the details would not be known until the actuary completed their work. Cllr Hunt added that the fund was still over 100% funded and that the Pensions Committee had moved the fund into income generation areas to help plan for the future.
- Sought clarity over the risks for IAS 26. – Mrs Thompson explained that the work was not changing, other than documenting more clearly how calculations were undertaken.

3.6 Resolved – That the Committee notes the 2021/22 West Sussex County Council Full Audit Planning Report and the 2021/22 West Sussex Pension Fund Audit Planning Update Report.

4. Internal Audit Progress Report (June 2022)

4.1 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).

4.2 The item began with attendance from Mrs Steele, Assistant Director - Safeguarding Quality and Assurance, and Mrs Godley, Service Manager - Business Support, Children, Young People and Learning to discuss P-Card areas within the Internal Audit report.

4.3 Mrs Steele began by passing on apologies from the Assistant Director - Early Help and Children's Social Care who had the responsibility of the P-Cards, but was unable to attend the Committee meeting.

4.4 Mrs Steele explained that Internal Audit had identified 17 management actions for the service concerning the management of P-Cards and that a rapid response team had been created to respond. A full review had been undertaken across the service to highlight all P-Card holders, address the actions and ensure that a robust procedure was put in place going forwards. The work was planned to be completed within three to six months with regular reviews in place.

4.5 The Committee made comments including those that follow.

- Queried the level of P-Cards in use. - It was confirmed there was a high number of P-Cards in use. Mrs Godley explained a new process will be put into place for P-Card authorisation. This would reduce the number of P-Cards in use.
- Asked how leavers with P-Cards were identified and handled. - Mrs Godley confirmed the current process required line managers to decommission P-cards. Line managers had been made aware of their responsibilities for procedures when staff left the service. It was confirmed there were no obsolete P-Cards in circulation.
- Queried if there were automatic controls for spending that would monitor and detect inappropriate purchases. - Ms Eberhart confirmed it was managers' responsibilities to confirm the spending was appropriate to need and in compliance with policies. All expenditure must be approved by managers. As an additional control measure, Mr Pitman, Head of Southern Internal Audit Partnership, explained that Internal Audit was undertaking a review of all P-Card spend using data analytics to highlight 'red flags' or transactions that may require closer investigation. The Committee welcomed the idea of more automation to the process. Mrs Godley explained that the system used was not a County Council system and so the external elements required manual oversight.
- Asked if the Royal Bank of Scotland (RBS) would work with the Council on this issue. - Ms Eberhart proposed that this could be a costly exercise, but work could be done to monitor levels. The emphasis should be on the managers to authorise appropriate spend.
- Queried if it was possible for spend to happen after someone left with a P-Card. - Mrs Chuter, Financial Reporting Manager, confirmed there were processes in place that would pick this up. It

was highlighted that unusual spend activity was automatically picked up, such as spend on petrol.

4.6 The Committee then received attendance from Mr Andrews, Deputy Chief Fire Officer, to update on areas in the Internal Audit report for the Fire Service.

4.7 Mr Andrews began his update by thanking the Internal Audit team for their support with appropriately resolving the identified issues.

4.8 The first update related to Safe and Well visits for which the 2018 inspection had identified as requiring improvement. All actions had been picked up and addressed; and the third quarter audit would verify the progress. Core measures were now green for performance and output.

4.9 The next update referred to safeguarding issues. Mr Andrews confirmed that the issue relating to staff not being identified as undertaking necessary training was found to be an error in the recording of the training, and confirmed that the staff had undertaken the training. Action plans had also been introduced for appropriate recording of data to ensure record keeping procedures were appropriate.

4.10 The next update concerned Working Time Regulations. Mr Andrews explained that the 2018 inspection had picked up issues with how working time was being recorded. The action plan was being worked on to resolve the issues, but it was noted that this was a long term issue to resolve. Working times was a complex area to monitor, with elements such as part time working and retained firefighters.

4.11 The Committee made comments including those that follow.

- Queried the data controls that had been introduced. – Mr Andrews explained that there had been the introduction of a Quality Assurance Officer and also the introduction of the Farynor recording system which was an improvement on the old system which had less resilience against errors with data entry.
- Sought clarity on the timescales for the Working Time Regulation actions. – Mr Andrews reported that there was an eighteen month plan on this and that benchmarking would be undertaken with other fire authorities. The Committee stressed the importance of reporting regulatory compliance.
- Commented that the issues discussed for the agenda item so far raised a wider issue of County Council data management. – Mr Andrews explained that within the fire service this was a complex issue where fire systems had to work with County Council systems for data transfer.

4.12 The Chairman thanked the attending officers for their updates on the audit actions.

4.13 Mr Pitman introduced the report and highlighted had completion rates had increased since the report publication and had moved from 91% to 97%. Overdue actions had reduced by ten and two high priority actions for Approved Mental Health Professionals (AMHPs) had improved since the report publication.

4.14 The Committee made comments including those that follow.

- Requested an update on Adult Services actions. – Mr Pitman reported that a draft report was with the Director and would come to the next Committee meeting. Assurance mapping was now in progress. The Committee requested any further information when it was available.
- Noted that not all County Councillors had completed the mandatory IT security and data protection training and proposed that the Chairman write to group leaders to encourage completion. – Mr Gauntlett, Senior Advisor in Democratic Services, confirmed that systems had been improved to monitor and promote training; and reported that the Head of Democratic Services had flagged required training with group leaders. The Chairman agreed to write to group leaders where they were responsible for County Councillors that required training.
- Sought clarity on the revised due date of January 2022 for Special Educational Needs management actions. – Mr Pitman explained that the team would have received a reminder to update this, but resolved to chase the team. The Committee asked if it was possible for future reports to highlight similar slippage. Mr Pitman resolved to add this to future reports.
- Noted the Limited opinion for IR35 and queried why there was no report on this. – Mr Pitman explained that this had come to the previous Committee meeting, and that the report reflected the initial opinions.

4.15 Resolved – That the Committee notes the Internal Audit Progress Report (June 2022).

5. Internal Audit Annual Report & Opinion 2021-22

5.1 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).

5.2 Mr Pitman introduced the report and commented that the report gave a good picture of how Internal Audit were looking into the right areas with positive conversations happening with the authority to improve services. It was demonstrated that County Council services were utilising Internal Audit well. Internal Audit had worked to create an environment that did not 'blame and shame' but instead worked to nurture improvements.

5.3 The Committee made comments including those that follow.

- Noted the spread across the four assurance opinions and queried if the boundaries were correct and if they were set nationally. – Mr Pitman explained that Internal Audit used CIPFA recommended boundaries, which were not mandated but seen as best practice. Mr Pitman felt the boundaries were correct and would be reluctant to change the standards. Mrs Thompson also welcomed the use of CIPFA standards for consistency.
- Sought clarity on the level of substantial opinions. – Mr Pitman explained that working to achieve a substantial opinion could lead to

disproportionate costs, and felt that reasonable was a good place for a service to be measured. Mrs Thompson added that she would be concerned if there were too many substantial opinions as it could indicate that Internal Audit were not looking in the correct areas.

- Queried the lack of Key Performance Indicators (KPIs) for the Information Asset Register. – Mr Pitman confirmed that an action plan was in place to resolve this.

5.4 Resolved – That the Committee approves the annual audit report and opinion for the year ended 2021-22.

6. Internal Audit Plan 2022-23 (Q2)

6.1 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).

6.2 Mr Pitman introduced the report and gave an update on the Grenfell Tower action plan; confirming that recommendations had been sent to all fire services. Thirty six recommendations had been received by West Sussex and working groups were addressing these.

6.3 The Committee made comments including those that follow.

- Sought clarity on the pending Care Quality Commission (CQC) inspection. – Mr Pitman explained that work was being done to ensure that the County Council was prepared in advance of the pending inspection.
- Queried if there was a need to look into project management. – Mr Pitman reported that project management was part of Internal Audit's remit and resolved to look into when this was last investigated.
- Noted that the plan aligned with the County Council plan and queried how Climate Change action was monitored by Internal Audit. – Mr Pitman explained that Climate Change risk was complicit in consideration of each service area that Internal Audit reviewed. Additionally there was an overall review of the Climate Change Strategy undertaken as part of the 2021/22 audit plan. The Committee requested that how each service responds to Climate Change should be reported on.

6.4 The Committee, and Cllr Hunt, thanked Mr Pitman and his team for their work and praised the good work of both Internal and External Audit.

6.5 Resolved – That the Committee approves the Internal Audit Plan 2022-23 and requests that Internal Audit consider how to monitor climate change activity within services that support the wider County Council climate change plan.

7. Quarterly Review of Corporate Risk Management

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

7.2 Mr Pake, Corporate Risk and Business Planning Manager, introduced the report and drew the Committee's attention to section 2.1 which outlined the changes on the risk register since the last meeting.

7.3 The Chairman commented that he had considered the format of the Corporate Risk Register that comes to the Committee compared to the one that accompanies the Quarterly Performance and Resources Report and had felt that the full report was more appropriate to continue coming to the Committee.

7.4 The Chairman reported that Cllr Wall, Chairman of the Health and Adult Social Care Scrutiny Committee, had confirmed that both risks CR58 and CR74 were firmly on the scrutiny committee's radar.

7.5 The Committee made comments including those that follow.

- Commented that CR11 was a cross council issue and that each service required a bespoke plan. – Mr Pake confirmed that he spoke with other authority risk managers on this to consider overarching issues. The corporate risk has also been updated to reflect the increasing problem, with two additional mitigations added: most notably a salary benchmarking exercise with neighbouring authorities. The Committee queried if a long term solution for recruitment would be to liaise with universities. Mr Pake confirmed that these conversations were happening. Cllr Hunt commented that this risk would be picked up in the Quarterly Performance and Resources Report so that each portfolio would be able to recognise their own risk.
- Queried if the Working Time Regulations issue for the fire service that had been previously discussed should be reflected on the Corporate Risk register. – Mr Pake resolved to speak with Mr Andrews on this.
- Noted that the plan for future Risk Management Lunch 'n' Learn sessions to be delivered virtually and proposed this should remain a mix of in person and virtual. – Mr Pake commented that both the webinar and in person sessions had received positive feedback. The plan is to continue to deliver as a webinar for the time being but introduce a number of face-to-face sessions.
- Noted the table for roles and responsibilities within the Risk Management Strategy and queried if Cabinet was the appropriate responsible party when it was officers who delivered the operation of the Council Plan. – Cllr Hunt explained that Cabinet Members undertook management of the work in their liaison with Directors and Senior Officers. Cabinet Members were proactive in this within their portfolios, and also as a collective Cabinet.
- Noted the responsibility of Internal Audit was to 'provide advice' and felt that this should be increased to recognise their proactive role. – Mr Pitman resolved to work with Mr Pake on the wording.

7.6 Resolved – That the Committee notes the information detailed in the report and the current risk management strategy, and requests that the wording regarding the role of Internal Audit in the strategy be updated.

8. Annual Governance Statement Action Plan 2020/21 Update

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

8.2 Mr Gauntlett introduced the report and confirmed that the majority of actions had been completed. The approach for deadlines had been amended to recognise that some activity was long term and continued beyond the year end.

8.3 The Committee made comments including those that follow.

- Queried the lack of update for Partnership and Community Engagement. – Mr Gauntlett confirmed that partnership work was happening, but the department had been impacted by COVID-19 response and Afghan and Ukrainian refugees which may account for the delayed report.
- Noted the wording for the Fire and Rescue Improvement Plan implementation and queried if this was too positive following the update received earlier in the meeting. – Mr Gauntlett resolved to work with the service to ensure that the next action plan reflected the work that is still required.
- Queried if the actions for the Children First Improvement Plan should be logged as 'completed'. – Mr Gauntlett explained that the implementation of the actions was complete and that the monitoring of the situation would continue operationally. Wording for future reports could be considered to reflect how progress was acknowledged. Mr Pake reported that progress on the Practice Improvement Plan (PIP) was included within the Risk report. The Committee commented that there should be more alignment between the reports.

8.4 Resolved – That the Committee notes the progress on the Action Plan from 2020/21.

9. Inspection on use of investigatory powers by Trading Standards

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

9.2 The Chairman introduced the report which followed a recent inspection by the Investigatory Powers Commissioner's Office. Recommendations had been given following the inspection, but overall the inspectors were satisfied with the County Council.

9.3 The Committee made comments including those that follow.

- Welcomed the summary of recommendations, but felt that sight of the full report would add required context.
- Sought clarity over recommendation two and the cross over of roles and if this was being undertaken by one person.

9.4 Resolved – That the Committee:

1. Notes the outcome of the recent inspection and the actions and proposals in response to its recommendations

2. Confirms 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.
3. Requests sight of the full report and clarity on the queries raised.

10. Treasury Management Compliance Report - First Quarter 2022/23

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

10.2 Mrs Chuter introduced the report and confirmed there had been no breaches during the quarter.

10.3 The Committee made comments including those that follow.

- Queried how the £445m June level investment was reflected within the appendix tables. – Mrs Chuter confirmed that this was reflected by the sum of the tables in the appendix and the value of cash balances held.
- Sought clarity of the Thurrock Council investments. – Mrs Chuter confirmed this was £20m in total and that the investment was considered safe due to the local authority being underwritten.
- Praised the Treasury Management team following their 'Substantial' opinion within the Internal Audit report.

10.4 Resolved – That the Committee notes the report.

11. Date of Next Meeting

11.1 The Committee noted that its next scheduled meeting would be held at 10.30 am on 22 September 2022 at County Hall, Chichester.

The meeting ended at 1.00 pm

Chairman

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West Sussex County Council

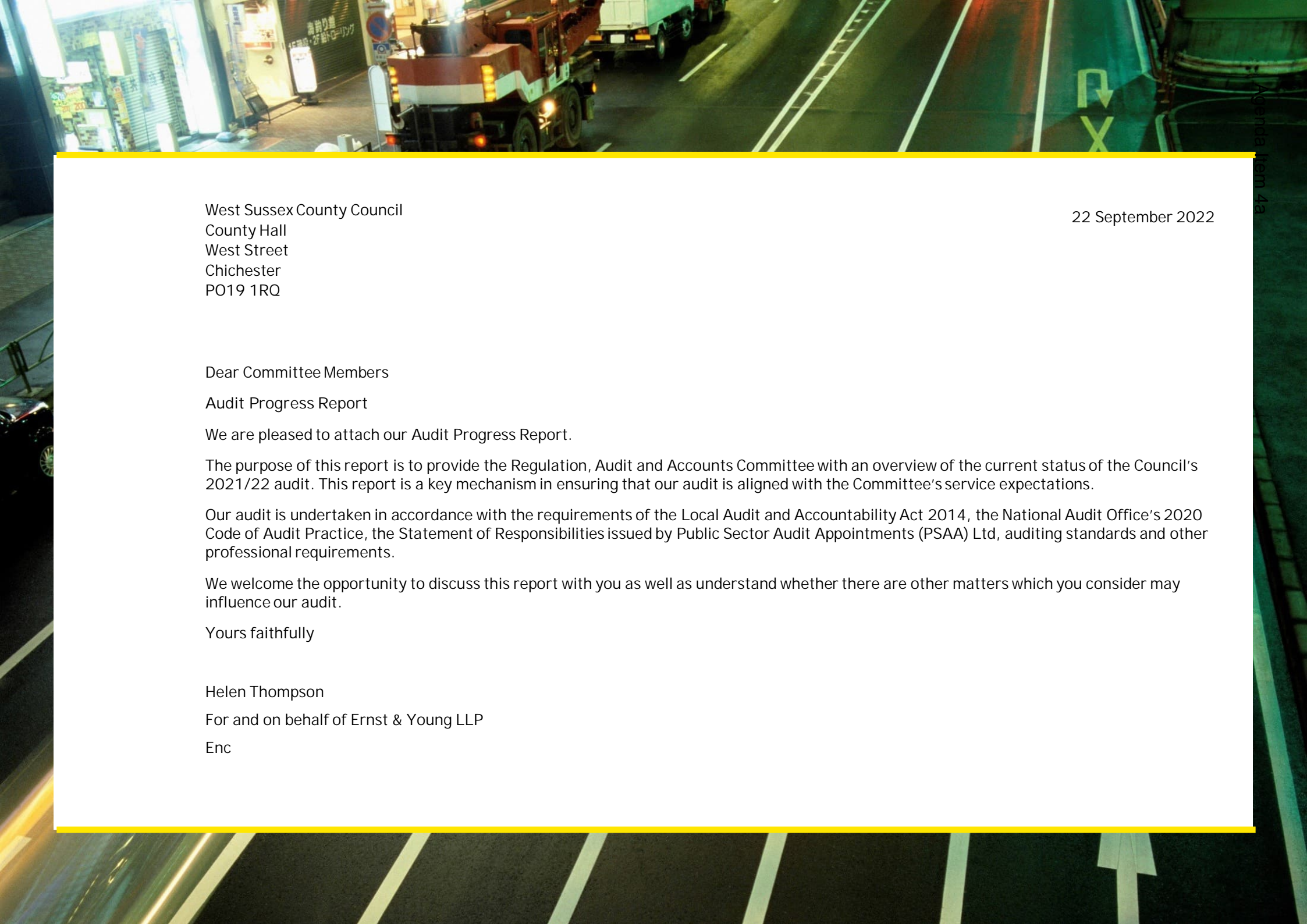
VFM risk assessment and audit progress update

13 September 2022



Building a better
working world

Agenda Item 4a



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

22 September 2022

Dear Committee Members

Audit Progress Report

We are pleased to attach our Audit Progress Report.

The purpose of this report is to provide the Regulation, Audit and Accounts Committee with an overview of the current status of the Council's 2021/22 audit. This report is a key mechanism in ensuring that our audit is aligned with the Committee's service expectations.

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

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

Yours faithfully

Helen Thompson

For and on behalf of Ernst & Young LLP

Enc

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

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

This report is made solely to the Governance 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 Progress Update – Financial Statements





Status of the 2021/22 audit

2021/22 financial statements

Our Full Audit Planning Report identified the key areas of focus for our audit of the Council's 2021/22 financial statements. This page sets out our observations on work to date on these areas. We will provide a further verbal update to the 22 September 2022 Regulation, Audit and Accounts Committee meeting.

Risk / area of focus	Risk identified	Progress to date
Management Override: Misstatement due to fraud or error	<i>Fraud</i>	We are carrying out our audit work in respect of journal entries, estimates and unusual transactions. We have not identified any indications of management overriding controls through our work to date.
Risk of inappropriate capitalisation of revenue expenditure	<i>Fraud</i>	Our work in this area is relatively well progressed. There are no issues that we wish to draw to your attention at the date of this report.
Non-Operational land and buildings classified as Investment Property (IP) and Surplus Assets	<i>Significant</i>	We are carrying out our review of PPE valuations, including a review of assets not revalued. We have commissioned our internal valuation experts EY Real Estates (EYRE) to support our work in this area. Queries arising from both our local testing of inputs and assumptions for a sample of valuations, and the work of EYRE, have been communicated to the Council and its external valuer and we are in the process of evaluating evidence and responses received to date.
Operational land and buildings classified as property, plant and equipment (PPE) - DRC	<i>Significant</i>	We are carrying out our review of PPE valuations, including a review of assets not revalued. We have commissioned our internal valuation experts EY Real Estates (EYRE) to support our work in this area. Queries arising from both our local testing of inputs and assumptions for a sample of valuations, and the work of EYRE, have been communicated to the Council and its external valuer and we are in the process of evaluating evidence and responses received to date.
Operational land and buildings classified as property, plant and equipment (PPE) - EUV	<i>Significant</i>	We are carrying out our review of PPE valuations, including a review of assets not revalued. We have commissioned our internal valuation experts EY Real Estates (EYRE) to support our work in this area. Queries arising from both our local testing of inputs and assumptions for a sample of valuations, and the work of EYRE, have been communicated to the Council and its external valuer and we are in the process of evaluating evidence and responses received to date.



Status of the 2021/22 audit

2021/22 financial statements

Risk / area of focus	Risk identified	Progress to date
Pensions Liability Valuation	<i>Significant</i>	We have received the necessary assurances to support our work from the audit of West Sussex Pension Fund and our work in this area is complete subject to final review. As in previous years it is likely that an adjustment will be made to the draft financial statements to account for the audited value of the Council's share of pension scheme assets and the estimated value communicated to the Council's actuary earlier in the year to inform its assessment of the Council's pensions liability. If made, this adjustment will increase the reported pensions liability and increase the debit balance on the pensions reserve by £3.4 million.
Accounting treatment for infrastructure assets	<i>Significant</i>	<p>Based on our review of the accounting treatment adopted by the Council in this area we are unable to gain assurance that all infrastructure assets accounted for in the financial statements continue to exist. This is because the Council is unable to show that assets, or components of assets, are derecognised from accounting records when they are replaced. The Council cannot show the impact of this is not material so the matter has the potential to impact the form of our audit opinion on the financial statements. As a result of this we now consider this to be a significant risk rather than inherent risk as set out in our Full Audit Planning Report presented to the July meeting of the Committee.</p> <p>CIPFA continues to consider this matter which is impacting a large number of councils nationally, and intends to make changes to the Local Authority Accounting Code of Practice. A statutory override of some accounting requirements is also being considered although the timing of this is not clear. We will consider the impact of any changes made to the accounting framework on the position at the Council as further details are made available.</p>
Going Concern Disclosure	<i>Inherent risk</i>	The draft financial statements have been prepared on a going concern basis. We are in the process of auditing management's assessment and disclosure and have no issues we wish to draw to our attention at the date of this report.
Accounting for Covid-19 related government grants	<i>Inherent risk</i>	Our detailed testing in this area is relatively well progressed and we have no issues we wish to draw to your attention at the date of this report.
Teachers' Pensions liability	<i>Area of audit focus</i>	The Council remains unable to quantify the financial value of the liability for disclosure in the 2021/22 financial statements. Disclosure of the related contingent liability in the draft financial statements, and actions to address the issue in the Annual Governance Statement, are being updated to set out the current level of progress made. We are likely to recommend that progress to address this is accelerated in line with the Council's own action plan.



02

Progress Update – Value for Money





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 requirement under the 2020 Code is for us to include the commentary on arrangements in the 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

In our Full Audit Planning Report presented to the July meeting of the Regulation, Audit and Accounts Committee we reported that we were undertaking our VFM Planning work and would update the Committee in due course on whether we identified risks of significant weaknesses in arrangements. We have now fully completed our planning work and no such risks have been identified.

Our work to update our understanding of arrangements and produce a narrative commentary is relatively well progressed at the date of this report and will be issued as part of our 2021/22 Auditor's Annual Report in due course.

West Sussex Pension Fund

Audit results report

Year ended 31 March 2022

September 2022



Building a better
working world

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

13 September 2022

Dear Committee Members

We are pleased to attach our Audit Results Report for the forthcoming meeting of the Regulation, Audit and Accounts Committee. We will update the Committee at its meeting on 22 September 2022 on further progress to that date and explain the remaining steps for the issue of our final opinion.

The audit is designed to express an opinion on the 2021/22 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on West Sussex Pension Fund's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. This report is intended solely for the information and use of the Regulation, Audit and Accounts Committee and management. It is not intended to be, and should not be, used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Committee meeting on 22 September 2022

Yours faithfully



Helen Thompson

Partner

For and on behalf of Ernst & Young LLP

Encl

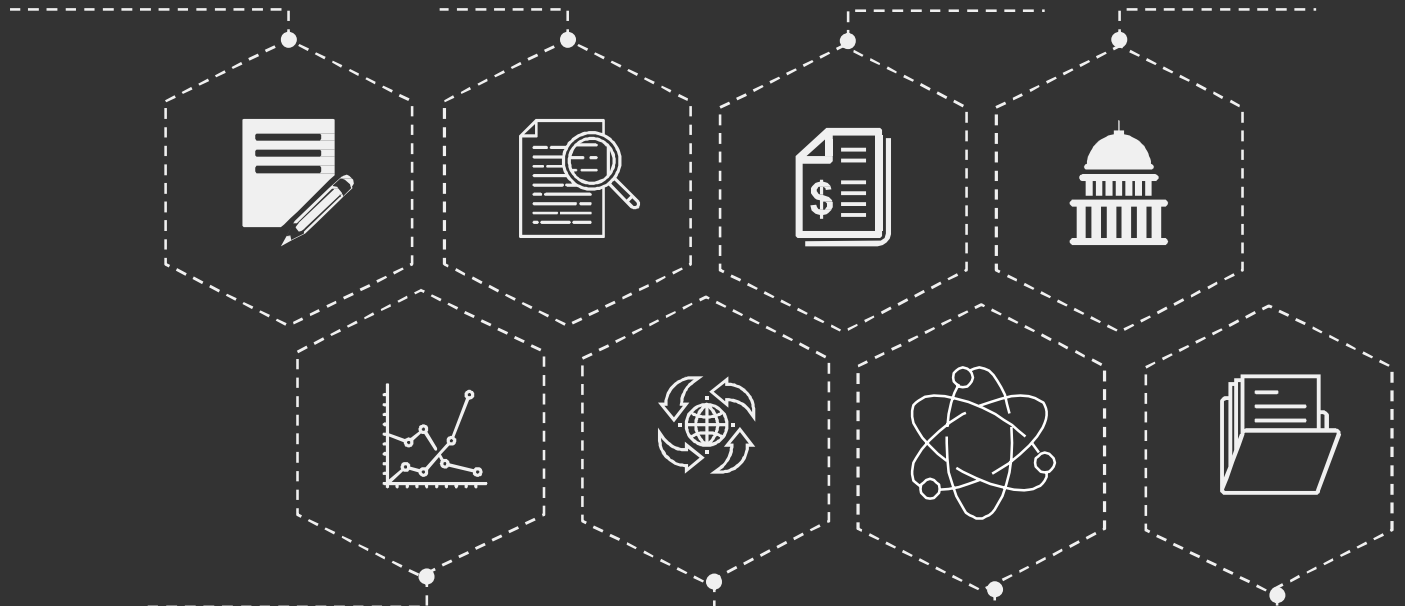
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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Regulation, Audit and Accounts Committee and management of West Sussex 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 Regulation, Audit and Accounts 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 Executive Summary



Executive Summary

Scope update

In our Audit Planning Report presented to the 14 March 2022 Regulation, Audit and Accounts Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We subsequently updated our planning and communicated this to you in our updated audit planning report taken to the 18 July meeting of the Regulation, Audit and Accounts Committee. We carried out our audit in accordance with this updated plan.

Changes in materiality

We have made no changes to our assessment of materiality subsequent to presenting our updated 2021/22 Audit Planning Report to you in July 2022.

Status of the audit

Our audit work in respect of the Fund opinion is substantially complete. We will need to complete the following remaining closing procedures prior to issuing our audit opinion:

- Update of our subsequent events procedures to the date of our opinion
- Receipt of a signed letter of management representation

Audit differences

At the date of this report, there are no unadjusted or adjusted audit differences which require your attention.

Areas of audit focus

Our Audit Plan identified significant risks and areas of focus for our audit of the Pension Fund's financial statements. We summarise below our latest findings. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised in the "Areas of Audit Focus" section of this report.

Fraud risks	Findings & conclusions
Risk of manipulation of Investment income and valuation	<p>We carried out procedures to address fraud risks as set out in our Audit Plan, including testing journal entries and considering estimates for evidence of management bias. Using data analytics is central to our approach.</p> <p>We also performed a reconciliation between the fund manager reports and the custodian reports to address the risk of manipulation of asset valuations.</p> <p>We have completed our work in this area and have no matters to bring to your attention.</p>

Inherent risks	Findings & conclusions
Valuation of level 3 investments	<p>We carried out procedures as set out in our Audit Plan to ensure that these investment valuations are supported and that estimation processes, including assumptions made, are materially accurate.</p> <p>We have completed our work in this area and have no matters to bring to your attention.</p>
Valuation of directly held property (Level 2 Fair Value hierarchy)	<p>We sample tested key inputs, and challenged key assumptions, used by the valuer in producing the property valuation.</p> <p>We have completed our work in this area and have no matters to bring to your attention.</p>
Going concern	<p>The financial statements have been prepared on a going concern basis. We challenged management's assessment and disclosure in the draft financial statements which resulted in some minor amendments.</p> <p>We have completed our work in this area and have no other matters to bring to your attention.</p>
IAS 26	<p>We carried out procedures as set out in our Audit Plan to gain assurance over the IAS 26 actuarial statement and the associated disclosure of the actuarial present value of promised retirement benefits as a note to the accounts.</p> <p>We have completed our work in this area and have no other matters to bring to your attention.</p>



Executive Summary

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements.

Independence

Please refer to Section 7 for our update on Independence.



02 Areas of Audit Focus



Areas of Audit Focus

Fraud risk

Risk of manipulation of Investment income and valuation

What is the risk?

There is a risk that the financial statements as a whole are not free of material misstatements whether caused by fraud or error.

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

What judgements are we focused on?

The risk of management override at the Pension Fund is mainly through the possibility that management could override controls and manipulate in-year financial transactions which intend to adjust the entity's reported Fund Account.

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.

What did we do?

We:

- Reviewed journals throughout the year and at year-end to ensure there were no unexpected trends or unusual postings. This included reviewing the movement of income, expenditure, assets and liability transactions on the general ledger to identify postings that may be indicative of the manipulation of investment income and valuation by management. Unusual or unexpected journal postings, including any which were indicative of management override, were tested further;
- Undertook a review of reconciliations to the fund manager, custodian and valuer reports and investigated any reconciling differences;
- Re-performed the detailed investment note using the reports we have acquired directly from the custodian, valuer or fund managers;
- Checked the reconciliation of holdings included in the Net Assets Statement back to the source reports; and
- Reviewed accounting estimates for evidence of management bias, including estimates with a higher level of inherent risk.

What are our conclusions?

We have not identified any material evidence of material management override. Specifically:

- Our review of trends in general ledger data, and detailed consideration of unusual or unexpected journal postings, did not identify any journal entries that suggested the manipulation of accounting records or override or controls by management.
- We were able to reconcile fund manager, custodian and valuer reports to investments valuations disclosed in the financial statements with no material differences.
- We were able to agree the detailed investment note using reports directly from the custodian, valuer or fund managers.
- We checked the reconciliation of holdings included in the Net Assets Statement back to the source reports.
- Our review of accounting estimates, including estimates with a higher level of inherent risk, identified no evidence of management bias.



Areas of Audit Focus

What is the risk/area of focus?	What did we do?
<p><u>Valuation of Level 3 Investments</u></p> <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 are only produced up to Q3 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:</p> <ul style="list-style-type: none"> • Agreed the population of investment assets accounted for in the financial statements to individual underlying fund manager valuation reports to 31/3/2022. • Agreed the net asset value (NAV) of the level 3 investments appearing in the Fund's financial statements to underpinning audited financial statements supporting the investments as at 31/3/2022 where financial statements supporting valuation at this date were available. Where audited financial statements supporting the investments were not available at the net asset statement date we agreed the NAV in fund manager reports at 31/12/2021 to audited financial statements at that date. Further assurance was obtained as set out below. • Obtained controls assurance reports from fund managers. Where these were not to 31/3/2022 we obtained bridging confirmation to 31/3/2022. One of the fund managers (Partners Group) does not routinely provide bridging letters. However, we have sought and obtained confirmation via email that to the best of their knowledge, there have been no material issue identified subsequent to the report being completed nor have there been any material changes to the control framework. We evaluated the overall assurance given and any specific control failures. We specifically considered controls that relate to valuation for exceptions or issues that may caveat the assurance given. • Evaluated the underpinning audited fund financial statements for each fund at either 31/12/2021 or 31/3/2022 to ensure they were unqualified, had no other potentially relevant reporting points and were issued by a reputable auditor. Where relevant, we agreed the NAV of private equity investments to underpinning audited financial statements as at 31/12/2021 by applying the Fund's share-holder percentage to the value within the statements. Where audited financial statements were not available at 31/3/2022 we adjusted the 31/12/2021 (quarter 3) valuation for known cash flow movements in the final quarter of the year, assuming they occurred at the start of quarter 4. We then obtained quarter 3 to 4 indices relevant to the type of investment to create a high/low range of movements for quarter 4 and applied that to the valuation derived for each investment at 31/12/2021. We confirmed that the range established was not greater than our performance materiality. • Compared the valuation in the financial statements to the range established above to gain assurance they were within range to a tolerance of performance materiality. <p>Conclusion: We are satisfied that the valuation of the Fund's level 3 investments is materially correct in the financial statements. There were no significant reporting points or areas of concern arising from the procedures undertaken to draw to your attention.</p>



Areas of Audit Focus

What is the risk/area of focus?	What did we do?
<p><u>Valuation of directly held property</u></p> <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>	<p>We:</p> <ul style="list-style-type: none"> • Agreed the population of investment assets accounted for in the population to the Fund's property valuer's year end valuation report. • Obtained assurance from the Fund's property valuer by writing to them to establish their qualifications and professional competence as a basis to rely on management's specialist, and obtained the detailed valuation report directly from the valuer independently of Fund management. • Undertook detailed procedures for a sample of 13 assets selected on a judgmental basis to gain assurance over the valuer's report, including assumptions and methodology used to determine the fair value of the property investments. This resulted in us testing a value of £332.85m, which is 56% of the total value of directly held property investments in the financial statements. • Used relevant indices to perform a reasonableness over the valuation change of the remaining assets compared to the prior year. The difference between the actual carrying value of the remaining assets and our estimated valuation based on the application of indices was below our performance materiality. <p>Conclusion: We are satisfied that the valuation of the Fund's directly held property investments is materially correct in the financial statements. There were no significant reporting points or areas of concern arising from the procedures undertaken to draw to your attention.</p>

What is the risk/area of focus?	What did we do?
<p><u>Going Concern</u></p> <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. There is a need for the Fund to ensure it's going concern assessment, including its cashflow forecast, is thorough and appropriately comprehensive.</p> <p>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.</p>	<p>We:</p> <ul style="list-style-type: none"> • Challenged management's identification of events or conditions impacting going concern. • Tested management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias). • Reviewed the Fund's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern. • Undertook a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, to inform our conclusions. • Challenged the disclosure made in the accounts in respect of going concern and any material uncertainties. <p>Conclusion: We are satisfied that management's assessment that the financial statements should be prepared on a going concern basis and that this was properly informed by management's assessment. Some amendments were made to relevant disclosure in the draft financial statements as a result of our work. In particular we asked management for a period of more than 12 months from the anticipated date the financial statements are authorised for issue.</p>



Areas of Audit Focus

What is the risk/area of focus?	What did we do?
<p><u>IAS 26</u></p> <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 it's nature.</p>	<p>We have:</p> <ul style="list-style-type: none">• Agreed the disclosure to the IAS 26 actuarial statement and reporting requirements• Engaged auditor's specialists to review the IAS 26 calculation approach and comment on the underlying assumption.• Reviewed the work of the management specialist (Hymans Robertson, the actuary) and auditor's specialist.• Considered the controls used by Hymans Robertson in undertaking the calculation.• Performed IAS 19 procedures, which give us assurance over the data input into the calculation <p>Conclusion: We have completed our work in this area and have no matters to bring to your attention.</p>



03 Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST SUSSEX COUNTY COUNCIL ON THE PENSION FUND'S FINANCIAL STATEMENTS

Opinion

We have audited the Pension Fund financial statements for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The pension fund financial statements comprise the Fund Account, the Net Asset Statement and the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

In our opinion the Pension Fund financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2022 and the amount and disposition at that date of its assets and liabilities as at 31 March 2022; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council as administering authority for the Pension Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance and Support Services' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 16 months from when the Scheme's financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance and Support Services with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2021/22, other than the financial statements and our auditor's report thereon. The Director of Finance and Support Services is responsible for the other information contained within the Statement of Accounts 2021/22.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);



Audit Report

Draft audit report

Our opinion on the financial statements

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended);
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended); or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects

Responsibility of the Director of Finance and Support Services

As explained more fully in the Statement of Responsibilities set out on page 22, the Director of Finance and Support Services is responsible for the preparation of the Authority's Statement of Accounts, which includes the Pension Fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and for being satisfied that they give a true and fair view. The Director of Finance and Support Services is also responsible for such internal control as the Director of Finance and Support Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Support Services is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Administering Authority either intends to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with the Director of Finance and Support Services.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.
- We understood how the Pension Fund is complying with those frameworks by making enquiries of the management. We corroborated this through our reading of the Pension Committee minutes, and through the inspection of employee handbooks and other information.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the management for their awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of minutes.
- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Pension Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk.



Draft audit report

Our opinion on the financial statements

- In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- To address our fraud risk of manipulation of investment income and valuation we:
 - Undertook a review of reconciliations to the fund manager, custodian and valuer reports and investigated any reconciling differences;
 - Re-performed the detailed investment note using the reports we have acquired directly from the custodian, valuer or fund managers;
 - Checked the reconciliation of holdings included in the Net Assets Statement back to the source reports; and
 - Reviewed accounting estimates for evidence of management bias, including estimates with a higher level of inherent risk.
- The Pension Fund is required to comply with The Local Government Pensions Scheme regulations, other legislation relevant to the governance and administration of the Local Government Pension Scheme and requirements imposed by the Pension Regulator in relation to the Local Government Pension Scheme. As such, we have considered the experience and expertise of the engagement team including the use of specialists, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Fund with these regulations as part of our audit procedures.

Use of our report

This report is made solely to the members of West Sussex County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than West Sussex County Council and its members as a body, for our audit work, for this report, or for the opinions we have formed.



04 Audit Differences



Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of audit differences

There are no unadjusted or adjusted audit differences which require your attention.



05 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2021/22 with the audited pension fund financial statements. We have no inconsistencies to draw to your attention.

In addition, we also perform procedures to ensure the consistency of the pension fund accounts with the version presented in the Pension Fund's Annual Report. We have no issues to draw to your attention.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We have had no reason to exercise these duties.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Fund's financial reporting process. We have no matters to report.



06

Assessment of Control Environment

Assessment of Control Environment

Financial controls

Our responsibilities

It is the responsibility of the Fund to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Fund has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

Findings

We have not identified any significant deficiencies in internal control.



07

Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Fund, and its members and senior management and its affiliates, including all services provided by us and our network to the Fund, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2020 to the date of this report which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The table below sets out a summary of the fees that are due to us in relation to the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Description	Final Fee 2021/22 £	Planned Fee 2021/22 £	Final Fee 2020/21 £
Scale Fee – Code work	20,364	20,364	20,364
Fee variations (see Note 1).	TBC	43,862	12,375
PSAA pre-approved additional fee for ISA540 (See Notes 1 and 2)	1,911	1,911 Included as part of the 43,862 above	1,911
Additional fee for IAS19 assurance work on behalf of admitted bodies (see Note 3).	8,500	8,500	8,000
Total Fees	TBC	72,726	42,650

Note 1 - In order to meet regulatory and compliance audit requirements not present in the market at the time of our most recent bid to PSAA, we assessed that the recurrent cost of additional requirements to carry out our audit should increase by £43,862. PSAA determined 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 other work areas and was determined on a non-recurrent basis. We expect similar recurrent costs to our assessment in 2021/22 and subsequent years. However, PSAA has stated that this will need to be determined each year.

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,

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:

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



08 Appendices

Audit approach update




We summarise below our approach to the audit of the net asset statement and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

There are no changes to our audit approach to the Fund's Net Asset Statement when compared to the prior year audit.





Summary of communications

Date 	Nature 	Summary 
Throughout the year	Meetings, calls and emails.	<p>The Partner and Senior Manager have held monthly meetings with the Director of Finance and Support Services throughout the year.</p> <p>The audit team has met with the Pension Fund Strategist and team in respect of the Fund's risks, accounts closedown and the audit approach regularly throughout the audit.</p>
March 2022 - Regulation, Audit and Accounts Committee	2021/22 Audit Planning Report	<p>The Partner and/or Senior Manager have attended those meetings of the West Sussex County Council Regulation, Audit and Accounts Committee noted opposite through the financial year and to the date of issue of this report.</p> <p>Specific reports issued and communications with the West Sussex County Council Regulation, Audit and Accounts Committee are detailed in Appendix C.</p>
July 2022 - Regulation, Audit and Accounts Committee	2021/22 Updated Audit Planning Report	
September 2022 - Regulation, Audit and Accounts Committee	2021/22 Audit Results Report	

Appendix C

Required communications with the Regulation, Audit and Accounts Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the audit 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, March 2022 meeting of the Regulation Audit and Accounts Committee. Updated Audit Planning Report, 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 	This Audit Results Report, September 2022 meeting of the Regulation, Audit and Accounts Committee.

Appendix C

		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 	<p>This Audit Results Report, September 2022 meeting of the Regulation, Audit and Accounts Committee.</p> <p>No conditions or events were identified, either individually or together to raise any doubt about the Fund’s ability to continue for the 12 months from the date of our report</p>
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management 	<p>This Audit Results Report, September 2022 meeting of the Regulation, Audit and Accounts Committee.</p>
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	<p>Attending the Regulation, Audit and Accounts Committee – 22 September 2022</p>
Fraud	<ul style="list-style-type: none"> • Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Audit Committee responsibility. 	<p>Formal enquiry letter sent and response received from Chair of the Regulation, Audit and Accounts Committee.</p> <p>and</p> <p>This Audit Results Report, September 2022 meeting of the Regulation, Audit and Accounts Committee.</p>

Appendix C





Our Reporting to you

Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority'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 Authority 	<p>This Audit Results Report, September 2022 meeting of the Regulation, Audit and Accounts Committee.</p>
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> • Relationships between EY, the company and senior management, its affiliates and its connected parties • Services provided by EY that may reasonably bear on the auditors' objectivity and independence • Related safeguards • Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees • A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit 	<p>Audit Planning Report, March 2022 meeting of the Regulation Audit and Accounts Committee.</p> <p>Updated Audit Planning Report, July 2022 meeting of the Regulation Audit and Accounts Committee and</p> <p>This Audit Results Report, September 2022 meeting of the Regulation, Audit and Accounts Committee.</p>

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
	<ul style="list-style-type: none"> • Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy • Details of any contingent fee arrangements for non-audit services • Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard • The audit committee should also be provided an opportunity to discuss matters affecting auditor independence 	
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. 	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> • Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit. 	This Audit Results Report, September 2022 meeting of the Regulation, Audit and Accounts Committee.

Appendix C

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	This Audit Results Report, September 2022 meeting of the Regulation, Audit and Accounts Committee.
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	This 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 	This 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 planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit Planning Report, March 2022 meeting of the Regulation Audit and Accounts Committee; Updated Audit Planning Report, July 2022 meeting of the Regulation Audit and Accounts Committee; and This Audit Results Report, September 2022 meeting of the Regulation, Audit and Accounts Committee.

Draft management representation letter

West Sussex Pension Fund.

Management Representation Letter

xx November 2022

Helen Thompson
Partner
Ernst & Young LLP
Grosvenor House
Grosvenor Square
Southampton
SO15 2BE

This letter of representations is provided in connection with your audit of the financial statements of West Sussex Pension Fund (“the Fund”) for the year ended 31 March 2022. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 01 April 2020 to 31 March 2022 and of the amount and disposition of the Fund’s assets and liabilities as at 31 March 2022, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

We understand that the purpose of your audit of the Fund’s financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
2. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.
3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and are free of material misstatements, including omissions. We have approved the financial statements.

Draft management representation letter

4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/2022 that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls and the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on our system of internal controls.
6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with laws and regulations including fraud

1. We acknowledge that we are responsible for determining that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have not made any reports to The Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.
5. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of non-compliance with any legal duty.
6. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - Involving financial improprieties
 - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements
 - Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties
 - Involving management, or employees who have significant roles in internal control, or others
 - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
 - Additional information that you have requested from us for the purpose of the audit.
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

Draft management representation letter

2. You have been informed of all changes to the Fund rules.
3. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.
4. We have made available to you all minutes of the meetings of the Regulation, Audit and Accounts Committee and Pensions Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting.
5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
6. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.
8. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/2022
9. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.
10. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

E. Going Concern

3. Note 2 to the financial statements discloses all the matters of which we are aware that are relevant to the Fund's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

Draft management representation letter

F. Subsequent Events

1. Other than the events described in Note 6 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the information included in the Statement of Accounts 2021/22, other than the financial statements and our auditor's report thereon.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Independence

1. We confirm that, under section 27 of the Pensions Act 1995, no members of the management of the Fund of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

I. Derivative Financial Instruments

1. We confirm that the Fund has made no direct investment in derivative financial instruments.

J. Pooling investments, including the use of collective investment vehicles and shared services

1. We confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS Management and Investment of Funds Regulations 2016 in respect of these investments has been followed.

K. Actuarial valuation

1. The latest report of the actuary Aon Hewitt as at 31 March 2020 has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on their report.

L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we have engaged to value the property portfolio and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

Draft management representation letter

M. Estimates

1. We confirm that the significant judgments made in making the IAS26 disclosure and directly held property, private equity, private debt and infrastructure investment valuations estimates ("the accounting estimates") have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the accounting estimates.
3. We confirm that the significant assumptions used in making the accounting estimates appropriately reflect our intent and ability to carry out the specific courses of action on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22
5. We confirm that appropriate specialized skills or expertise has been applied in making the accounting estimates.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements, including due to the COVID-19 pandemic.

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

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Regulation, Audit and Accounts Committee**22 September 2022****Financial Statements 2021/22****Report by Deputy Chief Finance Officer**

Summary

The audits of the Statement of Accounts for 2021/22 for both West Sussex County Council and the West Sussex Pension Fund are in progress. At the time of writing, the audit of the West Sussex Pension Fund statements is substantially complete, while the audit of the West Sussex County Council statements is still ongoing.

The updated Pension Fund statements are attached and reflect the changes which EY have identified, details of which are outlined below. It is anticipated that an unqualified opinion will be issued at the November meeting of the Committee for the Pension Fund statements.

A progress update is set out below on the County Council statements. Given the outstanding work at the time of the despatch of the papers for the Committee meeting, a verbal update will be given at the meeting.

Recommendations

The Committee is asked to:

- (a) approve the Statement of Accounts for 2021/22 for the West Sussex Pension Fund, as attached at Appendix A,
- (b) note the progress update on the audit of the West Sussex County Council Statement of Accounts 2021/22.

1 Background and context

- 1.1 The temporary legislative deadline for the draft accounts to be submitted for audit was 31 July 2022 and the date of publication of the audited accounts is 30 November 2022. A complete set of draft accounts for the Pension Fund were submitted to EY on 20 June 2022 while a complete set of draft accounts for the County Council were submitted to EY for audit on 29 July 2022. EY commenced their audit, initially of the Pension Fund accounts, on 27 June 2022 with the County Council audit starting on 1 August 2022. The accounts inspection period ran from 1 August 2022 to 12 September 2022 inclusive.

Agenda Item 5

- 1.2 Members will have the opportunity to review the financial statements for both West Sussex County Council and West Sussex Pension Fund at the member briefing session to be held on 15 September 2022. This aims to help members gain a greater understanding of the accounts, including a walk-through of the financial statements.
- 1.3 At the time of writing, the audit of the West Sussex Pension Fund statements is substantially complete. There are a couple of closing procedures that EY need to complete prior to issuing their audit opinion which is expected at the November meeting of the Committee. The audit of the West Sussex County Council statements is ongoing.
- 1.4 As part of the audit, EY also consider whether the Council has put in place "proper arrangements" to secure economy, efficiency, and effectiveness in our use of resources. The reporting criteria requires the auditor to undertake work to provide them with sufficient assurance to enable them to report against specified reporting criteria on the arrangements the Council has in place to secure value for money through economic, efficient, and effective use of its resources. The specified criteria are financial sustainability, governance and improving economy, efficiency, and effectiveness. The work undertaken by EY is relatively well progressed and they have not identified any risks of significant weaknesses in arrangement. EY will produce a narrative commentary which will be issued as part of the 2021/22 Auditor's Annual Report for consideration by this Committee at its November meeting.

2 Financial Statements

- 2.1 West Sussex County Council – the audit is still ongoing but to date, the following changes have been identified and will be reflected in the audited set of statements which are due to be considered at the November Committee meeting:
 - Updated IAS 19 disclosures to reflect changes to the audited Pension Fund accounts which reflects the County Council's share of the change in market value of the Pension Fund assets (£3.4m)
 - Updated Contingent Liabilities disclosure to reflect the latest position in relation to the Teachers' Pension Scheme regulatory breach
- 2.2 The changes outlined above have had no impact on the General Fund balance.
- 2.3 Within the County Council statements, the two most significant outstanding issues are:
 - (1) Infrastructure assets – this issue was identified nationally earlier in the year by external auditors. Highways network assets are typically recognised on a 'block' basis. There is a requirement in the Local Authority Accounting Code of Practice for Property, Plant and Equipment generally to identify and derecognise replaced components. However, this is impracticable for highways assets as it would require attributing the costs to individual sections/layers of roads and assessing residual value of the replaced components. Auditors were concerned that authorities could be overstating both the gross book value and the accumulated depreciation for infrastructure assets. This led to a moratorium by the auditing firms on signing off accounts until the issue was resolved and has resulted in significant delays in the completion of

2020/21 accounts for a number of authorities. CIPFA are actively pursuing potential changes including an amendment to the Code requirements and legislative changes, the latter of which would require Government support. Based on EY's review of the accounting treatment adopted by the Council in this area they are unable to gain assurance that all infrastructure assets accounted for in the financial statements continue to exist as we are unable to show that assets, or components of assets, are derecognised from accounting records when they are replaced. In line with the Council's accounting policies, the Council write out a component from the asset register once it is fully depreciated in terms of removing it from both the gross book value and accumulated depreciation.

- (2) PPE valuations – work is outstanding for a sample of valuations with queries arising from both the local audit testing and the work undertaken by EY Real Estates (EYRE). There are ongoing discussions between the Council's external valuers (Bruton Knowles), the Council and EYRE.

2.4 West Sussex Pension Fund – during the audit, a small number of changes were made to the draft statements, including:

- The wording in Note 2 (Basis of Preparation) was expanded to make clear that the going concern cashflow forecasting extended beyond 12 months from the reporting date to March 2024.
- The table in Note 11 (Management Expenses) was amended to reflect the £12.2m investment management fee reduction as a single item rather than offsetting the expenses incurred in 2021/22.
- Due to the tight deadline to complete a set of draft accounts, estimated valuations were used for the private equity portfolio and part of the private debt portfolio. This is an approach agreed with EY. The final valuations were received from the private equity managers and the remaining private debt manager during the audit. These showed valuations which were £6.6m (5%) lower than estimated for private equity and £0.2m (0.2%) higher for private debt.

2.5 All the changes outlined above have been amended in the final version of the statements attached at Appendix A.

3 Consultation, engagement and advice

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

4 Finance

4.1 The level of resources allocated to the preparation and supporting the production and audit of the Statement of Accounts is necessarily tight, making it important that a streamlined, disciplined approach is followed. No additional staffing resources were required throughout the processes and in fact any additional resource applied would only be at the expense of other areas within the teams.

Agenda Item 5

- 4.2 EY's proposed audit fee for the West Sussex Pension Fund, as set out in their Audit Results Report (Section 7), is a base scale fee of £20,364. EY have advised there will be further fees of £10,411 subject to approval by Public Sector Audit Appointments Ltd (PSAA). The final fee is subject to further risk-based variations which have yet to be quantified by EY, which will also be subject to the approval of the PSAA.
- 4.3 The audit fees for the West Sussex County Council accounts will be included in the report which members will receive at the November Committee meeting.

5 Risk implications and mitigations

Risk	Mitigating Action (in place or planned)
Failure to complete the County Council and Pension Fund accounts by the due date and to appropriate standards undermines the Council's reputation and ability to move ahead in its management of the current year and planning for future years. It also increases the risk of additional fees if more audit testing is required for EY to issue its opinion.	Within the project plans which were approved by the Committee in March 2022, there are detailed risk registers which were monitored throughout both the preparation and audit of the County Council and Pension Fund statements.

Clare Williams

Deputy Chief Finance Officer

Contact Officer: Vicky Chuter, Financial Reporting Manager, 033 022 23414, vicky.chuter@westsussex.gov.uk

Appendices

Appendix A – West Sussex Pension Fund – Statement of Accounts 2021/22

Background Papers

None

West Sussex Pension Fund

Statement of Accounts

2021/22



Declaration

Under Regulation 9 of the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts set out in the following pages presents a true and fair view of the West Sussex Pension Fund as at 31 March 2022.

Katharine Eberhart

Director of Finance and Support Services, West Sussex County Council

Note: The West Sussex Pension Fund is a defined benefit scheme and the following accounts do not take account of liabilities to pay pensions and other benefits after 31 March 2022 year end. Further information relating to these liabilities and other benefits is contained in the [Valuation Report](#).

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The Local Government Pension Scheme Pension Fund Account

Fund Account	Note	2020/21 £000	2021/22 £000
Dealings with members, employers and others directly involved in the scheme			
Contributions received	7	143,089	143,689
Transfers in from other Pension Funds	8	8,861	9,064
Amount received		151,950	152,753
Benefits Paid	9	(118,365)	(120,440)
Payments to and on account of leavers	10	(10,123)	(7,383)
Amount paid		(128,488)	(127,823)
Net additions/(withdrawals) from dealings with members		23,462	24,930
Management Expenses	11	(38,138)	(12,801)
Net additions/(withdrawals) including Fund management expenses		(14,676)	12,128
Returns on investments			
Investment income	12	49,835	59,737
Taxes on income	13A	(700)	(1,654)
Other income		0	102
Profit and (losses) on disposal of investments and changes in the market value of investments	14A	1,147,315	(59,402)
Net return on investments		1,196,450	(1,217)
Net increase in net assets available for benefits during the year		1,181,774	10,911
Add opening net assets of the scheme		4,301,419	5,483,193
Closing net assets of the scheme		5,483,193	5,494,106

Net Asset Statement

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after 31 March 2022. The actuarial present value of promised retirement benefits is disclosed at Note 20.

Assets and Liabilities	Note	At 31 March 2021 £000	At 31 March 2022 £000
Investment assets	14	5,398,318	5,470,460
Investment liabilities	14	(1,279)	(328)
Net investment assets / (liabilities)		5,397,039	5,470,132
Current assets	21	113,895	29,021
Current liabilities	22	(27,741)	(5,047)
Net assets of the scheme available to fund benefits at the end of the reporting period		5,483,193	5,494,106

Notes

Note 1: Description of the Fund

The West Sussex Pension Fund ('the Fund') is part of the Local Government Pension Scheme (LGPS) and is administered by West Sussex County Council.

General

The LGPS is a national defined benefit funded pension scheme governed by the Public Service Pensions Act 2013 and is administered by West Sussex County Council in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The Fund provides pensions and other benefits for pensionable employees of West Sussex County Council, the District and Borough Councils in West Sussex and a range of other bodies described below.

Scheduled Bodies, Resolution Bodies and Academies	Regulations allow employees of certain specified bodies to join the Scheme including the County Council, District and Borough Councils, Sussex Police & Crime Commissioner, non-uniformed personnel employed by the Chief Constable employees within Town and Parish Councils as well as non-teaching staff employed by Colleges and Academies.
Admitted Bodies	Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

Police officers, teachers and fire-fighters have their own unfunded statutory arrangements.

Membership

The membership details by employer and member category are set out below:

Membership Type	31 March 2021	31 March 2022
Number of Employers with Active Members	207	205
Active members		
West Sussex County Council	12,801	12,945
Other employers	13,773	13,880
Total	26,574	26,825
Pensioner members		
West Sussex County Council	11,255	11,639
Other employers	11,019	11,363
Total	22,274	23,002
Deferred pensioner members		
West Sussex County Council	18,291	19,689
Other employers	13,667	15,065
Total	31,958	34,754
Total number of members in scheme	80,806	84,581

Funding

Benefits are funded by contributions and investment earnings. Normal contributions are made by:

- Active members in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2022.
- Employers in accordance with the rate calculated by the Fund Actuary at the triennial valuation exercise, or on joining the Scheme between valuations. The employer contribution rates range from 0.0% to 46.3% of pensionable pay for the financial year ending 31 March 2022.

Benefits

The Local Government Pension Scheme (LGPS) changed to a Career Average Revaluation Earnings (CARE) scheme on 1 April 2014. From 1 April 2014 the benefits built up in the LGPS are worked out under the rules of the career average scheme at an accrual rate of 1/49th, updated annually in line with the Consumer Prices Index (CPI). Members in the Scheme before 1 April 2014 will also have benefits based on final pensionable pay and length of pensionable service (the final salary scheme).

A range of other benefits are also provided including early retirement, ill health and death benefits.

Note 2: Basis of Preparation

The accounts have been prepared in accordance with the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK Public Sector and Guidance on Investment Valuations issued by the Pensions Research Accountants Group (PRAG). The accounts summarise the transactions and net assets of the Fund and have been prepared on a going concern basis.

The below are considered relevant in arriving at this assessment:

- The Fund remains a statutory open scheme with a strong covenant from the participating employers and is therefore able to take a long-term outlook when considering the general investment and funding implications of external events.
- The Fund remains a long-term investor and has reduced its allocation to equities with a preference to bond assets to reduce the volatility of its investment assets. The Fund will continue to monitor all risks on an ongoing basis and take appropriate actions where necessary.
- The Fund was 112% funded as at the last triennial valuation as at 31 March 2019. This is estimated to have increased and therefore the Fund remains fully funded.
- The Fund takes a prudent approach when setting employer contributions and its contribution strategy is considered against detailed scenario testing by the Fund Actuary. It is not expected that any contribution rates will be reviewed or revised prior to the outcome of the next triennial valuation (31 March 2023).

A cashflow forecast has also been produced to consider all significant receipts and payments up to March 2024. The Fund has based this assessment on:

- Contributions based on actual March 2022 payroll data and known contribution rates for 2022/23.
- 2021/22 outturn values for property rental income, pension benefits, death benefits and lump sum payments.

Management is not aware of any significant planned changes to its main receipts and payments up to March 2024 and therefore considers the above assumptions to be reasonable. Appropriate stress testing has been applied to the above projections as follows:

- Contributions reduce by 10% annually
- Pension benefits increase by 10% annually; and
- Death benefits and lump sum payments each increase by 5% annually.

After the application of these stress tests the forecasting shows that the Fund would still have positive annual cash flows. In the unlikely event that the stress tests applied are not sufficiently pessimistic £35.9m of investment income was earned in 2021/22 which was re-invested rather than used to pay benefits. In addition, the Fund holds in excess of £4.3 billion of assets in liquid form which could be realised within 3 months in a managed way if the need arose. Therefore, the Fund's liquid assets could be used to cover all benefits paid for a period of greater than 12 months from the reporting date should the need arise.

Note 3: Summary of Significant Accounting Policies

Fund Account – Revenue Recognition

Contribution Income

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

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

Transfers in

Transfers in from other pension funds are accounted for when received, i.e. when the member liability is accepted.

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

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement. No bulk transfers have taken place in 2021/22 or the prior year.

Investment Income

- i. Interest income is recognised as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.
- ii. Stock lending income is recognised as it accrues.
- iii. Dividend income is recorded on the date that the shares are quoted as ex-dividend. Any amount not received at the end of the reporting period is disclosed in the Net Asset Statement as a Current Asset.
- iv. Private equity, private debt and infrastructure income is recognised on the date paid and reported within the income received.
- v. Property rental income is accounted for on an accruals basis.
- vi. Dividends, interest and purchases and sales of investments in foreign currency have been recorded at the spot exchange rate and translated into sterling at the rate ruling at the date of the transaction.

Profit & Loss on Disposal

Changes in the value of investments are recognised as income or expense and comprise of all realised and unrealised profit or loss during the year.

Fund Account Expenditure Recognition

Benefits paid

Benefits paid include lump sums and all amounts known to be due at the end of the financial year. Any amounts approved and due are disclosed in the Net Asset Statement as a Current Liability.

Payments to and on account of leavers

Transfers out are accounted for when paid i.e. when the member liability has been discharged.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement. No bulk transfers have taken place in 2021/22 or the prior year.

Taxes on income

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold.

Income from overseas investments suffer withholding tax in the country of origin unless exemption is permitted.

Irrecoverable tax is accounted for as an expense as it arises. Where tax is recoverable this is reflected on an accruals basis.

Management Expenses

Management expenses are accounted for in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016) as set out below:

- i. Administrative expenses are accounted for on an accruals basis representing the annual charge relating to the pensions and payroll administration and relevant staff costs. Associated management, accommodation and other overheads are also apportioned to this activity.
- ii. Oversight and governance expenses are accounted for on an accruals basis representing the Fund's external advisors, external audit, Fund Actuary fees and relevant staff costs. Associated management, accommodation and other overheads are also apportioned to this activity.
- iii. Investment management expenses (including transaction costs) are accounted for on an accruals basis. Fees from external managers and the Fund's custodian are agreed on appointment or commitment and are mainly based on the market value of the investments under management. Investment management expenses include the County Council's in-house treasury management team.

Net Asset Statement

Investment assets

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

Freehold and leasehold properties

Freehold and leasehold properties have been valued at the reporting date by independent external valuers, on the basis of fair value. See Note 16.

Foreign currency transactions and balances

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

Cash and Cash Equivalents

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

Financial Liabilities

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

Contingent assets and contingent liabilities

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

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the Net Asset Statement but are disclosed by way of narrative in the notes. See Note 25 and Note 26.

Additional Voluntary Contributions

These are invested separately and therefore disclosed as a note and not included in the fund accounts. See Note 23.

Note 4: Critical Judgements in Applying Accounting Policies

Pension Fund liability

The net Pension Fund liability is recalculated every three years by the Fund Actuary, with annual estimates in the intervening years. The methodology used is in line with accepted guidelines. The purpose of the triennial valuation is to assess the financial position of the Fund and to determine each participating employer's contribution rates, certified for a three-year period. The aim being to ensure that each employer's share of the Fund's assets and future expected investment returns and to ensure as far as possible that contributions will be sufficient to meet future benefit payments from the Fund.

Directly held property

The Fund's property portfolio comprises directly owned properties which are leased commercially to various tenants with rental periods between one and 35 years. The Fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by IAS 17 and the Code, therefore the properties are retained on the Net Asset Statement at fair value.

Note 5: Assumptions Made About The Future And Other Major Sources Of Estimation Uncertainty

The table below describes items for which there is a significant risk of material adjustment the following year.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	<p>Estimation of the net liability to pay pensions depends on a number of assumptions relating to the discount rate used, salary and pension increases, retirement age, mortality rates and investment returns.</p> <p>The Fund actuary has been appointed to provide advice about the assumptions applied.</p>	<p>Actual experience relative to the assumptions over time. For example:</p> <p>A 0.1% decrease in discount rate at year ended 31 March 2022 would result in an approximate 2% increase to employers' liabilities (£116m).</p> <p>A one-year increase in member life expectancy at year ended 31 March 2022 would result in an approximate increase in employers' liabilities of 4% (£225m).</p> <p>A 0.1% increase in the salary increase rate at year ended 31 March 2022 would result in an approximate increase in employers' liabilities of less than 1% (£9m).</p> <p>A 0.1% increase in the pension increase rate at year ended 31 March 2022 would result in an approximate 2% increase in employers' liabilities (£106m).</p> <p>However, the Statements do not take account of liabilities to pay pensions and other benefits after 31 March 2022.</p>

Item	Uncertainties	Effect if actual results differ from assumptions
Private equity	<p>Private equity investments are valued at fair value in accordance with industry guidelines, based on the fund manager valuations as at the end of the reporting period.</p> <p>These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. This takes into account observable and non-observable pricing inputs including public market developments (industry sector and peers), private market transactions, company specific considerations, public indices and cashflows.</p>	<p>The total private equity investment in the financial statements is £126.5m (2.3% of net assets). There is a risk that this investment may be under or overstated in the accounts.</p>
Private Debt	<p>Private debt investments are valued at fair value in accordance with industry guidelines, based on the fund manager valuations as at the end of the reporting period.</p> <p>These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.</p>	<p>The total private debt investment in the financial statements is £142.9m (2.6% of net assets). There is a risk that this investment could be under or overstated in the accounts.</p>
Infrastructure	<p>Infrastructure investments are valued using best practices prevailing within the investment management industry to determine each underlying investment's fair market value. These valuations are validated by third party independent appraisal firms.</p>	<p>The total infrastructure investment in the financial statements is £249.4m (4.6% of net assets). There is a risk that this investment could be under or overstated in the accounts.</p>
Freehold and leasehold property	<p>Independent valuation for freehold and leasehold investment property has been provided in accordance with Royal Institution of Chartered Surveyors Red Book.</p> <p>This takes into account observable and unobservable pricing inputs including existing lease terms, independent market research, the nature of tenancies and tenant covenant strength, void levels and estimated rental growth.</p>	<p>Changes in rental growth, void levels and general changes in property market prices could affect the valuation. The total property investment in the financial statements is £594.3m (10.9% of net assets). There is a risk that this investment may be under or overstated in the accounts.</p>

Note 6: Events After the Balance Sheet Date

There have been no material events occurring after the balance sheet date.

Note 7: Contributions Received

By Category	2020/21 £000	2021/22 £000
Employers	111,955	111,547
Members	31,134	32,142
Total	143,089	143,689

By Authority	2020/21 £000	2021/22 £000
West Sussex County Council	61,934	63,076
Scheduled bodies	73,379	73,310
Admitted bodies	7,776	7,303
Total	143,089	143,689

Note 8: Transfers In From Other Pension Funds

By Category	2020/21 £000	2021/22 £000
Individual transfers	8,861	9,064
Bulk transfers	-	-
Total	8,861	9,064

Note 9: Benefits Paid

By Category	2020/21 £000	2021/22 £000
Pensions	101,312	104,111
Lump sum retirement benefit	14,033	13,944
Lump sum death benefit	3,020	2,385
Total	118,365	120,440

By Authority	2020/21 £000	2021/22 £000
West Sussex County Council	53,105	54,834
Scheduled bodies	54,996	56,226
Admitted bodies	10,264	9,380
Total	118,365	120,440

Note 10: Payments To And On Account Of Leavers

Payment Type	2020/21 £000	2021/22 £000
Refunds of contributions	430	375
Individual transfers	9,693	7,008
Bulk transfers	-	-
Total	10,123	7,383

Note 11: Management Expenses

Expense Type	2020/21 £000	2021/22 £000
Administrative	1,069	1,248
Oversight and governance	1,105	1,026
Investment management	35,964	22,667
*Investment management 21/22 reduction	-	(12,139)
Total	38,138	12,801

* Note: Performance fees formed part of the Pension Fund's commercial arrangements with Baillie Gifford which crystallised at the point of termination in December 2020. During 2021/22 it was agreed with Baillie Gifford to reduce the fees reported under "investment management" (reported in 2020/21) from £24.3m to £12.1m. Therefore, the investment management fees reported above in 2021/22 have been offset by a reduction of £12.2m. There has been no prior year adjustment as the change is not considered material.

Note 11a: Investment Management Expenses**2021/22**

Expense Type	Management fees £000	Performance related fees £000	Transaction costs £000	Total £000
Bonds	86	-	219	304
Equities	-	-	586	586
Pooled Investments	10,845	-	517	11,362
Private Equity	2,742	2,364	793	5,899
Private Debt	690	966	789	2,445
Infrastructure	368	17	327	713
Property	1,258	-	-	1,258
Cash & FX contracts	57	-	-	57
Sub total	16,046	3,348	3,231	22,625
Custody Fees				42
Total				22,667

2020/21

Expense Type	Management fees £000	Performance related fees £000	Transaction costs £000	Total £000
Bonds	138	-	-	138
Equities	3,159	13,816	1,661	18,636
Pooled Investments	4,411	10,045	-	14,456
Private Equity	951	486	214	1,651
Property	905	-	-	905
Cash & FX contracts	41	-	-	41
Sub total	9,605	24,347	1,875	35,826
Custody Fees				138
Total				35,964

Note 12: Investment Income

Type of Income	2020/21 £000	2021/22 £000
Dividends from equities	30,411	6,288
Interest on bonds	1,721	1,340
Pooled fund income	-	28,269
Private equity income	1,138	865
Private debt income	-	1,035
Property income	16,199	21,725
Interest on cash deposits	68	120
Stock lending income	298	95
Total	49,835	59,737

Note: Following transition to pooled arrangements income previously received from direct equity & bond investments are now shown under pooled fund income.

Note 12a: Property Income

Type of Income	2020/21 £000	2021/22 £000
Rental income	17,600	22,953
Direct operating expenses	(1,401)	(1,227)
Total	16,199	21,725

No contingent rents have been recognised as income during the period.

Note 13: Other Fund Account Disclosures

Type of Expense	2020/21 £000	2021/22 £000
Pension Advisory Board	25	25
ACCESS pool	63	79
Total	88	104

ACCESS is a collaboration of eleven Central, Eastern and Southern Shires, who are working together to collectively invest assets to reduce investment costs whilst maintaining investment performance. The costs incurred for 2021/22 reflect the Fund's contribution towards the pool's activities. These costs are included within oversight and governance costs in Note 11.

Note 13a: Taxes On Income

Type of Expense	2020/21 £000	2021/22 £000
Tax paid on dividend payments & pooled fund investments	2,804	3,811
Tax recoverable	(2,104)	(2,157)
Total	700	1,654

Note 13b: External Audit Costs

Type of Expense	2020/21 £000	2021/22 £000
Payable in respect of external audit	18	33
Grant & Distribution received	-	(15)
Total	18	19

* The external audit fees of £33k are made up of the 21/22 base fee and the fee variation charged in relation to the the prior year which, have been offset by a £10.5k grant from the DLHC (Department Levelling Up, Housing & Communities) to support increased local audit fees. In addition we have also received a distribution of £4k form Public Sector Audit Appointments.

Note 14: Investments

Investments	Market Value 2020/21 £000	Market Value 2021/22 £000
Investment assets		
Equities	1,174,095	-
Bonds	74,597	-
Pooled investments		
Corporate Bond Fund	613,739	-
Currency Allocation Returns Strategy	38,040	-
Global Alpha Equity Fund	1,722,277	1,361,086
Global Equity Fund - Macquarie	-	1,117,311
Sterling Aggregate Bond Fund	1,197,686	1,074,914
Sterling Investment Grade Credit Fund	-	801,612
	3,571,741	4,354,924
Other Investments		
Private equity	85,376	126,519
Private debt	60,842	142,952
Infrastructure	-	249,408
Property	380,490	594,300
	526,708	1,113,180
Cash deposits	43,745	200
Investment income due	6,056	2,157
Amounts receivable for sales	1,375	-
	51,176	2,357
Total investment assets	5,398,318	5,470,460
Investment liabilities		
Amounts payable for purchases	(1,171)	-
Property income received in advance	(108)	(328)
Total investment liabilities	(1,279)	(328)
Net investment assets	5,397,039	5,470,132

Note 14a: Reconciliation Of Movements In Investments And Derivatives

2021/2022

Investment Assets	Market Value at 1 April 2021	Purchases during the year	Sales during the year	Change in market value during the year	Market Value at 31 March 2022
	£000	£000	£000	£000	£000
Investments					
Bonds	74,597	849,371	(687,470)	(236,498)	-
Equities	1,174,095	1,202,580	(1,303,818)	(1,072,856)	-
Pooled investments	3,571,741	1,208,093	(1,544,548)	1,119,638	4,354,924
Private equity	85,376	45,709	(36,739)	32,174	126,519
Private debt	60,842	74,454	(3,609)	11,266	142,952
Infrastructure	-	250,000	(4,179)	3,587	249,408
Property	380,490	136,510	(1,686)	78,986	594,300
Sub total	5,347,141	3,766,715	(3,582,049)	(63,703)	5,468,104
Derivatives	-				-
Sub total	5,347,141	3,766,715	(3,582,049)	(63,703)	5,468,104
Other investment balances					
Cash deposits	43,745			4,301	200
Amount receivable for sales	1,375				-
Investment income due	6,056				2,157
Amount payable for purchases	(1,171)				-
Property income received in advance	(108)				(328)
Total assets	5,397,039			(59,402)	5,470,132

2020/2021

Investment Assets	Market Value at 1 April 2020	Purchases during the year	Sales during the year	Change in market value during the year	Market Value at 31 March 2021
	£000	£000	£000	£000	£000
Investments					
Bonds	115,365	18,762	(54,647)	(4,883)	74,597
Equities	1,984,456	884,486	(1,029,190)	(665,657)	1,174,095
Pooled investments	1,584,546	195,478	(10,259)	1,801,976	3,571,741
Private equity	91,117	198	(32,776)	26,837	85,376
Private debt	-	66,982	(6,627)	487	60,842
Property	366,125	27,235	(1,577)	(11,293)	380,490
Sub total	4,141,609	1,193,141	(1,135,076)	1,147,467	5,347,141
Derivatives	-				-
Sub total	4,141,609	1,193,141	(1,135,076)	1,147,467	5,347,141
Other investment balances					
Cash deposits	43,551			(152)	43,745
Amount receivable for sales	3,378				1,375
Investment income due	7,446				6,056
Amount payable for purchases	(16,365)				(1,171)
Rental receipts in advance	(365)				(108)
Total assets	4,179,254			1,147,315	5,397,039

Note 14b: Investments Analysed by Fund Manager

Northern Trust manage the stock lending programme and the income held in this account is included in the other investment balance shown below. Property income receipts in advance is also included in other investments.

The values of each fund, shown as a percentage of the total Fund value, have been set out in the following table.

Fund Manager	31 March 2021 £000	% of Fund Value	31 March 2022 £000	% of Fund Value
Investments Managed by ACCESS Asset Pool				
Baillie Gifford Global Alpha Equity Fund	1,722,277	31.9	1,361,086	24.9
Macquarie Global Equity Fund	-	-	1,117,311	20.4
Baillie Gifford Sterling Aggregate Bond Fund	1,197,686	22.2	1,074,914	19.7
Fidelity Sterling Investment Grade Credit Fund	-	-	801,612	14.7
	2,919,963	54.1	4,354,924	79.6
Investments Managed outside ACCESS Asset Pool				
UBS Global Asset Management	1,942,566	36.0	-	-
Baillie Gifford & Co	5,950	0.1	-	-
Pantheon Ventures (Private Equity)	50,992	0.9	37,359	0.7
Partners Group (Private Equity)	34,384	0.6	89,160	1.6
Abrdn (Property)	380,490	7.0	594,300	10.9
Goldman Sachs (Private Debt)	37,916	0.7	99,564	1.8
ICG (Private Debt)	22,926	0.4	43,389	0.8
JP Morgan (Infrastructure)	-	-	249,408	4.6
Other investments	1,852	-	2,028	-
	2,477,076	45.9	1,115,209	20.4
Total	5,397,039	100.0	5,470,132	100.0

Share of market value held by fund managers

The following fund investments represent more than 5% of the investment assets of the scheme.

Fund Information	31 March 2021 £000	% of Fund Value	31 March 2022 £000	% of Fund Value
Investments in the ACCESS pool				
Baillie Gifford Global Alpha Equity Fund	1,722,277	31.4	1,361,086	24.8
Macquarie Global Equity Fund	-	-	1,117,311	20.3
Baillie Gifford Sterling Aggregate Bond Fund	1,197,686	21.8	1,074,914	19.6
Fidelity Sterling Investment Grade Credit Fund	-	-	801,612	14.6
Investments held directly by the Fund				
UBS Currency Allocation Return Fund	38,040	0.7	-	-
UBS UK Corporate Bond UK Plus Fund	613,739	11.2	-	-
Total	3,571,741	65.1	4,354,924	79.3

Note 14c: Stock Lending

The Fund's Investment Strategy Statement (ISS) sets out the parameters for the Fund's stock-lending programme. The Fund has previously participated in a stock lending programme with UBS which is no longer in place following the transition to ACCESS. As at 31 March 2022, there is an unlisted equity that has been loaned which is currently held by the fund at nil value. The total value of equities on loan at 31 March 2021 was £87.2m.

Counter-party risk is managed through holding collateral at the Fund's custodian bank. At year end the Fund held collateral (via the custodian) at fair value of £0.06m reflecting the value of the asset on loan. The total value of collateral held as at 31 March 2021 was £91.6m.

There are no liabilities associated with the loaned assets.

Note 14d Direct Property Holdings

The Fund's investment property portfolio comprises a number of directly owned properties which are leased commercially to various tenants. Property transactions during the year are summarised below.

Property Transactions	31 March 2021 £000	31 March 2022 £000
Opening balance	366,125	380,490
Additions:		
Purchase of existing property	25,389	135,317
New construction	-	-
Subsequent expenditure	1,846	1,193
Disposals	(1,577)	(1,686)
Net increase/(decrease) in market value	(11,293)	78,986
Closing balance	380,490	594,300

The future minimum lease payments receivable by the Fund under existing contracts are as follows:

Time Period	31 March 2021 £000	31 March 2022 £000
Within one year	17,951	24,655
Between one and five years	61,563	84,537
Later than five years	100,151	123,251
Total future lease payments due under existing contracts	179,665	232,443

Note 15: Analysis of Derivatives

The Fund does not invest directly in derivatives.

Note 16: Fair Value – Basis of Valuation

Accounting policies describe how different asset classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

Market Quoted Investments (Level 1)

The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

Quoted Bonds (Level 1)

Bonds are recorded at net market value based on their current yield.

Pooled investment vehicles (Level 1)

Pooled investment vehicles are valued at closing bid price at the closing date. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income, which is reinvested in the fund, net of applicable withholding tax.

Freehold and leasehold properties (Level 2)

Freehold and leasehold properties are included on the basis of fair value. A full independent valuation of the Fund's direct property portfolio was carried out by Savills (UK) Ltd, Chartered Surveyors, in accordance with the RICS (Royal Institution of Chartered Surveyors) Valuation – Professional Standards (January 2022) Global and UK Edition. The properties have been valued at the reporting date on the basis of fair value as required by the International Financial Reporting Standards (IFRS). The definition of fair value is set out in IFRS 13 and is adopted by the International Accounting Standards Board as follows: "The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date". The RICS Red Book considers that fair value is consistent with the concept of market value, the definition of which is set out in Valuation Practice Statement (VPS) 4 1.2 of the Red Book as follows: "The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

The observable inputs include the existing lease terms and rentals; the nature of the tenancies; assumed vacancy levels and estimated rental growth.

Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices (see Note 5).

Private equity (Level 3)

Private equity investments are recorded as detailed below. Because of the uncertainty associated with the valuation of such investments and the absence of a liquid market, the fair values of these assets may differ from their authorised values.

- The valuation of Partners Group portfolio is taken from the unaudited 31 March 2022 fund-of-fund reports.
 1. Partners Group performs independent valuations of its underlying investments through a fair market valuation process, which is in accordance with International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounting Principles (US GAAP). This process was implemented in 2003 and has been refined based on feedback received from PricewaterhouseCoopers (PwC), the auditor of most of the firm's programmes and mandates. On an annual basis, the monitoring and valuation process based on fair valuation principles (sample selection, valuation methodologies, etc.) is discussed and approved by the auditors of the programs managed by Partners Group.
 2. Partners Group complies with the defined process and applies it as the basis for the year end valuation and subsequent quarterly Net Asset Value determinations of the programs they manage. Partners Group gather the valuation-relevant information by systematically screening a broad set of sources for valuation-relevant information about portfolio companies which are held directly or indirectly by Partners Group's programs and mandates. This includes information supplied by the firm's due diligence and monitoring professionals, underlying fund managers and information published in industry journals and/or other publications.
 3. The fund monitors audited year end to unaudited quarterly valuations to check the consistency of the unaudited and audited information; to date, the audited accounts for Partners Group have been given an unqualified opinion.
- The valuation of Pantheon's portfolio is taken from the unaudited 31 March 2022 fund-of-fund reports.
 1. Pantheon's quarterly valuation is produced in accordance with US GAAP and UK GAAP. Fund investments are carried at "fair value". Pantheon ensures that the valuation methodologies employed by underlying fund managers fulfil the measurement criteria of the International Private Equity and Venture Capital Valuation Guidelines (IPEV).
 2. The Fund monitors audited year end to unaudited quarterly valuations to check the consistency of the unaudited and audited information. To date, the audited accounts for Pantheon Ventures have been given an unqualified opinion.

Private Debt (Level 3)

- The valuation for private debt investments with Goldman Sachs is taken from the unaudited 31 March 2022 fund manager reports.
 1. Goldman Sachs quarterly valuation is calculated in accordance with the fair value assessment described in Accounting Standards Codification 820 (Fair Value Measurements and Disclosures) and in accordance with GAAP.
 2. The Fund monitors audited year end to unaudited quarterly valuations to check the consistency of the unaudited and audited information. To date, the audited accounts for Goldman Sachs have been given an unqualified opinion.
- The valuation for private debt investments with ICG is taken from the unaudited 31 March 2022 fund manager reports.
 1. The Financial Assets are designated as Financial Assets at Amortised Cost and are held at principal plus accrued interest which is deemed to represent fair value in accordance with IFRS.
 2. The Fund monitors audited year end to unaudited quarterly valuations to check the consistency of the unaudited and audited information. To date, the audited accounts for ICG have been given an unqualified opinion.

Infrastructure (Level 3)

- The valuation of Infrastructure assets is taken from the unaudited 31 March 2022 fund manager report.
 1. The assets are valued using best practices prevailing within the investment management industry to determine each underlying investment's fair market value. This is done with consideration of relevant US GAAP valuation guidelines, particularly Accounting Standards Codification (ASC) 820. Valuations are externally appraised in accordance with the Uniform Standards of Professional Appraisal Practices ("USPAP") and International Valuation Standard ("IVS").
 2. The Fund will monitor the audited year end to the unaudited quarterly valuations to check the consistency of the unaudited information. To date, the audited accounts for JP Morgan have been given an unqualified opinion.

Sensitivity of assets valued at Level 3

The Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2022.

Assets	Assessed valuation range (+/-)	Value at 31 March 2022 £000	Value on increase £000	Value on decrease £000
Private equity	15%	126,519	145,497	107,541
Private debt	15%	142,952	164,395	121,509
Infrastructure	10%	249,408	274,349	224,468
Total		518,880	584,242	453,519

Note 16a: Fair Value Hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted bonds, quoted index linked securities and unit trusts.

Listed investments are shown at bid price. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Assets and liabilities at Level 2 are those where quoted market prices are not available; for example where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based largely on observable market data.

Level 3

Assets and liabilities at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments which are valued using various valuation techniques that require professional judgement in determining appropriate assumptions.

The valuation of private equity portfolios have been prepared in accordance with industry guidelines.

The table on the following page provides an analysis of the financial assets and liabilities of the Fund grouped by and based on the level at which the fair value is observable.

Values at 31 March 2022

Financial assets	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss				
Bonds	-			-
Equities	-			-
Pooled investments	4,354,924			4,354,924
Private equity			126,519	126,519
Private Debt			142,952	142,952
Infrastructure			249,408	249,408
Cash deposits	200			200
Investment income due	2,157			2,157
Amounts receivable for sales	-			-
Net investment assets	4,357,281	-	518,880	4,876,160
Non-financial assets at fair value through profit and loss				
Property		594,300		594,300
Financial liabilities at fair value through profit and loss				
Property rental receipts in advance	(328)			(328)
Payable for investment purchases	-			-
Total	4,356,953	594,300	518,880	5,470,132

Values at 31 March 2021

Financial assets	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss				
Bonds	74,597			74,597
Equities	1,174,058		37	1,174,095
Pooled investments	3,571,741			3,571,741
Private equity			85,376	85,376
Private Debt			60,842	60,842
Cash deposits	43,745			43,745
Investment income due	6,056			6,056
Amounts receivable for sales	1,375			1,375
Net investment assets	4,871,573	-	146,255	5,017,827
Non-financial assets at fair value through profit and loss				
Property		380,490		380,490
Financial liabilities at fair value through profit and loss				
Property rental receipts in advance	(108)			(108)
Payable for investment purchases	(1,171)			(1,171)
Total	4,870,295	380,490	146,255	5,397,039

A delisted equity asset has been classified as level 3 in the above table.

Note 16b: Transfer Between Levels 1 And 2

There have been no reclassifications between level 1 and 2 during the financial year.

Note 16c: Reconciliation Of Fair Value Measurements Within Level 3

Assets	Private Equity £000	Private Debt £000	Infrastructure £000	Total £000
Market Value 31 March 2021	85,376	60,842	-	146,218
Transfers into / (out of) Level 3	-	-	-	-
Net purchases / (sales) during the year	8,970	70,844	245,821	325,635
Unrealised gains / (losses)	12,264	9,117	7,380	28,760
Realised gains / (losses)	19,911	2,149	(3,793)	18,267
Market Value 31 March 2022	126,519	142,952	249,408	518,880

Note 17: Financial Instruments

Note 17a: Classification of Financial Instruments

The following tables analyse the carrying amounts of financial assets and liabilities by category and net asset statement headings. No financial assets were reclassified during the accounting period.

31 March 2022

Classification	Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000
Financial assets			
Bonds	-	-	-
Equities	-	-	-
Pooled Investments	4,354,924	-	-
Private Equity	126,519	-	-
Private Debt	142,952	-	-
Infrastructure	249,408	-	-
Cash	-	16,588	-
Investment balances	-	2,157	-
Debtors	-	12,632	-
Sub Total	4,873,804	31,377	-
Financial liabilities			
Investment balances	-	-	(329)
Other current liabilities	-	-	(5,047)
Total	4,873,804	31,377	(5,375)

31 March 2021

Classification	Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000
Bonds	74,597		
Equities	1,174,095		
Bond and currency funds	3,571,741		
Private Equity	85,376		
Private Debt	60,842		
Cash		146,042	
Investment balances		7,431	
Debtors		11,598	
Sub Total	4,966,651	165,071	
Investment balances			(1,279)
Other current liabilities			(27,741)
Total	4,966,651	165,071	(29,020)

Note 17b: Net Gains And Losses On Financial Instruments

Classification	31 March 2021	31 March 2022
	£000	£000
Financial assets		
Fair value through profit and loss	1,159,609	(63,703)
Amortised cost - unrealised gains	(152)	4,301
Financial liabilities		
Fair value through profit and loss	-	-
Total	1,159,457	(59,402)

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

Note 18: Nature And Extent Of Risks Arising From Financial Instruments And Other Assets

Risk and risk management

The primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through diversification by assets and fund managers, to reduce exposure to market risk (price risk, currency risk and interest rate risk). In addition, the Fund manages its liquidity risk to ensure there are sufficient resources to meet the forecast cash requirement. The Pensions Panel reviews the Fund's funding strategy, in consultation with the Fund Actuary and investment adviser, based on the Fund's funding position and performance objective and taking into consideration factors including interest rates, inflation, liquidity and collateral. Prudent assumptions are used both in the strategy modelling work and when setting employer contribution rates. Performance is monitored by the Pensions Committee.

The Fund's Investment Strategy Statement (ISS) identifies the risks managed by its investment managers, sets appropriate risk limits and monitors adherence to those limits. The ISS is reviewed regularly to reflect changes in approaches to the Fund's activities.

Responsibility for the Fund's risk management strategy rests with the Pensions Committee. The Committee receives regular reports from each of the managers on the nature of the investments made on the Fund's behalf and the associated risks. Divergence from benchmark asset allocations and the composition of each portfolio is monitored by the Panel. Consideration of the Fund's investment strategy is on-going.

a) Market Risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Fund's income or the value of its assets.

The object of market risk management is to identify, manage and control market risk exposures within acceptable parameters while optimising returns.

Market risk is inherent in the investments that the Fund makes, particularly through its equity holdings, and is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. A customised benchmark has been adopted which includes maximum exposures to individual investments, and risk associated with the strategy and investment return are regularly monitored and reviewed by the Pensions Panel.

Each manager must adhere to investment guidelines that specify the managers' investment powers and restrictions.

Other price risks

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than arising from interest rate risk or foreign exchange risk) whether those changes are caused by factors specific to the individual instruments or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share price risk and derivative price risk during periods of transition. This arises from investments held by the Fund for which the future price is uncertain. All investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's investment managers mitigate price risk through diversification and the selection of securities. Exposure is monitored to ensure it is within limits specified in the Fund's investment strategy.

Other price risks – sensitivity analysis

The Fund has determined that the following movements in market price risk are reasonably possible for the 2020/21 reporting period. This data has been provided by the Fund's actuary, Hymans Robertson, and is based on historical data.

Had the market price of the Fund investments increased/decreased as per the table below, the change in the net assets available to pay benefits in the market price would have been as follows. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. (The prior year comparator is also shown).

2021/2022

Asset type	Value at 31 March 2022 £000	Potential Market Movements (+/-)	Value on Increase £000	Value on Decrease £000
UK equities	-	19.9%	-	-
Overseas equities	-	20.1%	-	-
Bonds	-	7.2%	-	-
Pooled Investments	4,354,924	14.5%	4,986,388	3,723,460
Cash	200	0.3%	200	199
Property	594,300	15.0%	683,445	505,155
Private equity	126,519	31.2%	165,993	87,045
Private debt	142,952	9.0%	155,818	130,087
Infrastructure	249,408	9.4%	272,853	225,964
Total	5,468,303		6,264,696	4,671,909

2020/2021

Asset type	Value at 31 March 2021 £000	Potential Market Movements (+/-)	Value on Increase £000	Value on Decrease £000
UK equities	384,336	16.7%	448,521	320,152
Overseas equities	789,758	17.4%	927,176	652,340
Bonds	74,597	7.0%	79,819	69,375
Bond Funds *	3,571,741	12.2%	4,007,494	3,135,989
Currency fund *	43,745	0.3%	43,876	43,614
Cash	380,490	14.2%	434,520	326,460
Property	85,376	28.4%	109,623	61,129
Private equity	60,842	4.6%	63,641	58,043
Total	5,390,885		6,114,670	4,667,102

* Following transition into the ACCESS pool the bond funds and currency funds are amalgamated within the pooled investment category.

Interest rate risk - sensitivity analysis

Interest rate risk is monitored by the investment managers and the County Council's treasury management team.

The Fund recognises that interest rates vary and can affect both income and the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The Fund's direct exposure to interest rate movements as at 31 March 2022 and 31 March 2021 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

The analysis in the table below assumes that all other variables, in particular exchange rates, remain constant and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates.

Assets exposed to interest rate risk

2021/2022

Asset type	Value at 31 March 2022 £000	Change in year in net assets available to pay benefits +100 BPS £000	Change in year in net assets available to pay benefits -100 BPS £000
Cash and cash equivalents	200	2	(2)
Cash balances	16,388	164	(164)
Bonds	-	-	-
Total	16,588	166	(166)

2020/2021

Asset type	Value at 31 March 2021 £000	Change in year in net assets available to pay benefits +100 BPS £000	Change in year in net assets available to pay benefits -100 BPS £000
Cash and cash equivalents	43,745	437	(437)
Cash balances	102,297	1,023	(1,023)
Bonds	74,597	746	(746)
Total	220,639	2,206	(2,206)

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling. The Fund holds monetary and non-monetary assets issued in currencies other than sterling.

Fund managers monitor the currency risk and this is considered by the Pensions Panel when making strategic asset allocation decisions.

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the Hymans Robertson, the Fund considers the likely volatility associated with foreign exchange rate movements to be 10%.

The analysis assumes that all other variables, in particular interest rates, remain constant. If sterling strengthens/weakens against other currencies in which the Fund holds investments, it would increase/decrease the net assets available to pay benefits as follows:

Assets exposed to currency risk**2021/2022**

Asset type	Value at 31 March 2022 £000	Change %	Value on Increase £000	Value on Decrease £000
Overseas private equity	126,519	10.0	139,171	113,867
Overseas private debt	142,952	10.0	157,248	128,657
Overseas Infrastructure	249,408	10.0	274,349	224,468
Total	518,879		570,768	466,992

2020/2021

Asset type	Value at 31 March 2021 £000	Change %	Value on Increase £000	Value on Decrease £000
Overseas equities	2,370,824	10.0	2,607,907	2,133,742
Overseas bonds	512,782	10.0	564,060	461,504
Overseas private equity	85,376	10.0	93,913	76,838
Overseas private debt	60,842	10.0	66,926	54,758
Total	3,029,824		3,332,806	2,726,842

b) Credit Risk

Credit risk is the risk that the counterparty to a transaction or financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. Credit risk is related to the potential return of any investment, the most obvious being that the yields on bonds are strongly correlated to the perceived credit risk. Therefore, the risk of loss is implicit in the carrying value of the Fund's financial assets and liabilities.

The Fund is exposed to credit risk. However, this risk is minimised by selecting high quality counterparties, brokers and financial institutions.

Deposits are made only with banks and financial institutions that are rated independently and meet the Fund's credit criteria. The Fund has also set out in its Treasury Management Policy the limits of exposure to any one financial institution.

The Fund has not had any experience of default or uncollectable deposits. As at 31 March 2022, the Fund held £0.2m cash with the custodian (31 March 2021: £43.7m) and cash internally managed by WSCC was £16.4m (31 March 2021: £102.3m). This was held by institutions with the following credit ratings:

Rating	Nominal amount 31 March 2021 £000	Nominal amount 31 March 2022 £000
AAA rated counterparties	80,000	10,000
A-1+ rated counterparties	43,745	200
A+ rated counterparties	22,297	6,388
TOTAL	146,042	16,588

Note: 2020/21 credit ratings above have been reported in more detail in line with 2021/22 analysis.

The Fund's total exposure to credit risk cannot be assessed generally as the risks of default will be specific to each financial institution. At 31 March 2022, there was no evidence that such risks were likely to materialise.

c) Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations when they fall due, without incurring unacceptable losses or risking damage to the Fund's reputation. Cash is required to pay benefits, fund acquisitions and settle various other commitments. The Fund maintains a working cash balance held in instant access money market and bank accounts. A cash flow forecast is maintained to ensure sufficient funds are available. The Fund manages liquidity risk by:

- giving careful consideration to the anticipated income and expenditure required for the administration of the Fund and the payment of benefits and by maintaining in-house managed cash balances sufficient to meet day-to-day cash flows.
- keeping a significant proportion of the Fund's assets in highly liquid investments such as actively traded equities, bonds and unit trusts.

The Fund is currently cash flow positive.

The Fund's strategic allocation to property and private equity, which are relatively illiquid, is limited to 25% of the total portfolio. As the Fund is not mature, i.e. it does not need to sell assets in order to pay benefits, it is considered appropriate to hold such investments to increase diversification, minimise risk and improve long-term investment performance.

Under the regulations, the Fund is authorised to borrow in its own right to fund cash flow deficits on a short-term basis.

d) Refinancing Risk

The key risk is that the Fund is bound to replenish its investments at a time of unfavourable interest rates. The Fund does not hold any financial instruments that have a refinancing risk as part of its treasury management or investment strategies.

e) Counterparty Risk

The Fund's global custodian, Northern Trust, has responsibility for safeguarding the assets of the Fund. Its duties include maintaining a repository of underlying information on the Fund's assets and arranging settlement of transactions, income collection and cash management. The Fund monitors Northern Trust's performance and is in regular

contact with the custodian. Monthly reconciliations are performed between the custodian's and the investment managers' records.

The Fund has appointed a number of segregated and pooled fund managers to manage portions of the Fund. An Investment Management Agreement is in place for each relationship. All appointments meet the requirements set out in the LGPS (Management and Investment of Funds) Regulations 2016. Reports on manager performance are monitored by the Pensions Panel on a quarterly basis. The Fund makes use of a third-party performance measurement service. In addition to presenting to the Pensions Panel, managers also meet with Fund officers and advisers regularly to review activity and results.

Note 19: Funding Arrangements - Actuarial Statement

Description of funding policy

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purposes of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019 and the next valuation will take place as at 31 March 2022.

The key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long-term view. This will help ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The Funding Strategy Statement (FSS) sets out how the administering authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

Funding position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £4,374 million, were sufficient to meet 112% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2019 valuation was £455 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2020 to 31 March 2022 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal actuarial assumptions and method used to value the liabilities

Method:

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions:

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2019 valuation were as follows:

Assumption	31 March 2019 %
Discount rate	3.1
Salary increase assumption	2.8
Benefit increase assumption	2.3

Demographic Assumptions

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long-term rate of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

Pensioner Type	Males	Females
Current Pensioners	22.2 years	24.2 years
Future Pensioners	23.3 years	25.9 years

Copies of the 2019 valuation report and FSS are available on the Funds website or on request from West Sussex County Council.

The next actuarial valuation will be carried out as at 31 March 2022. The FSS will also be reviewed at that time.

Note 20: Actuarial Present Value Of Promised Retirement Benefits

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund's liabilities on an IAS 19 basis, using the same base data as the funding valuation. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (Note 19). The actuary has also valued ill health and death benefits in line with IAS 19.

Liability	31 March 2021	31 March 2022
	£m	£m
Active members	(2,519)	(2,567)
Deferred pensioners	(1,498)	(1,385)
Pensioners	(1,799)	(1,671)
Present value of promised retirement benefits	(5,816)	(5,623)
Fair value of scheme assets (bid value)	5,484	5,494
Net liability	(332)	(129)

As noted above, the liabilities above are calculated on an IAS 19 basis and will therefore differ from the results of the 2019 triennial funding valuation (Note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, the aggregate liability appears to be a reasonable estimate of the actuarial present value of benefit promises.

No allowance has been made for unfunded benefits.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

It should be noted the above figures are appropriate for the administering authority only for preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

IAS19 Assumptions Used

The assumptions used are those adopted for the administering authority's IAS 19 report and are different as at 31 March 2022 and 31 March 2021.

The Fund actuary estimates that the impact of the change in financial assumptions to 31 March 2022 is to decrease the actuarial present value by £457m. The Fund actuary estimates the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £34m.

Assumption	31 March 2021 % per annum	31 March 2022 % per annum
Inflation / pensions increase rate	2.9	3.2
Salary increase rate	3.4	3.7
Discount rate	2.0	2.7

Longevity Assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, an allowance for smoothing of recent mortality experience and a long-term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Type of Pensioner	Males	Females
Current Pensioners	21.9 years	24.2 years
Future Pensioners*	22.8 years	25.9 years

* Future pensioners are assumed to be currently aged 45 at the latest formal valuation

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation Assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Note 21: Current Assets

Classification	31 March 2021 £000	31 March 2022 £000
Debtors		
Contributions due - members	2,716	3,032
Contributions due - employers	5,347	5,013
Prepayments	772	1,032
Other debtors	2,664	3,260
Taxation	99	294
Sub total	11,598	12,632
Cash balances	102,297	16,388
Total	113,895	29,021

Analysis of Debtors

Classification	31 March 2021 £000	31 March 2022 £000
Central government bodies	2,046	2,111
Other local authorities	3,978	3,844
Educational establishments	2,302	2,282
Other entities and individuals	3,272	4,395
Total	11,598	12,632

Note 22: Current Liabilities

Classification	31 March 2021	31 March 2022
	£000	£000
Contributions	-	-
Benefits payable	1,084	1,149
Other current liabilities	26,657	3,898
Total	27,741	5,047

Analysis of Creditors

Classification	31 March 2021	31 March 2022
	£000	£000
Central government bodies	2,345	2,846
Other local authorities	102	786
Educational establishments	-	57
Other entities and individuals	25,294	1,357
Total	27,741	5,047

Note 23: Additional Voluntary Contributions

Some members of the Scheme have made additional voluntary contributions (AVC) to increase the value of their pensions. Legal & General are the appointed AVC provider for members in the West Sussex Local Government Pension Scheme.

AVC Contributions of £1.9m were paid directly Legal and General and Standard Life during the year (2020/21: £1m). AVCs are separately invested and are therefore not included in the Pension Fund accounts in accordance with regulations 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) regulations 2016.

AVC Provider	Market Value 31 March 2021 £000	Market Value 31 March 2022 £000
Standard Life	359	66
Legal and General	3,199	4,863
Total	3,558	4,929

Note 24: Related Party Transactions

West Sussex County Council

The West Sussex Pension Fund is administered by West Sussex County Council. Therefore, there is a strong relationship between the Council and the Pension Fund.

During the reporting period, the Council incurred costs of £0.7m (2020/21: £0.7m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £63.1m to the Fund in 2021/22 (2020/21: £61.9m). All monies owing to and due from the Fund have been accounted for in the year.

Part of the Pension Fund cash holdings are invested in the money market by the Treasury Management operations at West Sussex County Council, in line with the Fund's Treasury Management Policy. During the year to 31 March 2022, the Fund had a daily average investment balance of £45.0m held in Sterling (31 March 2021: £154.2m) earning interest of £0.02m (2020/21: £0.05m) in these funds at a rate of return of 0.04% (2020/21: 0.04%).

Governance

One member of the Pensions Committee is in receipt of pension benefits from the West Sussex Pension Fund.

Each member of the Pensions Committee is required to declare their interests at each meeting.

Note 24a: Key Management Personnel

The Director of Finance and Support Services and S151 officer has responsibility for the proper financial administration of the Fund under the Local Government Act 1972. This Officer is employed by the Administering Authority but spent a proportion of time on the financial management of the Fund. The total Pension Fund expense relating to apportioned remuneration for Key Management Personnel is £19.7k in 2021/22 (2020/21: £19.0k).

Note 25: **Contingent Liabilities and Contractual Commitments**

A contingent liability arises where an event has taken place that gives the Fund a possible obligation, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund. Contingent liabilities also arise in circumstances where a provision would otherwise be made but the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

Estimates provided to members indicate that at year-end there are potential liabilities of £0.098m in respect of members who have enquired about transferring benefits out of the scheme and on whom the Fund is awaiting a final decision.

There are further outstanding commitments in investment assets as at 31 March as follows:

- Private Equity of £127.6m (31 March 2021 £22.9m).
- Private Debt of £116.7m (31 March 2021 £195m)

These commitments relate to outstanding call payments due on unquoted investments. The amounts 'called' by these funds are irregular in both size and timing over the period of investment.

The Fund has also made a commitment to an infrastructure fund as part of its investment strategy review and as at 31 March 2022 the full commitment of £250m was made.

Note 26: **Contingent Assets**

There were no contingent assets at the period end.

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Report to Regulation, Audit and Accounts Committee**22 September 2022****Quarterly Review of Corporate Risk Management****Report by Director of Law and Assurance**

Summary

The Regulation, Audit and Accounts Committee has responsibility for oversight of the Council's risk management arrangements.

The risk relating to the recruitment and retention of skilled staff has increased further in severity. The risk that the demand placed on senior officers due to COVID19 responsibilities will lead to a lack of capacity to deal with strategic/organisational issues, has decreased below its target risk 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.

Due to the impact of COVID19 the Risk Management Lunch 'n' Learn sessions have been delivered as a webinar, with the course content amended to facilitate this method. Face-to-face delivery of this course has now been re-introduced, with 2 remaining 22/23 dates selected.

Recommendation

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

Quarterly update**1 Introduction**

- 1.1 The Regulation, Audit and Accounts 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	Current risk severity increased	To reflect current situation across services with R&R of staff	25
CR70	Increasing demand placed on senior officers due to COVID19 responsibilities leads to a lack of capacity to deal with strategic/organisational issues	Current risk severity reduced to below target risk severity – risk continues to be tolerated	To reflect the current COVID19 responsibility for senior officers	8

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
CR11	Recruitment and retention	16	25
CR39a	Cyber-security	25	25
CR58	Failure of social care provisions	25	25
CR22	Financial sustainability	20	20

2.3 The corporate risk register continues to be reviewed quarterly by Executive Leadership Team (ELT), with any actions promptly addressed.

2.4 The directorate risk registers have been reviewed at least quarterly by each Director and their management team, with support from the Corporate Risk Manager. The Corporate Risk Manager has continued to engage quarterly with 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 the County Council’s Risk Management Framework).

2.6 Capital risks are managed through various project hubs and the Capital programme, all reporting to the Capital and Assets Board. The Board is chaired by a member of ELT, with other relevant ELT and senior officers in attendance, and ensures that significant concerns to the successful delivery of the programme and/or capital 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 Due to the impact of COVID19 the Risk Management Lunch 'n' Learn sessions have been delivered as a webinar, with the course content amended to facilitate this method. Face-to-face delivery of this course has been re-introduced, with 2 remaining 22/23 dates selected. Both formats of this course are available for staff in Districts and Boroughs, and other partnering organisations, at nil cost. The follow-on course (Risk Management in Practice) is being designed for face-to-face delivery using a combination of instruction via PowerPoint and syndicate/group work and will involve staff working through the County Council risk management process using a generic scenario. To support staff in better managing their risks the Corporate Risk Manager has produced a variety of resources, which have been communicated to all staff and added to the County Council's Risk Management SharePoint site.
- 2.8 The quality and currency of information contained in the corporate and directorate risk registers will continue to be reviewed and updated. The Corporate Risk Manager is continuing to challenge whether identified actions will sufficiently address the concerns, and within a suitable timeframe.
- 2.9 Ongoing activities the Corporate Risk Manager is undertaking to ensure continuous improvement and alignment with best practice include:
- Attend the South East Risk Managers Group to share best practice of risk management in the public sector across various local authorities
 - Attend appropriate seminars held by professional bodies e.g., Alarm, CMI
 - Support projects and programmes to provide assurance and support on robust governance
 - Engage and support Directors, Assistant Directors, service managers and their teams on capturing and communicating risk
 - Attendance at/facilitating various internal boards, meetings and working groups
- 2.10 At this stage, there will be no additional resources required to facilitate the embedding/management of risk and future actions as current support within the organisation is sufficient. The Corporate Risk Manager is conducting risk workshops and risk training sessions in existing management meetings or during lunchtimes where possible to mitigate resource and scheduling conflicts. However, the 'Risk Management in Practice' course will take place during working hours, and participants will be responsible for ensuring their attendance doesn't significantly impact their role requirement.
- 2.11 The committee is asked to consider the information in this report and provide comment as necessary.

3 Risk implications and mitigations

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

4 Policy alignment and compliance

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

Agenda Item 6

Tony Kershaw

Director of Law and Assurance

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

Appendices

Appendix A – Corporate Risk Register

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	Dec-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	2	8	Dec-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	New AGS actions finalised July 2022 - for approval by RAAC Sept 22. 21/22 AGS actions completed and reviewed.	4	2	8	Nov-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. Reinforced as part of 2022 AGS and Director Statements of Assurance (completed July 2022).
			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 CMT on governance. Schedule and deliver associated training								Director of Law and Assurance	Ongoing	Guidance completed and promoted April 22. Training rolled out to CMT and further programme planned as continuous.
			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 to support recruitment and retention.	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. Weekly meetings with CYPL directorate being conducted to review vacancies and progress to prevent issues becoming more significant.	5	5	25	Nov-22		
			2. Lack of corporate memory.									Development and regular communication of comprehensive employee value proposition to support recruitment and retention.			Head of Res Org Dev & Talent					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.			Head of Res Org Dev & Talent					Ongoing	3 year plans in place for apprenticeships (currently being refreshed). LGA consultancy engaged with; recommendations received. Continuing programme of marketing and awareness raising, e.g. National Apprenticeships Week.
			4. Low staff morale and performance.									Benchmarking of salaries against peers to attract and retain talent for key areas.			Head of Specialist HR Services					Sep-22	
												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.			Head of Res Org Dev & Talent					Sep-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	Dec-22		
			2. Adverse effect on reserves/balanced budget.									Monitor the use of additional funds made available to improve service delivery.			Director of Finance & Support Services					Ongoing	Improvement is monitored through the relevant service boards
			3. Reputational impact through reduction of service quality									Financial impacts arising from the Covid-19 national emergency need to be reflected and addressed within the PRR and MTFS as appropriate.			Director of Finance & Support Services					ongoing	The PRR report now reflects the impact of Covid-19 and sets out how this impacts specific services and WSCC as a whole. This is underpinned by a bespoke recording approach within SAP, which clearly accounts for the costs incurred and funding received from Government, alongside the Delta return made to MHCLG on a monthly basis. The MTFS planning framework also reflects the potential impact of Covid-19, both from the potential funding and budget pressures perspectives.
			4. Increased liability of service delivery, transferred by external partners due to funding restrictions i.e. supporting homelessness.																		
			5. Additional unexpected service and cost pressures from savings decisions.																		
			6. Financial implications for both 2022/23 and the medium term arising from the national emergency circumstances associated with Covid-19.																		

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	Dec-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.

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk			Risk Strategy	Target Risk			Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk			Next Risk Review Date		
					Impact	Likelihood	Score		Impact	Likelihood	Score					Impact	Likelihood	Score			
CR39b	Data protection responsibilities. The Council is a Data Controller and has obligations and responsibilities arising from that role. Council needs resources, skills, knowledge, systems and procedures to ensure obligations are met.	Director of Law & Assurance	1. Individuals or groups come to harm.	Mar-17	4	5	20	Tolerate	3	3	9	Test the effectiveness of DPIA	Head of Data Protection	Ongoing	Annual business process review via DPIA to confirm compliance or to reflect update/risk assessment if business process elements have shifted since last review.	3	3	9	Nov-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 2022 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	Training slides provided with introduction to relevant policy and processes. Ongoing assistance from DPT available as required.
												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	Nov-22		
			2. Increase number of claims and premiums.									Conduct a training needs analysis, produce gap analysis to understand requirements and produce suitable courses as a consequence.			Health and Safety Manager					ongoing	1st phase H&S e-learning modules bespoke to the council H&S arrangements complete. 2nd phase currently being developed. Course content will be owned by the council instead of off the shelf course material.
			3. Adverse reputational impact to Council.									Incorporate HS&W information into current performance dashboard.			Health and Safety Manager					ongoing	Dashboard to capture details on sickness, absence and H&S. H&S data currently collated relates to RIDDOR and NON-RIDDOR incidents. Data from inspections and audits once the templates are developed in Firmstep will be linked to PowerBI dashboard.
			4. Increase in staff absence.									Regular engagement with 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.
												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 was reduced. There was 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. Face to Face visiting/monitoring of high priority services is now in place, current measures will continue for low priority services to manage workload. Resumed monitoring increases the impact on workloads from identification of issues to support providers with.	5	5	25	Nov-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).			Head of Contracts & Performance					ongoing	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 reprovision following closure of services.									Financial analysis of high risk provision - due diligence checks.			Head of Contracts & Performance					ongoing	Working with strategic contracts to identify key providers for more regular financial checks. Commissioning of sustainability blocks to deliver a level of financial stability.
			4. Reduced capacity in the market as a result of failure of provision.									In the event of an incident, ensure the consistent implementation of Emergency Response Plans, including a full de-brief and lessons learned.			Assistant Director (Operations)					ongoing	Emergency plans in place for residential services and Domiciliary Care provision. Continue to work with RET to ensure process is robust and reflects learning from incidences.
			5. Delay for those residents who are Medically Ready to Discharge (MRD).									Review capacity of residential and non-residential services to ensure service availability and to support identification of contingencies if needed.			Commissioning Lead					ongoing	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.									Regular review of care homes business continuity arrangements to address government vaccination directive.			Head of Contracts & Performance					ongoing	Engagement to include supply chains/contractors requiring access to ensure maintenance schedules are reviewed and adjusted if necessary.
			7. Reputational impact. Public perception of the council being willing to accept poor standards of care. Low public confidence in social care.									Completion of Fair Cost of Care exercise and draft Market Sustainability Plan in order to identify fair costs for care provision to support sustainable markets, and in preparation for Adult Social Care Reforms.			Commissioning Lead					Oct-22	Project to ensure engagement with local providers to complete Cost of Care exercise due to be reported to DHSC by 14 October 2022. Information will also inform Market Sustainability Plan and Councils position on moving towards fair cost of care. Linked to potential funding for 23/24 and 24/25. Final Market Sustainability Plan to be completed by Feb 23.
			8. Adverse impact on Health and Social Care system.																		

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

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk			Risk Strategy	Target Risk			Risk Control/Action	Action Owner	Action Target Date	Risk Update	Current Risk			Next Risk Review Date		
					Impact	Likelihood	Score		Impact	Likelihood	Score					Impact	Likelihood	Score			
CR69	If the council fail to make the necessary improvements to progress from the previous 'inadequate' rating, there is a risk that children's services will fail to deliver an acceptable provision to the community.	Director of Children, Young People and Learning	1. A child is exposed to dangers which could cause harm.	Mar-20	5	5	25	Treat	5	2	10	Deliver Children First Improvement Plan.	Senior Improvement Lead	ongoing	The Children First Improvement Plan has been developed to incorporate three key pillars to ensure an improved level of service: Pillar 1 - Everyone knows 'what good looks like'; Pillar 2: Creating the right environment for good social work to flourish; Pillar 3 : Deliver an Improved Service Model. The programme is being implemented and is on target as outlined in the Transformation Programme summary. 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.			Director of Children, Young People and Learning					ongoing	The phase 2 workstream improvement action plan, which is jointly developed by WSCC and HCC is being progressed. Regular steering group to track and monitor progress and report into the into Improvement Board.
			3. Reduced confidence by residents in the Councils ability to run children's services.									Implement the Children First Service transformation model			Assistant Director (Children First Transformation)					ongoing	Family Safeguarding model redesign to ensure practice improvements are sustainable and embedded to provide a good level of service is being progressed and is meeting its milestones for implementation.
			4. Legal implications through non-compliance or negligence.																		
CR72	The government have stipulated that from 9 Sep 2021 children in care under 16 will not be allowed to be accommodated in unregulated placements. This has strengthened existing regulations that stipulate that all children and young people who require residential care must be placed within registered children's homes. Due to a local and nationwide shortage of registered provision there is a risk that these children and young people will not be cared for in settings that best meet their needs , which could lead to safeguarding concerns and enforcement action against the providers of unregistered homes and local authorities.	Director of Children, Young People and Learning	1. Unable to meet primary needs of children we care for.	Aug-21	4	5	20	Treat	4	2	8	Develop and publish a market position statement to be sent out to care providers and other LA's to engage them in placements and requirements, in line with the needs of children.	Assistant Director (Corporate Parenting)	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.			Heads of Service					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
					Impact	Likelihood	Score		Impact	Likelihood	Score					Impact	Likelihood	Score	
CR73	If there is a failure to adequately prioritise, finance and resource our efforts to deliver on WSCC Climate Change commitments (e.g. 2030 Carbon Neutrality), there is a risk that there will be insufficient capacity and capability to complete the necessary actions within the required timeframes . This will lead to prolonged variations in weather and adverse impacts on WSCC service provision.	Director for Place Services	Loss of public confidence in stated Climate Change Strategy	Jan-22	4	3	12	Treat	4	2	8	Clear prioritisation of CC Strategy delivery within Our Council Plan	Director for Place Services	ongoing		4	3	12	Jan-23
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																			

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			
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	Oct-22		5	3	15	Nov-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

Report to Regulation Audit & Accounts Committee**22 September 2022****Internal Audit Progress Report (August 2022)****Report by the 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 (August 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.

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- 1.3 Appendix A summarises the activities of internal audit for the period up to August 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

Neil Pitman

Head of Southern Internal Audit Partnership

Contact Officer: Neil Pitman, neil.pitman@hants.gov.uk

Appendices

Appendix A – Internal Audit Progress Report (August 2022)

Background papers

None



Southern Internal Audit Partnership

Assurance through excellence
and innovation

INTERNAL AUDIT PROGRESS REPORT (AUGUST 2022)

Internal Audit Progress

Prepared by: **Neil Pitman, Head of Partnership**
August 2022

Contents:

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1. Role of Internal Audit

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

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

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

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

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

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

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

2. Purpose of report

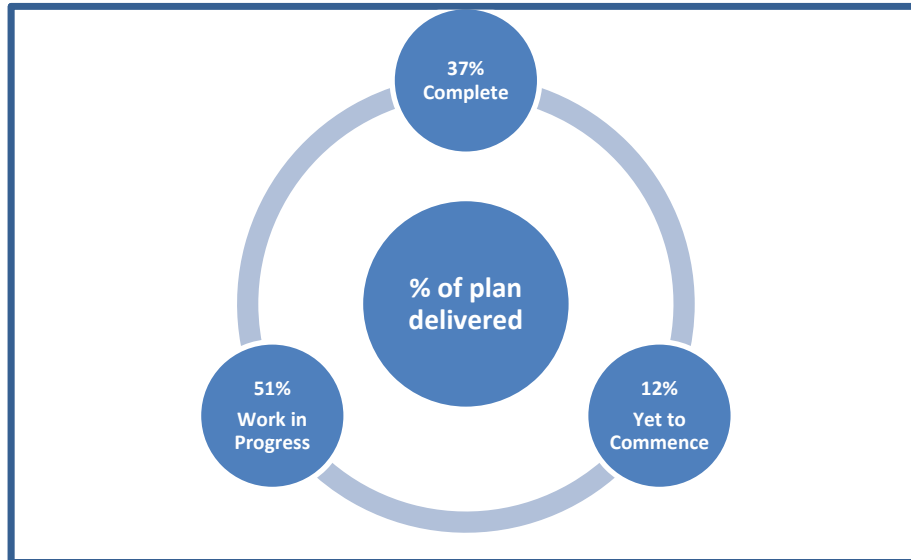
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

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

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

Substantial	A sound 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	5		1	1
S75 Governance	Apr 2021	JSDC	Limited	12	0	0	10		2	
Childrens 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	
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	
People Framework	Nov 21	DHR&OD	Reasonable	4	0	0	3		1	
WSFRS Operational Training delivery	Jan 22	CFO	Limited	14	0	0	13		1	
Firewatch	Jan 22	CFO	Limited	4	0	0	3		1	
IR35	Feb 22	DHR&OD / DF&SS	Limited	11	0	0	9		2	
WSFRS Risk and Business Continuity	Mar 22	CFO	Reasonable	15	0	5	10			
School Thematic – Governors' Pay Decisions (Governance)	Mar22	DCYP&L	Reasonable	5	0	2	3			
IT Assurance Mapping	Apr 22	DFSS	Reasonable	6	0	1	1		2	2
Information Governance - GDPR	May 22	DL&A	Limited	19	0	6	11		1	1
ITIL Process Transition	May 22	DFSS	Reasonable	6	0	2	4			
WSFRS Working Time Directive	May 22	CFO	No	7	0	7	0			
Equality Impact Assessments	May 22	DPS	Limited	12	0	4	5		1	2
Working Time Regulations Compliance	May 22	CFO	No	7	0	7	0			

Summer School Funding	June 22	DCYP&L	Reasonable	1	0	1	0			
Grenfell Action Plan	June 22	CFO	Reasonable	2	0	1	1			
Climate Change Strategy	June 22	DE&PP	Reasonable	10	0	10	0			
Safe and Well Visits	July 22	CFO	Limited	13	0	5	7	1		
Financial Resilience and Savings Realisation Framework	July 22	DF&SS	Reasonable	2	0	1	0	1		
Adult's Income	July 22	DA&H	Limited	7	0	3	4			
Assurance Mapping-Adult Services	July 22	DA&H	Limited	3	0	1	2			
Accounts Receivable	Aug 22	DF&SS	Reasonable	1	0	1	0			
Capital Project Delivery (Education)	Aug 22	DCYP&L / DPS	Limited	7	0	2	5			
Total								2	22	7


Overdue Management Actions - Direction of travel since June 2022 progress report - -1 -5

Audit Sponsor

Chief Executive
Becky Shaw

Chief Fire Officer (CFO) Sabrina Cohen- Hatton	Director of Adults & Health (DA&H) Alan Sinclair	Director of Children, Young People & Learning (DCYP&L) Lucy Butler	Director of Place Services (DPS) Lee Harris	Assistant Chief Executive (ACE) Sarah Sturrock	Interim Director of Finance & Support Services (DF&SS) Tony Kirkham	Director of HR/OD (DHR/OD) Gavin Wright	Director of Law & Assurance (DL&A) Tony Kershaw
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5. Executive Summaries of reports published concluding a ‘Limited’ or ‘No’ assurance opinion

Adults Income		
Audit Sponsor	Assurance opinion	Management Actions
Director of Finance and Support Services / Director of Adults & Health		<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: green; color: white; padding: 5px; text-align: center;">Low 3</div> <div style="background-color: yellow; padding: 5px; text-align: center;">Medium 3</div> <div style="background-color: red; color: white; padding: 5px; text-align: center;">High 1</div> </div>

Summary of key observations:

The review sought assurance of the end-to-end process for financial assessments from identifying user needs through to management reporting.


Delays above 20 days to complete the financial assessment process were present for the majority of cases sampled. Delay was mostly prior to the Welfare Benefits Assessment teams involvement but compounded in the difficulty of obtaining information from customers or their representatives.

There were several examples where the customer or their representative had not returned the documentation required to acknowledge and confirm they may be liable for a charge toward the cost of care provision. Non receipt of such documentation can lead to issues with the collection / recovery of charges due.

For telephone assessments a declaration is sent to the customer to sign in confirmation that they had declared their financial assessment information in full and accurately, however, if not returned they were not pursued. Whilst not likely to lead to issues around collection of income, there is a possibility the lack of such a declaration could impact debt recovery.

Quality assurance checking has been implemented within financial assessments team from late 2021. However, there were a number of gaps present with some of the required checks not being completed.

Additional focus was placed on assessments where Disability Related Expenditure (DRE) was a consideration, this was related to the outcome of ‘SH v Norfolk County Council 2020 (CO/1640/2020)’. The testing was to compare customers with DRE and earned income against customers with DRE and no earned income. However, whilst DRE has been covered in our review and samples, further in-depth analysis has not proven possible due to reporting limitations from the MOSAIC system

Adult Services Assurance Mapping		
Audit Sponsor	Assurance opinion	Management Actions
Director of Adults & Health	 Limited	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: green; color: white; padding: 5px; text-align: center;">Low 0</div> <div style="background-color: yellow; color: black; padding: 5px; text-align: center;">Medium 3</div> <div style="background-color: red; color: white; padding: 5px; text-align: center;">High 0</div> </div>


Summary of key observations:

The focus of this review was to attain assurance that the approach the service was taking to confirm that all relevant areas of The Care Act 2014 (Part 1) are covered and that the method of collating the supporting evidence provides a clear trail that is easy to follow.

The task to map and assess service compliance with The Care Act 2014 (Part 1) is extensive, resource intensive and being undertaken alongside business-as-usual operations. At the time of the review, CQC inspections were potentially due any time from April 2023. Whilst staff across the directorate are working incredibly hard to complete the project, with current staff capacity there is a risk of non-completion in the assessments of each of the 22 chapters and accompanying annexes (making up the Care Act 2014 (Part 1)) and providing the required level of assurance.

The Interim Safeguarding Lead uses a tracker for the Chapters of the Care Act sent to other areas of the Service for completion including key officers and target dates. However, the monitor used did not contain all the relevant chapters and did not include the annexes A-G which are also relevant.

There were updates provided to the heads of service who attend the Performance, Quality and Practice (PQP) Board on a bi-monthly basis. However, there was no regular reporting to members on the position regarding the authority’s preparedness for CQC inspection. Member engagement and awareness is key, given the adverse outcomes of previous inspection reports across other service areas within the Council.

Capital Project Delivery (Education)		
Audit Sponsor	Assurance opinion	Management Actions
Director of Children, Young People and Learning and Director for Place Services	 Limited	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: green; color: white; padding: 5px; text-align: center;">Low 0</div> <div style="background-color: yellow; padding: 5px; text-align: center;">Medium 6</div> <div style="background-color: red; color: white; padding: 5px; text-align: center;">High 0</div> </div>

Summary of key observations:

Education projects contribute towards many of the broader strategic objectives outlined in the Council Plan, particularly surrounding ‘helping people and communities to fulfil their potential’ (additional school places, Special Education Needs and Disabilities, Schools Access Initiative, and Safeguarding Schools); and ‘making best use of resources’ (including schools’ maintenance). The scope of the review covered an agreed sample of five Education projects from their inception through to the early stages of the projects’ delivery phase.

All projects in the Pipeline must be supported by a Strategic Outline Case (SOC), providing approval of feasibility to produce a Full Business Case (FBC). Although all projects in the sample were supported by an SOC, it was noted that some SOC’s were retrospectively completed once a decision has already been made.

A Benefits Map should support each project’s Strategic Outline Case (SOC). This clearly summarises how a project’s output is linked to outcomes / benefits and how these are aligned with the Council’s broader objectives. Only one of the five projects sampled could evidence a Benefits Map alongside their respective SOC.

There is no universally agreed method for benchmarking project costs when the business cases are being reviewed and challenged at HUB/EPB/CAB. One method being used suggests 4 out of 5 projects in the sample are up to 3.5 times the cost of comparable projects. We could not obtain evidential challenge to these benchmarks as part of the minuted review of business cases, despite these projects being recommended for delivery.

We could not obtain evidence of any Council guidance or definitive requirements for how Project Briefs and Stakeholder Identification and Engagement Plans should be put together. Post-project review reports by the MDC and interviews with key staff established there was confusion between stakeholders as to what exact works were expected to be included in those projects, and a lack of early liaison between key internal departments at the Council.

Any change to a project’s status – such as costs and objectives – should be subject to a formal Change Request form which describes the change, options, project manager’s recommendation, Capital Finance comments, and formal review by both HUB/EPB and CAB. One of the five changes tested was not supported by this formal Change Request process. This was for an extra £1.66m required on top of a previously agreed £20m budget.

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 and quarter 2 plans were approved by the County Council’s Executive Leadership Team and the Regulation, Audit & Accounts Committee in March, and July 2022 respectively. 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 & Q2).

7. Rolling Work Programme

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
2021/22								
Adults Income	DA&H / DF&SS	✓	✓	✓	May 22	Jul 22	Limited	
Capital Project Delivery (Education)	DCYP&L / DPS	✓	✓	✓	Jun 22	Aug 22	Limited	
Accounts Receivable	DF&SS	✓	✓	✓	Jun 22	Aug 22	Reasonable	
Payments to Providers (Hospital Discharge Pathway)	DA&H	✓	✓	✓	Jul 22			Awaiting client response
Assurance Mapping-Adult Services	DA&H	✓	✓	✓	May 22	Jul 22	Limited	
HR Policy Decision Making	DHR&OD	✓	✓	✓	Jul 22			Awaiting client response
SEND Follow Up	DCYP&L	✓	✓	✓	Jul 22		N/A	
Contract Management Advocacy Services	DA&H	✓	✓	✓	Aug 22			
Local Energy Communities for the 2 Seas Region (LECSEA)	DPS	✓	✓	✓	May 22	Jul 22	Reasonable	

 Agenda Item 7
Appendix A

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
2022/23								
Company Governance Framework	DL&A	✓	✓	✓	Aug 22			
Capita Contract	DF&SS	✓	✓	✓	Aug 22	Aug 22	Substantial	
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	Jun 22	N/A	
Shaw Homes – Contract Management	DA&H	✓						
Adults Assurance (Safeguarding / SAB /Provider Failure)	DA&H	✓	✓	✓	Aug 22			
Direct Payments	DA&H / DFS&S	✓	✓					
Workforce Planning	DHR/OD	✓	✓					
SmartCore (Oracle Fusion)	DF&SS							Awaiting internal health check review move to Q3
Fraud Framework	DF&SS	✓	✓	✓	Aug 22			
Procurement	DF&SS	✓	✓	✓	Sep 22			
Contract Management	Corporate							
Use of Agency Staff	DHROD	✓	✓	✓	Aug 22	Sep 22	Reasonable	
XMA Contract Delivery	DF&SS	✓	✓					
IT Contingency	DF&SS							
WSFRS Overtime and TOIL	CFO							Move to Q3 – client request
Accounts Payable	DF&SS	✓	✓					Move to Q3 – client request
Care and Support Planning - CQC	DA&H	✓						
Information and Advice - CQC	DA&H	✓						
Promoting Wellbeing - CQC	DA&H	✓						
SEND Strategy	DCYP&L	✓						
Homes for Ukraine	DPS							Move to Q3 – client request
Adult Thematic – Medicine Control	DA&H	✓	✓					

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Payroll	DHROD	✓						
School Thematic – Related Party Transactions	DCYP&L	✓						
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
Supporting Families Q2 claim	DCYP&L	n/a	n/a	n/a	n/a	n/a	n/a	Complete
COMF Grant declaration	DF&SS	n/a	n/a	n/a	n/a	n/a	n/a	Complete
BSOG	ADHTP	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
Strategy to be formed & communicated	30.07.21	30.09.22 31.01.23	The Education and Skills strategy will be in effect from Jan 23 and the Service Plan drawn up by Head of Service, Commercial and Contracting and the associated Development Plan from the Traded Services for Schools Manager.

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.

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.

Equality Impact Assessments - Limited

Observation: Equality Impact Assessment completion and sign off

Testing of 10 Decision Reports (June 2019 – December 2021) identified that whilst reference to the EIA process was made in Section 7 – Policy Alignment and Compliance the EIA was not attached to the Decision Report.

Testing identified that for seven Decision Reports in the period July – December 2021 EIAs were not available, however one EIA was subsequently located and appropriately completed and signed off

Risk: Defence of challenges to decisions taken is compromised.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Wider HTP Senior Management Team (SMT - Heads of Service and team managers) to settle guidance so that the need for an EIA is assessed fully and, if needed, an EIA undertaken before a decision report is prepared.	30.06.22	30.11.22	Guidance in preparation (draft).

Observation: Equality Impact Assessment guidance

Corporate guidance in respect of the Equality Impact Assessment process for decision reports for executive decisions, including the assessment of whether an EIA is needed ('screening') is held on the Council's intranet; however HTP officers confirmed that it was not easily located and this has been corroborated through our testing. In addition the guidance does not reference how non-executive decisions requiring approval should be managed; for the HTP Directorate this would be for operational works that do not require an executive decision by the relevant Cabinet Member or Assistant Director (HTP)

Risk: Poor decision making and understanding in respect of the Equality Duty.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Assistant Director (HTP) to develop guidance on the implications of the Equality Duty for non-key decision-making.	30.06.22	30.11.22	Guidance in preparation (draft).

Information Governance, GDPR - Limited

Observation: Staff Refresher Training

Upon induction staff receive mandatory training on data protection, cyber security and protecting information. There is also mandatory refresher training on data protection and cyber security & GDPR. For the 2021/22 year only 78.7% of employees have undertaken data protection refresher training and 77.1% of employees have completed cyber security & GDPR refresher training.

Staff are reminded of their outstanding refresher training, and if it is still outstanding at the end of the completion period it is escalated to Directors for follow-up.

Risk: Data Protection breaches.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Non-compliance with mandatory training and induction to be reviewed in relation to HR policies on conduct and IT access policy and arrangements.	31.07.22	30.11.22	General update on training and induction underway as part of overall HR review. Will need to coordinate to align with other plans as part of that work. Reschedule for end of November 22.

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

Audit Review	Report Date	Opinion	Priority		Due Date	Revised Due Date
			Low	Medium		
Special Educational Needs	Oct 2020	Limited		1	31.12.20	31.12.21 31.01.22 31.01.23
School Traded Services	Mar 2021	Reasonable		1	30.06.21	31.11.21 30.09.22
S75 Governance	Apr 2021	Limited		1	30.06.21	31.03.22 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 31.12.22
				1	31.03.22	30.06.22 31.12.22
Home to School Transport	Nov 2021	Reasonable		1	31.12.21	30.09.22
WSFRS Fleet Management	Nov 2021	Reasonable		1	31.03.22	31.03.23
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
People Framework	Nov 2021	Reasonable		1	31.03.22	31.10.22
WSFRS Operational Training	Jan 2022	Limited		1	28.02.22	30.09.22
Firewatch	Jan 2022	Limited		1	31.03.22	01.04.23
IR35	Feb 22	Limited		1	28.02.22	30.09.22
				1	28.02.22	30.09.22
IT Assurance Mapping	Apr 22	Reasonable		1	30.06.22	TBC
				1	30.06.22	TBC

Audit Review	Report Date	Opinion	Priority		Due Date	Revised Due Date
			Low	Medium		
Information Governance – GDPR	May 22	Limited		1	31.07.22	30.11.22
Equality Impact Assessments	May 22	Limited		1	31.07.22	30.11.22
WSFRS Safe and Well Visits	Jul 22	Limited		1	31.07.22	TBC
Financial Resilience / Savings Realisations	Jul 22	Reasonable		1	31.07.22	TBC
Total			2	22		

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Report to Regulation Audit & Accounts Committee**22 September 2022****Internal Audit Plan 2022-23 (Q3)****Report by the 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 (Q3) (Appendix A).

Recommendations

- (1) That the Committee approve the Internal Audit Plan 2022-23 (Q3) 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)	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. 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.

Neil Pitman

Head of Southern Internal Audit Partnership

Contact Officer: Neil Pitman, neil.pitman@hants.gov.uk

Appendices

Appendix A – Internal Audit Plan 2022-23 (Q3)

Background papers

None

Southern Internal Audit Partnership

Assurance through excellence
and innovation

WEST SUSSEX COUNTY COUNCIL INTERNAL AUDIT PLAN 2022-23 (Q3)

Prepared by: **Neil Pitman, Head of Partnership**
August 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.

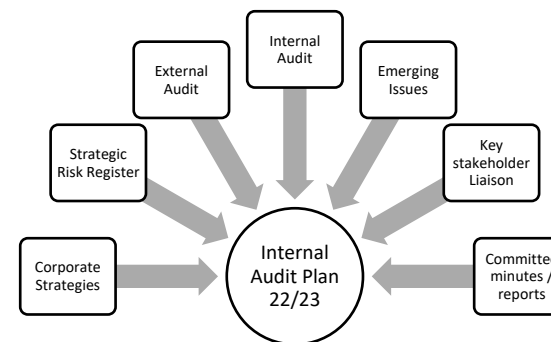
- **Keeping people safe from vulnerable situations**
- **A sustainable and prosperous economy**
- **Helping people and communities to fulfil their potential**
- **Making the best use of resources**

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 3.

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 (Q3)

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
Regulation of Investigatory Powers Act	DL&A	Review of the management function and oversight of the use of Covert Human Intelligent Sources (CHIS) powers.		Q3
Programme & Project Management	Corporate	To review approach and application of programme and project management across Council directorates.		Q3-Q4
Data Quality	Corporate	To determine key data requirements and provide assurance over the quality and completeness using data analytics to optimize coverage.		Q3-Q4
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
SEND Strategy	DCYP&L	To review progress and embeddedness of revised SEND strategy.		Q2
Homes for Ukraine	DPS	Compliance with guidance in the administration of the scheme, including governance, due diligence, process etc.		Q3
WSFRS – Overtime & TOIL	CFO	To review the process, recording, authorisation and accuracy of overtime and TOIL		Q3
WSFRS – Safe & Well – Follow Up	CFO	Follow up of the 21/22 audit review of safe and well visits		Q3

Audit Review	Directorate Sponsor	Potential Scope	Risk	Proposed Timing
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
SFVS	DE&S	Analysis and follow up of 2021/22 returns		Q3
Shaw Homes – Contract Management	DA&H	The contract is effectively managed and expected levels of service / outcomes are received.	CR58	Q2
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 – Advocacy - CQC	DA&H	Review areas to be determine following completion of assurance mapping to support pending CQC inspection(s).	CR58	Q3
Adults – Transitions - CQC	DA&H	Review areas to be determine following completion of assurance mapping to support pending CQC inspection(s).	CR58	Q3
Adults – Improvement Plan - CQC	DA&H	Review areas to be determine following completion of assurance mapping to support pending CQC inspection(s).	CR58	Q3
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

Audit Review	Directorate Sponsor	Potential Scope	Risk	Proposed Timing
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
CYP&L Practice Improvement Plan	DCYP&L	To review governance and implementation of a sample of workstreams within the revised practice improvement plan.		Q3
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
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.		Q3
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
Vulnerability Management	DF&SS	Assurance over the governance and approach to vulnerability management across the organisations IT infrastructure.	CR39a/b	Q3
Smartcore	DF&SS	Assurance over the governance and delivery of the Smartcore project.		Q3
IT Contingency	DF&SS	Reviews to be confirmed following completion of assurance mapping.	CR39a/b	Q3

Audit Review	Directorate Sponsor	Potential Scope	Risk	Proposed Timing
Payroll	HR&OD	Core system (include travel, overtime and enhancements)		Q2
Accounts Payable	DF&SS	Core System (plus reestablishment of in-house function)		Q3
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		Q3
Management and review				
				Q3

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	Interim 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	Tony Kirkham	Gavin Wright	Tony Kershaw