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1 March 2024

Regulation, Audit and Accounts Committee

A meeting of the Committee will be held at **10.30 am** on **Monday, 11 March 2024** at **County Hall North, Horsham, RH12 1XH**.

Tony Kershaw
Director of Law and Assurance

Agenda

Part I

1. **Declarations of Interest**

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

2. **Minutes of the last meeting of the Committee** (Pages 5 - 12)

   The Committee is asked to agree the minutes of the meeting held on 15 January 2024 (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. **Part II Matters**

   Members are asked to indicate at this stage if they wish the meeting to consider bringing into Part I any items on the Part II agenda

5. **External Audit - Value for Money** (Pages 13 - 54)

   The Committee is asked to consider the 2022/23 Value for Money Report from the External Auditor Ernst & Young (EY).

6. **External Audit - Audit Update** (Pages 55 - 72)

The Committee is asked to consider the Audit Update report from the External Auditor Ernst & Young (EY).

7. **Financial Statements - Plans and Progress (2023/24)** (Pages 73 - 120)

Report by the Director of Finance and Support Services.

The Committee is asked to note the project plans for the County Council and Pension Fund accounts and consider progress to date; and consider the draft accounting policies for both the County Council and Pension Fund accounts for 2023/24 and approve them for application in preparing this year's accounts. The Committee is also asked to delegate authority to the Chairman to approve any amendments needed to the County Council accounting policies, following the outcome of the anticipated CIPFA Code of Practice consultation.

8. **Review of Financial Regulations** (Pages 121 - 150)

Report by the Director of Finance and Support Services and Director of Law and Assurance.

The Committee is asked to review and approve the revised Financial Regulations.

9. **Internal Audit Progress Report** (Pages 151 - 178)

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

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

10. **Internal Audit Plan 2024/25 (Q1)** (Pages 179 - 188)

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

The Committee is asked to approve the Internal Audit Plan 2024-25 (Q1).

11. **Internal Audit Charter** (Pages 189 - 200)

Report by the Director of Finance and Support Services, and the Head of Southern Internal Audit Partnership.
The Committee is asked to approve the Internal Audit Charter 2024-25.

12. **Quarterly Review of Corporate Risk Management** (Pages 201 - 216)

Report by the Director of Finance and Support Services.

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

13. **Work Programme 2024/25** (Pages 217 - 222)

Programme by the Director of Law and Assurance.

The Committee is asked to agree the outline work programme for 2024/25 and agree any further priority items for addition to the programme.

14. **Date of Next Meeting**

The next meeting of the Committee will be held at 10.30 am on 8 July 2024 at County Hall, Chichester. Planned agenda items include:

- Annual review of the Risk Management Strategy
- Annual Internal Audit Report and Opinion
- Internal Audit Fraud Plan
- Standing Order Amendments

Part II

15. **Exclusion of Press and Public**

The Committee is asked to consider in respect of the following item whether the public, including the press, should be excluded from the meeting on the grounds of exemption under Part I of Schedule 12A of the Local Government Act 1972, as indicated below, and because, in all the circumstances of the case, the public interest in maintaining the exemption of that information outweighs the public interest in disclosing the information.

16. **Part II Minutes of the last meeting** (Pages 223 - 224)

To confirm the Part II minutes of the meeting of the Committee held on 15 January 2024, for members of the Committee only (yellow paper).

Exemption paragraphs:

2. - Information which is likely to reveal the identity of an individual.

3. - Information relating to financial and business affairs.

7. - Information relating to action taken for the prevention, investigation or prosecution of crime.

To all members of the Regulation, Audit and Accounts Committee

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Regulation, Audit and Accounts Committee

15 January 2024 – At a meeting of the Regulation, Audit and Accounts Committee held at 10.30 am at County Hall, Chichester, PO19 1RQ.

Present: Cllr Condie (Chairman)

Cllr Boram, Cllr Greenway, Cllr Kenyon (arrived at 10.40am.), Cllr Montyn, Cllr Wall and Mr Parfitt

Apologies were received from Cllr McKnight

Part I

27. Declarations of Interest

27.1 None

28. Minutes of the last meeting of the Committee

28.1 The Committee discussed and agreed an amendment to minute 22.2. The final sentence was to be removed, and the penultimate sentence should end with '…going concern basis'.

28.2 Resolved – That the minutes of the meeting of the Committee held on 1 December 2023, amended as above, be approved as a correct record and that they be signed by the Chairman.

29. External Audit Progress Update

29.1 The Committee considered the verbal update from the External Auditor Ernst & Young (EY).

29.2 Mr Mathers (EY) confirmed that the outstanding actions for the West Sussex Pension Fund that had been reported at the previous Committee meeting were now complete. There would not be an opinion issued until the County Council Financial Statements had been audited and completed.

29.3 Mr Mathers reported that EY were currently looking into the value for money considerations for the County Council and a report on this would come to the next Committee meeting. SmartCore had been flagged as a project for consideration and a more detailed look had been planned.

29.4 Mr Mathers talked on the broader situation of audit nationally, and reported that a reset had been proposed for the end of September to allow legislation to come into force. EY's focus remained unchanged, and would continue with the pre-2022/23 audits to clear the backlog and the VFM work.

29.5 The Committee made comments including those that follow.

- Sought clarity over the impact of the September reset. – Mr Mathers explained that audit was in an unprecedented situation due to backlogs that were impacting the whole sector. A reset had therefore been proposed to close any open audits.

- Commented on the reset plan, and requested that wording at the time should reflect that the action is not a result of the County Council's performance, but a requirement from the audit sector. – Mr Mathers confirmed that wording would be considered nearer the time. Mrs Eves, Director of Finance and Support Services, added that the reset plan had only been recently announced and the impact on the 2023/24 accounts would need to be understood. The Chairman requested that a programme for the reset should come to the next meeting. Mrs Eves added that the lack of announcement for the 2023/24 audit was currently making it difficult to plan works.

29.6 Resolved – That the Committee notes the update from EY.

30. Internal Audit Progress Report

30.1 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).

30.2 Mr Pitman, Head of Southern Internal Audit Partnership, introduced the report and highlighted that in respect of Joint Fire Control (JFC) the audit was not a review of the day-to-day operation of the Joint Fire Control as this is managed by Surrey County Council. The limited assurance reflects the fact that there is currently no independent assurance provided to WSFRS over the operation of the JFC including IT systems, business processes and business continuity and the fact that the collaboration agreement does not reference or include an assurance clause describing where other sources of assurance will be provided from and which elements it would cover

30.3 The Committee made comments including those that follow.

- Sought clarity on the progress of live reviews and how much chasing was required. – Mr Pitman confirmed that officers were very accepting of Internal Audit management actions, particularly on high level actions. Mr Pitman had reasonable confidence that all high level actions would be concluded by the end of March.
- Noted that no actions had been completed for the Schools Thematic review. – Mr Pitman explained that the actions had been delayed to align with the Department for Education's Delivering Better Value programme. Progress was expected by the end of January. Mrs Eves confirmed that directors were encouraged to take ownership of actions and that they considered the report ahead of committee consideration. Work was also being done to raise the profile of lower risk actions to ensure they were not missed.
- Commented that work was needed to align works with the risk register and reflect on the impact of mitigations when dates were changed. – Mrs Eves confirmed that it was important for the organisation to talk about risk and audit and make appropriate challenges to practices. Mr Pitman worked with all directors to understand risks and their impact.
- Noted the slippage on the SmartCore actions. – Mrs Eves noted that the contract with DXC had ended in September 2023 and since

then officers had been working to update the business case, noting that requirements had changed since its initial inception in 2019. There was not a system implementor currently in place. Work was being done to reflect on the whole project and look at lessons learned. Officers were talking to other local authorities who use Oracle. An agenda item was scheduled for the March meeting of the Performance and Finance Scrutiny Committee (PFSC) to consider the project. Cllr Montyn, Chairman of PFSC, thanks Mrs Eves for the update and confirmed that PFSC was closely monitoring the project. PFSC would be seeking sufficient reassurance on the progress of the project and a thorough update of all key elements. Mrs Eves confirmed that officers were working on preparing for PFSC, and gave assurance that the project was now on the Finance and Support Services, and Human Resources risk registers. Consideration is being given to whether the project should be added to the Corporate risk register.

- Sought clarity over the data cleansing exercise. – Mrs Eves confirmed that officers were working to improve the robustness of data as there were 20 years of SAP data that needed to be in a format compatible with Oracle.
- Queried if the issues with implementation were linked to IT, or were more generic issues. – Mrs Eves confirmed that the issues were not just IT related, and that the implementation required changes to business processes to ensure the system is 'adopted'. The committee added that it would be important to consider the whole project when it was completed to learn further lessons and consider any issues with governance arrangements. Mrs Eves confirmed that lessons were continually being learned, and that Internal Audit would be engaged over the next period.
- Commented that there could be wider learning required for future procurements and project management. – Mrs Eves agreed that will be considered for future procurements.
- The committee welcomed the update and encouraged future consideration at a meeting and also at PFSC. – Mrs Eves resolved to ensure that SmartCore would come to the relevant meetings, subject to adhering to each committee's remit.
- Sought clarity over the joint fire control actions. – Mr Pitman explained that the actions resolved to clarify the collaboration agreement.
- Raised concerns on the gaps identified for highways depots and wondered if it reflected wider issues with the whole organisation. – Mr Pitman was unable to comment on the whole organisation as the focus had been specifically on the highways depots. Health and safety should be considered across the whole organisation and so a corporate approach to this could be considered next financial year. Mr Pitman proposed inviting a senior officer to attend a committee meeting to give context to the review. The committee agreed this and proposed that a focus of health and safety for high risk areas should be added to quarter 4 plans.
- Sought clarity over the action dates for the children's care placements actions. – Mr Pitman resolved to seek clarity from the Director of Children, Young People and Learning.
- Queried the delay in finalising two draft reports in the rolling work programme. – Mr Pitman confirmed that the Parkside Accounts

review had been escalated to managers and resolved to provide an update of progress of the contract management review to the committee.
- Noted several issues for Fire and Rescue on the dashboard. – Mr Pitman explained that the service had raised issues with Internal Audit, which was to be welcomed. Issues were coming from the reviews. Cllr Boram, Chairman of the Fire & Rescue Service Scrutiny Committee, resolved to pick up the issues at a scrutiny meeting.
- Raised concerns on the timeliness of adults financial assessments and that different departments were involved in the work. – Mrs Eves confirmed that she was responsible for the assessments and was trying to ensure appropriate joint working was in place. The backlog was also being addressed to improve timescales. Assessment performance had improved, and work was also being done to improve the whole process.

30.4 The Committee noted there was an exempt appendix and agreed to have a separate discussion within the Part II section of meeting to consider it.

30.5 Resolved – That the Committee notes the Internal Audit Progress Report and requests attendance from a senior Highways officer to discuss the depot review on Health and Safety.

31. Internal Audit Plan 2023/24 (Q4)

31.1 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).

31.2 Mr Pitman introduced the report which outlined the audit plan for quarter four. The plan which is built on the previous plan would work on improving key performance indicators to add value with early interventions.

31.3 The Committee made comments including those that follow.

- Queried how the health and safety concerns that had been discussed at the previous agenda item could be incorporated. – Mr Pitman agreed that the health and safety scope could be added. If there were issues with scheduling, the committee would be informed.
- Asked if the outcomes of the capital programme governance would come to a meeting. – Mr Pitman confirmed that it would be included within regular progress reports.

31.4 Resolved – That the Committee approves the Internal Audit Plan 2023-24 (Q4), subject to the inclusion of the Health and Safety review.

32. Treasury Management Compliance Report - Third Quarter 2023/24

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

32.2 Mrs Chuter, Financial Reporting Manager, introduced the report and informed the Committee that there had been no breaches to treasury management or exposure limits for the quarter.

32.3 The Committee made comments including those that follow.

- Queried the duration of the holdings for UK local authorities. – Mrs Chuter confirmed that that, following the discussion at a previous committee meeting, this would be changed from February onwards from 20 years to 5 years, once the Treasury Management Strategy 2024/25 was approved at County Council.
- Asked what happened when investments matured. – Mrs Chuter explained that the cashflow model considered all requirements, including payroll, supplier payments, key income streams, etc. Following this the horizon was monitored and reinvestments could be made if there were appropriate opportunities.

32.4 Resolved – That the report be noted.

33. Annual Governance Statement Action Plan Update 2022/23

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

33.2 Mr Gauntlett, Senior Advisor – Democratic Services, introduced the report and informed the Committee that the 2022/23 draft had been considered at the July meeting. The final version would be approved alongside the County Council Financial Statements in due course. The report for consideration provided an update on action plans.

33.3 Mrs Eves informed the committee that there were missing recommendations from the report, and resolved to add these to the minutes from the meeting (copy appended to the signed minutes).

33.4 The Committee queried how the action plan was created. – Mr Gauntlett explained that the Annual Governance Statement reflected the principles set out in the CIPFA Framework: Delivering Good Governance in Local Government, and ensured appropriate governance arrangements were in place. The Executive Leadership Team (ELT) put the Statement together, bringing in comments from the committee. The Statement was checked against CIPFA principles and ELT took ownership of the document, and the actions that would keep the Statement aligning with the Council Plan.

33.5 Resolved – That the report be noted.

34. Standing Order amendments - Provider Selection Regime

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

34.2 Mr Kershaw, Director of Law and Assurance, introduced the report and informed the Committee that the constitution required amending in line with a change in procurement legislation. The changes referred to National Health Service procurement and would look to relax rules on competitive tender processes. The Committee were asked to endorse the changes to standing orders to reflect the new legislation; and also changes that tidied related elements of the constitution.

34.3 The Committee made comments including those that follow.

- Welcomed the changes that would add flexibility to procurements that would allow the required pace to reflect the changing market.
- Proposed an amendment to section 19.7 to reflect the scenario were termination periods could be shorter that proposed in the text. – Mr Kershaw resolved to consider the proposal and would report back to the committee.
- The Chairman proposed that the changes should be monitored after implementation. – Mr Kershaw proposed adding this to the Internal Audit plan.

34.4 Resolved – That the committee endorses the proposed changes to Standing Orders on Procurement and Contracts for approval at a County Council meeting to enable the Council to utilise the processes as set out in the PSR when procuring contracts for health care services.

35. Date of Next Meeting

35.1 The Committee noted that its next scheduled meeting would be held at 10.30 am on 11 March 2024 at County Hall North, Horsham.

36. Exclusion of Press and Public

Resolved - That under Section 100(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Part I, of Schedule 12A, of the Act by virtue of the paragraph specified under the item and that, in all the circumstances of the case, the public interest in maintaining the exemption of that information outweighs the public interest in disclosing the information.

37. Internal Audit Progress Report - Exempt Appendix

The Committee considered the exempt appendix and noted its contents.

The meeting ended at 12.20 pm

Chairman

Regulation, Audit and Accounts Committee – 15 January 2023

Minute Appendix

Annual Governance Statement Action Plan Update 2022/23

The following recommendations from the 2021/22 audit were excluded from the despatched papers but are included here for completeness:

Principle F – Implement the control recommendations arising from the 2021/22 external audit

Recommendation 7 - fully reconcile schools bank balances accounted for by the Council in 2022/23 – **a complete reconciliation was produced for 2022/23 and this has identified a small number of trivial discrepancies which are being investigated**.

Auditors Annual Report Recommendations

Recommendation 1 - Formally update the Council's leavers policy to contain a requirement for related party declarations to be obtained for all senior officers as part of standard arrangements. This partially repeats a recommendation raised as part of our 2020/21 Auditor's Annual Report – **implemented for the 2022/23 accounts.**

Recommendation 2 - Ensure full implementation of the management action plan agreed as part of the 2021/22 Internal Audit HR Policy Compliance review – **the actions around termination payments have been completed. There are three outstanding actions from the internal audit report relating to relocation expenses and the review of the policy. Work is ongoing and Internal Audit have been updated and a revised completion date set for 31 January.**

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West Sussex County Council

Value for Money report

Year ended 31 March 2023

February 2024 - Draft

29 February 2024

Dear Governance Committee Members

2022/23 Value for Money Report

We are pleased to attach our interim Value for Money report for West Sussex County Council. The report summarises the findings from our 2022/23 value for money work and to date in 2023/24. The report sets out the risks identified and the findings from our detailed assessment including a commentary on the three reporting criteria and a summary of the arrangements in place.

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 Regulation, Audit and Accounts Committee meeting on 11 March 2024.

Yours faithfully

Ben Lazarus

Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

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

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Agenda Item 5

01 Executive Summary

Executive Summary

Purpose

The purpose of the report is to set out the Value for Money (VFM) work undertaken for the 2022/23 financial year and to date in 2023/24. The report aims to draw to the attention of the Council, or the wider public, relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

We are required to report on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in it use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03).

The report sets out the following areas which have been assessed up to the point of issuing this interim report to the Regulation, Audit and Accounts Committee:

- Risks of significant weakness and procedures planned to mitigate these
- Findings of our work against the three value for money reporting criteria and the sub-criteria
- Summary of arrangements in place over the period covered by this report.

We expect to issue our final 2022/23 audit report later in the calendar year. We do not expect our VFM narrative commentary, findings and proposed reporting to change from this interim findings report.

We will summarise our final view of the value for money arrangements as part of the Auditor's Annual Report, once the audit report has been issued for 2022/23.

Executive Summary (continued)

Risks of Significant Weakness

Our value for money procedures are based on the judgements reached from a combination of:

- our cumulative audit knowledge and experience;
- our review of Council committee reports;
- meetings with the Director of Finance and Support Services and other finance officers; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

We identified a risk of significant weakness in relation to the Council's arrangements over the SmartCore programme for replacement of the Council's Finance, HR and Procurement systems as part of our risk assessment procedures. We consider that the risk did manifest a weakness which was evident across he Council's arrangements for governance and improving economy, efficiency and effectiveness. We consider this in more detail in Section 02 of this report.

Executive Summary (continued)

Reporting

Our commentary for 2022/23 and is set out over pages 9 to 16. The commentary on these pages summarises our conclusions over the arrangements at the Council in relation to our reporting criteria (see table below) throughout 2022/23 and 2023/24 to date.

We include within the VFM commentary below the associated recommendations we have agreed with the Council.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2021/22 Annual Auditors Report and have been updated for 2022/23.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No risk of significant weakness in arrangements identified in 2022/23 and 2023/24	No significant weakness identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	Risk of significant weakness in arrangements identified in 2022/23 and 2023/24	Significant weakness identified for the 2022/23 year
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	Risk of significant weakness in arrangements identified in 2022/23 and 2023/24	Significant weakness identified for the 2022/23 year

Executive Summary (continued)

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, 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 2022 to the date of this report which we consider may reasonably be thought to bear on our independence and objectivity.

02 Value for Money Commentary

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Agenda Item 5

Value for Money Commentary (continued)

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

Financial Performance

Net revenue expenditure for 2022/23 on portfolio budgets was £648.9 million, representing a £10.5 million overspend. This was largely due to an overspend within the Children and Young People and Learning & Skills portfolios, offset by underspending within the Environment and Climate Change Portfolio. The overspend on portfolio budgets was partially offset by additional income from Investments as a result of in-year rises in interest rates and additional income from the Business Rates Levy. Additionally, funds were drawn from the Contingency Budget established at the start of the year to assist with unplanned in-year pressures. The residual overspend balance of £0.2 million was funded from the Inflation Contingency Reserve. Full year outturn capital spending for 2022/23 was £124.7 million which was £11.7 million greater than the revised budget of £113 million.

Financial Position

Total Usable Reserves decreased by £1.3 million due to a decrease in Schools Balances offset by increases in Earmarked Reserves, Capital Grants Unapplied and the Capital Receipts Reserve. The balance of the Council's General Fund remained unchanged at £20.3 million. Included in Earmarked Reserves is the creation of Social Care Pressures (Adults and Children) Reserve where £5 million was transferred from residual balances of 2022/23 Services and Social Care Support Grants which were not applied to finance commitments in the approved budget. This is important given the financial challenges faced by the Council in future years. The Dedicated Schools Grant (DSG) position remains a key concern for the County Council with an overspend of £16.9 million in 2022/23, increasing the reserve deficit balance to £41.9 million as at 31 March 2023. This is currently ring-fenced and has no direct impact on the General Fund balance. Increasing costs in related service areas such as home to school transport and managing Education Health and Care Plans, and the shortfall in related funding from DSG, is however reducing the level of available cash the Council is able to invest and make a return from. This does have an adverse impact on the Council's General Fund balance, with the related loss of investment income forecast to be £5.7 million by 2024/25.

Budgets and Medium-Term Financial Strategy (MTFS)

The budget for 2022/23 was approved in February 2022 by the County Council. The Council were able to produce a balanced budget for the financial year in-line with statutory duties, however the MTFS published alongside the budget identified a cumulative budget gap to 2025/26 of £63.4 million before any planned savings. An updated MTFS was presented to the Cabinet in January 2023 and County Council in March 2023. A balanced budget has been set for 2023/24 without planned use of reserves, however £9.6 million of proposed savings needed to achieved to deliver this. From 2024/25 onwards the Council forecast significant deficit positions, with the total accumulated deficit over the medium term totalling £104.1 million, after proposed savings of £17.8 million. At the time the MTFS was produced pay and price inflation was a significant budgetary pressure and that has extended through into the 2023/24 financial year. Uncertainty over the future levels of funding from Government, the continued application of the DSG statutory override and adult social care reform are all recognised as risks to the Council's

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

financial position over the medium term. The Council has been clear on these risks, which are common with financial pressures at a large number of upper-tier authorities, and associated measures to seek to mitigate them in both its internal financial reporting and external communications with relevant stakeholders where it has lobbied for changes in funding arrangements.

We set out our full narrative commentary on the Council's arrangements for financial sustainability in Section 03 of this report.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

Significant weakness identified

The Council continues to maintain adequate arrangements to monitor and gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud and corruption. This is supported by the findings of internal audit work in the year, with the Head of Internal Audit concluding for 2022/23 that the Council's framework of governance, risk management and control is reasonable. It has also continued to make good progress in securing improvements to address weaknesses highlighted by service inspections of Children's Services and the Fire & Rescue Service in previous years. The Care Quality Commission were intending to perform a review of adult social care services across all local authorities from September 2023, however this has been pushed back into 2024. In preparation, the Council prepared a self-assessment using the CQC's draft assurance framework. The resulting assessment and associated adult social care improvement plan provide the Council with clear, specific areas for further improvements to made to improve their overall services. There are well established governance arrangements, policies and procedures in place to ensure compliance with legislative and regulatory requirements and routine monitoring of adherence to those standards. We are also satisfied that reasonable progress is being made to address and rectify issues arising from the reported breach of Teachers' Pension Regulations that we have considered as part of our VFM responsibilities in previous years.

We set out our full narrative commentary on the Council's arrangements for governance in Section 03 of this report

Impact of SmartCore on our assessment of the Council's Governance arrangements

1. Background and timeline of issues and events

Up to 2021/22

The Council has used SAP as its Finance, HR and Procurement system since 2001. However, it determined that the system was no longer fit for purpose and in November 2019 a decision was taken to approve the commencement of a procurement system for services to deliver a replacement business management system from SAP to Oracle Fusion. This project was known as 'SmartCore', with the programme intended to provide the opportunity to take advantage of potential business benefits from the change. In June 2020 a contract was awarded to Entserv UK Limited (trading as DXC) to be the Council's contractor for the transition. In December 2020 an external consultancy firm, Socitm, performed a 'Health Check' of the project. This recommended a re-set of the programme was needed at that point in time, with an employee of Socitm hired to be the new Project Manager.

Following delays in programme delivery, internal audit performed an initial review of SmartCore programme governance which was reported in September 2021. The review identified the following issues:

- A fully resourced and costed plan to enable delivery of the programme was not in place.
- During the internal audit review the Senior Responsible Officer (SRO) stepped down from the role with responsibilities assumed by the Executive Co-Sponsors. As a result there was a risk of dilution in the governance of the project and potential conflict of interest if the Executive Co-Sponsors were simultaneously carrying out the SRO responsibilities.

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

Significant weakness identified

Impact of SmartCore on our assessment of the Council's Governance arrangements (cont'd)

- The Finance and Support Services risk register had a risk relating to the SmartCore programme that "there is a risk of the project not being completed by December 2021". The risk was given a score of 15 and consequently was not escalated to the corporate risk register.
- The programme risk register had a number of risks that had not been reviewed and updated for a number of months.
- The audit trail of decisions taken and actions needed contained only one decision made by the Programme Board and no decisions made by the Delivery Board. In addition, there were numerous open actions that did not have an expected completion date.
- There was no evidence of formal escalation to the Council's Executive Leadership Team (ELT) and/or members alerting them to delays in the programme at that point in time and the actions proposed to address the delay.
- Budget forecasting was likely to be inaccurate.

Following this an update on progress of the programme was produced by senior management and presented to ELT. This confirmed risks around adherence to the programme timeline, resourcing of the project, the level of organisational change needed for successful implementation of Oracle and continuing cost pressures against budget.

2022/23

A number of business design and delivery requirements for the programme led to changes in the contractual position intended to ensure a successful implementation. This resulted in additional changes in the implementation plan and delays to the original timetable for the project. This was communicated to members in June 2022 and a variation to the contract with DXC was agreed in July 2022. A further 'Health Check' was commissioned by a new independent consultant in July 2022. Although the resulting report noted that the programme was "in its strongest position yet", a number of key areas of recommended focus were identified to address similar weaknesses in programme management already identified by the 2021/22 Internal Audit Report.

Following discussions with DXC it was agreed that work would be paused in November 2022. In March 2023 a Suspension Agreement was approved by both WSCC and DXC so that a rectification plan could be put in place following the significant deviation from the original project timeline at this stage. This led to further and more intense work by the Council with DXC to test whether the programme could be brought back on track in terms of timing and budget. Internal audit was commissioned to undertake a further detailed review of SmartCore programme governance as part of its 2022/23 programme of work. This continued to identify a number of significant issues, specifically:

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

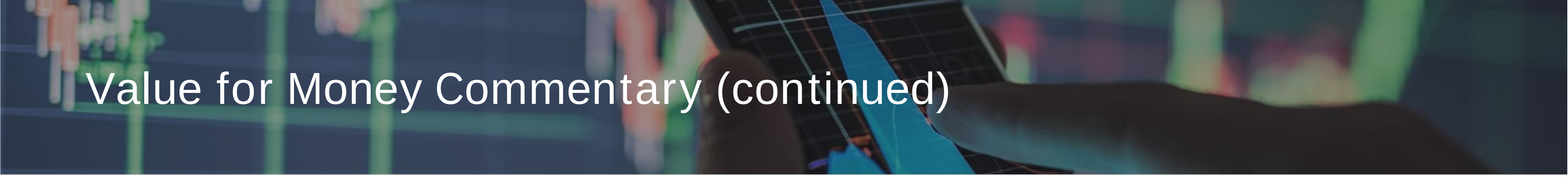
Significant weakness identified

Impact of SmartCore on our assessment of the Council's Governance arrangements (cont'd)

- Despite the further significant delay to the programme, with completion considered to be unlikely until 2024, there was no publicly available evidence of this delay being formally reported to members. The last formal report on progress to members was in September 2022 when they were advised that the programme was on course to meet the new delivery date of April 2023. There was no reporting of the delay to the subsequent Performance and Finance Scrutiny Committee meetings held in January and March 2023 despite the programme having been paused in November 2022. In raising this observation we note that ongoing discussions with DXC were commercially sensitive in nature making public updates to the Committee more difficult.
- As of April 2023, there remained no fully-costed and resourced plan in place to enable delivery of the programme to completion. Internal audit were advised that this was due to the pausing of the programme as a result of the commercial discussions with DXC and the data migration issues being experienced.
- Despite the corporate significance of the project, review of risk registers found that there is no risk relating to the SmartCore Programme recorded on the Corporate Risk Register and no open risks included on the Finance and Support Services risk register.
- There was a significant gap in formalised governance arrangements between the standing down of the governance boards in December 2022 and the approval of the Sponsors' meetings terms of reference in April 2023. In addition, despite the requirement for decisions made at the Sponsors' meetings to be recorded within the decision log and the log to be reviewed at each weekly meeting, no decisions had been documented since November 2022.
- Despite significant delays to the completion of the programme resultant implications had not been raised at the Performance and Finance Scrutiny Committee meetings held in January and March 2023 even though the programme had been paused in November 2022.

We do note, however, that there remained significant activity during this period to seek to address the issues experienced in transitioning to the new system, delays and breakdown in relationship with DXC. Specifically:

- Meetings in September 2022 of the Smartcore Commercial Board and Programme Board involving the Council, DXC and Oracle leading to the amendments of the budget for the Programme reported to the September meeting of the Performance and Finance Scrutiny Committee.
- Work to produce and consider the letter of rectification and rectification plan with DXC from October to December 2022. A summary of developments during this period were communicated to members by email in December 2022. Based on discussions with officers we also understand the Leader, Lead Member and Chief Executive were also regularly updated during this period.
- A meeting with DXC in January 2023 resulting in a short formal pause on work by DXC to enable both it and the Council to reflect on the current position and consider options.
- Further briefing meetings between senior officers and members in February 2023, a verbal update on progress to members of the Performance and Finance Scrutiny Committee and notification to Full Council that the Go Live date had been postponed.



Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

Significant weakness identified

Impact of SmartCore on our assessment of the Council's Governance arrangements (cont'd)

- The appointment of a new Programme Director in March 2023 and issue of a Memorandum of Understanding to DXC to advise of a project standstill period.

2023/24

Following consideration of the continued issues identified by internal audit, the commercial discussions between the Council and DXC resulted in a mutual termination of the contract with DXC with resources and services provided being paid for. The relationship between the two parties officially ended on 1 September 2023, with this decision and the basis for it being promptly communicated to members. Updates on developments and proposals on options were provided on a regular basis throughout the year. Briefings were given to Cabinet in May, July and December 2023 , the Performance and Finance Scrutiny Committee in June 2023, the Executive Leadership Team in August 2023 and all members in September 2023.

A 'Lessons Learned' workshop was held later in September to help identify areas of improvement prior to revision of the business case and procurement of a new contractor with key themes identified, including managing change, communication, governance and resourcing, and associated recommendations agreed to address these issues going forward. PwC were also subsequently engaged to determine whether Oracle remains the best option of delivering the Council's requirements. The resulting report from PwC concludes that overall there is a high-degree of 'fit' between the council's business requirements and the Oracle fusion product. The Council has an established a 'Business Readiness Group' (BRG) for SmartCore, with the terms of reference and role of that group recently being reviewed. The Group has the primary objectives of:

- Ensuring all key identified stakeholders are being actively engaged in the programme and have a forum for raising issues.
- Informing on significant business readiness decisions impacting the implementation.
- Measuring and tracking progress against business readiness plans and checklists.
- Resolving business readiness questions as required.

2. Impact on the Council's governance arrangements for 2022/23

We have considered the impact of weaknesses in SmartCore programme management on the Council's arrangements for Governance and have concluded they are indicative weaknesses in arrangements for the following VFM reporting sub-criteria:

VFM sub-criteria: How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Internal Audit governance review from August 2023 found that no risks related to SmartCore on the Corporate Risk Register, although this is a significant project and implementation that could potentially impact delivery and business continuity across the Council. The Finance and Support Services Risk Register did contain a risk relating to SmartCore, but this was closed in 2022 meaning there were no risks relating to the programme on the register as at the time of the internal audit review.

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

Significant weakness identified

Impact of SmartCore on our assessment of the Council's Governance arrangements (cont'd)

Internal Audit concluded these omissions created a risk that senior management and/or members would not be aware of the risks to the programme and the mitigations required in order for the programme to be successfully implemented. Given the current status of SmartCore with the contract termination in September 2023, and the operational and strategic significance of the project to the Council, this should have been considered of sufficient importance that a risk was included in the corporate risk register. Inclusion of a risk would have allowed for greater awareness of the issues across senior officers and members, the need to formulate mitigating actions and better governance.

We have concluded this is indicative of a significant weaknesses in the Council's risk management arrangements in the 2022/23 year.

VFM sub-criteria: How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

Issues on SmartCore programme management were discussed at the following meetings during the 2022/23 year.

- Performance and Finance Scrutiny Committee in July 2022 – Plans for the variation of the contract with DXC were discussed and approved.
- Performance and Finance Scrutiny Committee in September 2022 – A report was presented to the committee. A summary of the responses to the committee members' questions and comments included the following:
    - The project was on course to meet the new delivery date of April 2023.
    - Updates to the system were planned in November 2022 and February 2023 and testing of these has been factored into the programme.
    - Checkpoints had been built into the programme to allow for data quality checks.
    - The contingency of budget £1.25 million was a realistic amount and costs would be monitored closely as the project progressed.

The Performance and Scrutiny Committee held further meetings in November 2022, January 2023 and March 2023 but SmartCore was not listed as a discussion point from the minutes. From November 2022 the project was paused, and therefore the planned system updates were not implemented. This was a known delay to the project timetable but was not formally communicated to the committee.

We have therefore concluded that limited nature of publicly available reporting to the Performance Finance Scrutiny committee did not allow for adequate, timely and transparent challenge of the issues arising in delivery of the SmartCore programme in the period. In raising this observation we note that ongoing discussions with DXC were commercially sensitive in nature making public updates to the Committee more difficult.

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

Significant weakness identified

Impact of SmartCore on our assessment of the Council's Governance arrangements (cont'd)

In raising these observations we also note the necessary work done by the Council in 2022/23 to seek to address the issues experienced in transitioning to the new system, delays and ongoing delivery challenges with DXC, and then the briefings with stakeholders, including Council members, that were given outside of the public domain in 2023/24. We also note the further work done into 2023/24 to learn lessons and devise stronger governance arrangements for the project going forward.

We set out our full narrative commentary on the Council's arrangements for governance in Section 03 of this report.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to ensure that it makes informed decisions and properly manages its risks except for the VFM sub-criteria set out above.

Recommendation 1

Build on the good work already done in 2023/24 to improve the governance arrangements for the re-launched project. Delivering against the objectives of the Business Readiness Group will be a key-part of this, but reporting of progress and risks should be clear and consistent across all relevant committees and the Council's established corporate risk management arrangements. This is important given both the significance of the project to the operations of the Council and the difficulties experienced in seeking to manage the transition to date. This will require clear direction, and challenge where necessary, from both senior officers and members. In addition to strengthening risk management, successful re-launch of the project will also need engagement with all services on business readiness and strengthening of the overall governance framework and decision making through the project Steering Group.

Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

Significant weakness identified

Service performance against Council priorities is considered regularly throughout the year through its performance dashboard, which is made publicly available on the Council website, and forms part of quarterly Performance and Resources Report which show a complete picture of both business and financial performance. Actual performance in 2022/23 judged against the Council's priorities was positive overall and broadly consistent with the previous year. Good progress also continues to be made in improving service performance in Children's Services.

The joint arrangement with East Sussex County Council effective from January 2020 has bolstered leadership capacity and continues to bring more stability to the Council's senior leadership which, as highlighted by the results of previous external service inspections, had been lacking. Progress was also made on further developing and operationalising the Council's property development joint venture and bringing back in-house, or in limited situations re-procuring, a number of support service functions previously externally provided by Capita under contractual arrangements with the Council.

We set out our full narrative commentary on the Council's arrangements for improving economy, efficiency and effectiveness in Section 03 of this report.

Impact of SmartCore on our assessment of the Council's arrangements for improving economy, efficiency and effectiveness

A summary of the background and timeline of issue and events relating to the SmartCore programme has previously been set out as part of our consideration of the Council's governance arrangements in Section 02 of this report.

We have considered the impact of weaknesses in SmartCore programme management on the Council's arrangements for improving economy, efficiency and effectiveness and have concluded they are indicative weaknesses in arrangements for the following VFM reporting sub-criterion:

VFM sub-criteria: Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

We consider the following points to be relevant to our 2022/23 reporting judgment:

- The Council took the decision to procure a new Finance, HR and Procurement system at the end of 2019. At the reporting date of 31/3/23 the system was not yet implemented with the Council still needing to gain assurance the Oracle system was capable of fully delivering the Council's business requirements.
- The contract with DXC, which commenced in December 2020, was terminated by mutual agreement in September 2023 and is now needing to be re-launched. Expenditure on the project at the end of October 2023 totalled approximately £13 million.

Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

Significant weakness identified

Impact of SmartCore on our assessment of the Council's arrangements for improving economy, efficiency and effectiveness (cont'd)

Given the operational and strategic significance of the project to the Council we have concluded that this demonstrates a clear weakness in the Council's programme management arrangements. The Council did not have adequate arrangements in the 2022/23 year to provide assurance that both the system itself, and then the contractual arrangements with DXC to manage the transition, were delivering the expected benefits.

In reaching this conclusion we recognise that work has now been done in 2023/24 by the Council, as part of its work to revise the business case for the project, to determine the value derived from the expenditure incurred to date. It is clear that a number of deliverables including the purchase of software licences and development of strategy documents, configuration workbooks and associated designs, functional and technical specifications, arrangements for mapping and migrating data, governance structures and business planning will all continue to have some value as the project is re-launched. Hence, whilst we acknowledge there may not be a material "obsolescence" relating to the £13 million spent, we also have to acknowledge the level of senior staff engagement on this project to date which, if utilised more productively, could have then been directed to other important Council matters.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to use information about its costs and performance to improve the way it manages and delivers its services except for the VFM sub-criteria set out above.

Recommendation 2

Continue to build on the good work already done in 2023/24 to date and the learn lessons from the SmartCore project to date as part of the process to revise the business case and procure a new implementation partner or partners. In doing this also seek to maximise value from the expenditure incurred to date. Clearly establish revised programme and budget management arrangements for the project sufficient to gain comfort that both timetables and budgets for delivery are both realistic and adhered to.

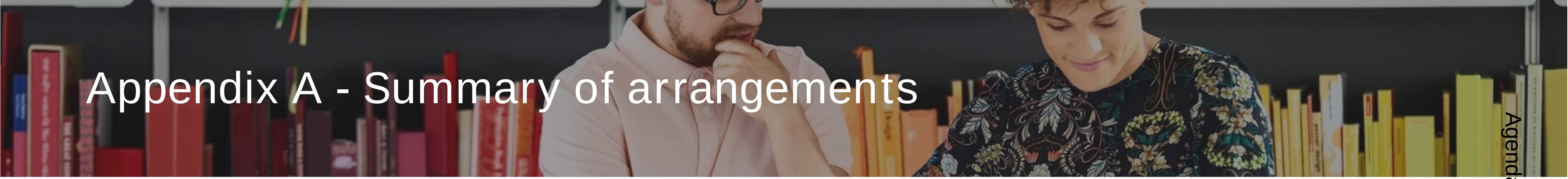
03 Appendices

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23

Reporting Sub-Criteria	Findings
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	*Budget Setting* The Council sets a balanced revenue budget annually. The budget supports delivery of the Council's key priorities, which for 2022/23 were set out in the Council Plan 2021-2025. The budget is therefore used to ensure financial resources are aligned to areas where the Council believes it will secure the greatest benefit to residents of West Sussex and the County as a whole. The annual budget is then linked to the medium-term aspirations of the Council through its medium-term financial strategy (MTFS), which considers a four year forward view, and its capital programme which extends forward for 5 years. An MTFS extending through to the 2026/27 financial year was approved by Cabinet in October 2022. Council members are fully engaged in this process, including a briefing on the MTFS including options for managing pressures and savings followed by further review by scrutiny committees. The budget considers known and expected demand and cost pressures and known and expected changes in funding. The wider financial environment has become increasingly challenging for local government in recent years and the Council has needed to operate against a backdrop of reduced funding from traditional sources and increased demand for services. This has meant that difficult choices have needed to be made and rises in council tax have been necessary. In making these choices the Council seeks to focus on the areas it believes will make the biggest difference to people in West Sussex. An annual programme of savings is needed to balance the budget, with decisions on significant savings proposals taken by the Cabinet. *Financial Outturn* The financial outturn position for the financial year is reported to the Cabinet through the Performance and Resources Report (PRR) in Quarter 4. Net revenue expenditure for 2022/23 on portfolio budgets was £648.9 million, representing a £10.5 million overspend. This was largely due to overspending within the Children and Young People and Learning & Skills portfolios, offset by underspending within the Environment and Climate Change Portfolio. The overspend on portfolio budgets was partially offset by additional income from Investments as a result of in-year rises in the Bank of England interest rates and additional income from the Business Rates Levy. Additionally, funds were drawn from the Contingency Budget established at the start of the year to assist with unplanned in-year pressures. The residual overspend balance of £0.2million was funded from the Inflation Contingency Reserve, also created during 2022/23 following a decision made from the presentation of the 2021/22 outturn report.



Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23

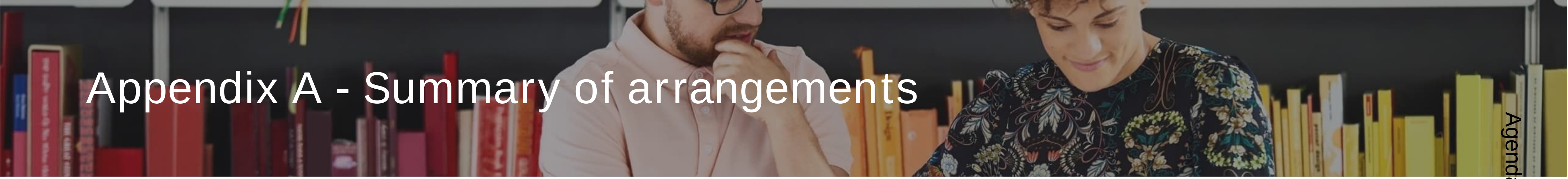
Reporting Sub-Criteria	Findings
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them (cont'd)	*Financial Outturn (cont'd)* Full year outturn capital spending for 2022/23 was £124.7 million. This was £11.7 million greater than the revised budget of £113 million, which was largely due to additional spending in the Community Support, Fire and Rescue portfolio from acceleration of the Live Training Centre and Horsham Fire Station project where works continue to progress quicker than anticipated. Inflationary pressures impacted the Council's Capital Programme during the year, however the impact was mitigated through the inclusion of a contingency or inflation provision included within individual project budgets. Total Usable Reserves decreased by £1.3 million due to a decrease in Schools Balances offset by increases in Earmarked Reserves, Capital Grants Unapplied and the Capital Receipts Reserve. The balance of the General Fund remained unchanged at £20.3 million. Included in Earmarked Reserves was the creation of Social Care Pressures (Adults and Children) Reserve where £5 million was transferred from residual balances of 2022/23 Services and Social Care Support Grants which were not applied to finance commitments in the approved budget. In line with many other upper tier authorities the Dedicated Schools Grant (DSG) position remains a key concern for the County Council with an overspend of £16.9 million in 2022/23, increasing the reserve deficit balance to £41.9 million as at 31 March 2023. This is currently ring-fenced and has no impact on the General Fund balance. Increasing costs in related service areas such as home to school transport and managing Education Health and Care Plans, and the shortfall in related funding from DSG, is however reducing the level of available cash the Council is able to invest and make a return from. This does have an adverse impact on the Council's General Fund balance, with the related loss of investment income forecast to be £5.7 million by 2024/25.
How the body plans to bridge its funding gaps and identifies achievable savings	In preparation for the annual budget process the Council's Financial Strategy and the 5 year Financial Model, including the key financial principles are reviewed. This is in order to take account of financial pressures, saving plans and the key assumptions being used for future years' forecasts. Both a bottom-up and top-down approach is taken to budget setting. In late spring/early summer the published MTFS, as approved by the Council in February, is revised to reflect: • The latest guidance from government on core funding. • An update of the tax base for council tax and business rates, with realignment to the latest information from the district and boroughs. • The latest Office of Budget Responsibility inflation forecasts.

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23

Reporting Sub-Criteria	Findings
How the body plans to bridge its funding gaps and identifies achievable savings (cont'd)	Known and emerging service pressures and savings proposals are considered and quantified as part of this and are required to be supported by directorate templates, including impact assessments. Other savings are driven by strategic decisions that are taken at Cabinet level. Following this initial appraisal, funding sources, service pressures and savings are kept under continual review. In late November/early December, control totals are generated from the MTFS to enable services to build their budgets up for the following year. The totals include service provisions for inflation, budget pressures and adjustments for savings. Final control totals are issued following the outcome of the local government finance settlement in mid-December. The budget for 2022/23 was approved in February 2022 by the County Council. The Council were able to produce a balanced budget for the financial year in-line with their statutory duties, however the MTFS published alongside the budget identified a cumulative budget gap to 2025/26 of £63.4 million before any planned savings. We have reviewed the Council's outturn position against budget for 2022/23 in previous section of this report. An updated MTFS was presented to the Cabinet in January 2023 and County Council in March 2023. The Council produced a balanced budget for 2023/24 without planned use of reserves, however £9.6 million of proposed savings were required. From 2024/25 onwards the Council was forecasting significant deficit positions, with the total accumulated deficit over the medium term totalling £104.1 million, after proposed savings of £17.8 million. At the time the MTFS was produced pay and price inflation was a significant budgetary pressure that has extended through into the 2023/24 financial year. Uncertainty over the future levels of funding from Government, the continued application of the DSG statutory override and adult social care reform were set out as risks to the Council's financial position over the medium term. The emphasis in budget planning continues to be on delivering efficiencies, cost reductions and income generation with a view to protecting core services along with delivering the Council's strategic priorities as set out in its Council Plan for 2021-2025. The Council's Capital Strategy and Capital Programme are aligned to this and set out how the Council proposes to invest in capital projects to deliver its priorities and alleviate current or forecast future pressures on the revenue budget. The Council's savings plans to balance the budget are presented alongside the MTFS. Total savings identified 2023/24 and 2024/25 were £17.8 million, with the balance for 2023/24 (£9.6 million) required to eliminate the net deficit for the year. The 2023/24 savings also include £8.5 million of savings approved as part of the 2022/23 budget were re-profiled and planned to be delivered in full in 2023/24.



Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23

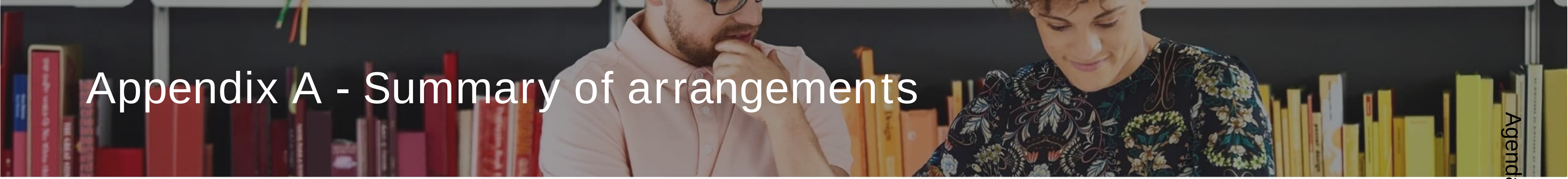
Reporting Sub-Criteria	Findings
How the body plans to bridge its funding gaps and identifies achievable savings (cont'd)	The Council routinely reports the delivery of savings in its PRR, as part of its wider monitoring of financial and business performance. The 2022/23 savings target across all portfolios was £11 million. In addition to these planned savings, there remained £12.4 million of 2020/21 and 2021/22 savings which were not delivered on an on-going basis largely related to the Covid-19 pandemic. Therefore, the overall savings to be achieved in 2022/23 totalled £23.4 million. Of the total £23.4 million savings, £13.3 million, or 57%, was achieved as originally envisaged or delivered by other means or mitigated within the service leaving £10.1m or 43% of savings undelivered in the year. Those unachieved savings were included within the 2022/23 reported outturn position and were expected to be delivered in full in 2023/24.
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The annual budget and MTFS sit alongside and facilitate the Council's Plan. The Council Plan has been developed collaboratively with elected members, staff, partners and residents to prioritise the most important areas the Council needs to focus on in the future. This is done to allow the Council's limited resources to be spent on the areas where it is needed most. It has been developed in parallel with the budget for 2023/24 and is fully funded. As it is aligned to the budget and MTFS, it is intended to act as the framework in which investment decisions can be made based on agreed priorities and the outcomes the Council wants to achieve. The process of defining the Council Plan has been designed with the intention of bringing together business planning, financial planning and risk management processes. It is intended to provide the framework for the Council's decision making and planning to ensure that it is making the best use of the resources available, properly understanding the value for money delivered and at the same time remaining focused on the delivery of priority outcomes. The planning process also includes the redesign of business processes to transform services, reduce costs and manage demand. Part of the funding for the work to achieve these ongoing improvements may come from the Government's flexible use of capital receipts initiative which allows, if certain conditions are met, the Council to fund the revenue costs of transformation from ring fenced capital financing sources.

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23

Reporting Sub-Criteria	Findings
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	The integration between the Council's business and financial planning has been described above, including the link to its capital strategy and capital programme. The development of the annual budget and MTFS, and detailed assumptions on the operations of the Council that underpin them, is now being driven by its vision of the future as set out in the Council Plan, which is also then linked to the key governance and control arrangements of the Council, for example its performance and risk management arrangements. Under the umbrella of the Financial Strategy are other linked policies and strategies which assist with ensuring the robust financial management of the Council, including the Treasury Management and Investment Strategies and a Capital Strategy. The integration between the Council's business and financial planning has been described above, including the link to its investment and capital strategies. The Capital Strategy implemented by the Council provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local services and how associated risk is managed by the Council. The Council approves a capital programme on recommendation from Cabinet. The Treasury Management strategy is designed to keep sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing. Borrowing to fund a cash shortfall was not required in 2022/23 given the relatively high level of cash balances held.



Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23

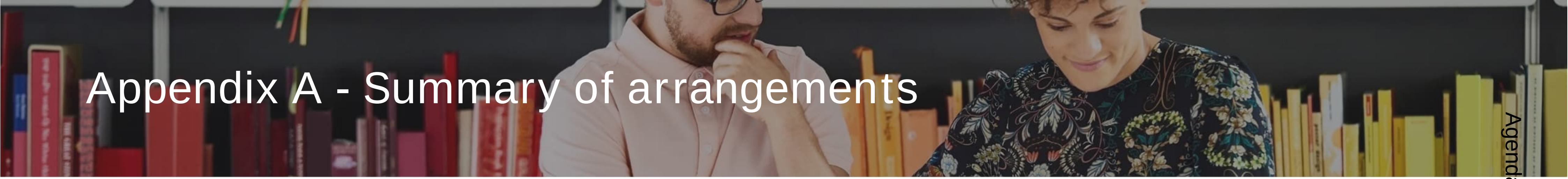
Reporting Sub-Criteria	Findings
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	The Council’s arrangements for identifying its significant financial pressures as part of its annual budgeting and medium-term financial planning have already been considered as part of this commentary. Performance against those plans is monitored in the PRRs presented quarterly to the Cabinet which provides an integrated assessment of the Council’s business and financial performance. This integrated monitoring enables the Council to detect unplanned changes to its service activities and operations with potential to impact its financial resilience on an ongoing basis so they can be considered in its continuous budget planning. Its risk and performance management arrangements, which are considered further below as part of this commentary, also feed into this. The corporate planning process has been designed with the intention of further integrating business planning, financial planning, and risk management processes. The Council seeks to maintain an adequate level of Usable Reserves. Total Usable Reserves decreased by only £1.25 million in 2022/23, compared to a decrease of £19 million in 2021/22. This was largely due to a reduction in balances attributable to locally managed schools budgets. Usable Revenue Reserves decreased by £1 million and the General Fund balance remained unchanged at £20.3 million. The total of Earmarked General Fund Reserves and the General Fund balance of £248.8 million provide contingency for unexpected changes and sustains financial resilience. Reasonable general and pay-specific contingencies are built into the annual revenue budget and the budget management reserve is used to provide a stable platform for service planning as the MTFS is developed. It is intended to be the first call on Council resources to deal with any unforeseen in year expenditure if the revenue contingency budget were to be exhausted. As for all public bodies, inflationary cost pressures going into 2023/24 continue to represent a significant financial risk.

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23

Reporting Sub-Criteria	Findings
How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	The Council's arrangements for the allocation of responsibility for risk management are set out in the Risk Management Procedures in Part 4.2 of the Council's Constitution. The Chief Executive is responsible for approving the Council's Corporate Risk Management Strategy and for reviewing the effectiveness of risk management. The Executive Leadership Team is responsible for implementing the Corporate Risk Management Strategy throughout the Council. The Director of Finance and Support Services is responsible for the monitoring and reporting all significant risks. Directors, Assistant Directors and Heads of Service throughout the Council are responsible for managing specific areas of risk that apply in their specific businesses and are to be aligned with business planning. The Regulation, Audit and Accounts Committee is responsible for monitoring the effective operation of risk management in the Council and for ensuring that Internal Audit's programme of work considers the Council's risks. Members, including through Cabinet and the non-executive and scrutiny committees, are responsible for ensuring that there are appropriate processes in place for effective risk management. The Council's Risk Management Strategy is refreshed annually and shows the alignment of strategic risks and priorities, with an update in 2022/23 taking place in July 2022. There are linked corporate and directorate risk registers, with risks scored according to their likelihood of occurrence and severity of impact. Quarterly review and update of the corporate risk register is reported as part of the Council's PRR and reviewed by the Regulation, Audit and Accounts Committee, which considers the effectiveness of risk management arrangements more generally. Management has a range of monitoring arrangements to ensure controls are operating effectively, including Internal Audit. The annual Internal Audit Plan incorporates an appropriate level of coverage in respect of the County Council's system of internal control. In 2022/23 the Head of Internal Audit has concluded that the Council's framework of governance, risk management and control is reasonable. Where deficiencies in governance arrangements are identified they are reported in the Council's Annual Governance Statement (AGS) with related actions for improvement included in the AGS action plan. This includes any concerns raised by external inspectorates, external audit, and any limited assurance audit reports, which are issued by Internal Audit. Minimising any losses to fraud and corruption is an essential part of ensuring that all the Council's resources are used for the purposes for which they are intended. To facilitate this the Council has an Anti-Fraud and Corruption Strategy and related Anti-Money Money Laundering Policy, that set out its overall policy in respect to fraud and corruption. The Anti-Fraud and Corruption Strategy is based on inter-related procedures designed to frustrate any attempted fraudulent or corrupt act. These cover culture, prevention, detection, investigation and training. Both the Anti-Fraud and Corruption Strategy and Anti-Money Laundering Policy were revisited, reviewed and agreed by the Regulation, Audit and Accounts Committee during the year. We have considered risk management issues arising related to the Smartcore project in Section 02 of this report.



Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23

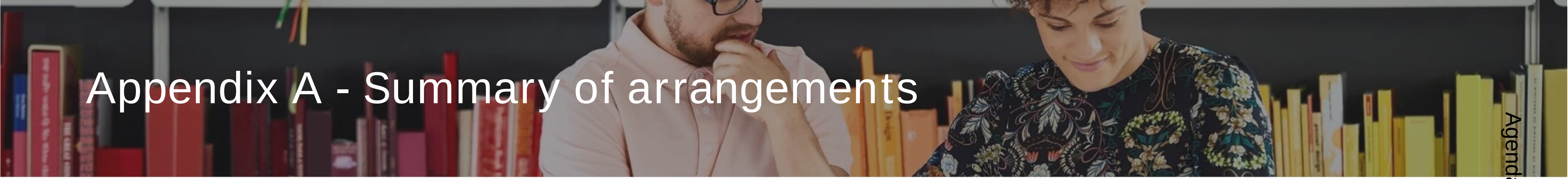
Reporting Sub-Criteria	Findings
How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud (cont'd)	The Monitoring Officer and Director of Finance and Support Services work with the Head of Internal Audit to devise and prioritise a counter-fraud work plan. The Monitoring Officer is notified of all specific instances of suspected fraud and the outcome of all related investigations in addition to regular meetings with the Director of Finance and Support Services and the oversight of the AGS and actions arising from it. This is supplemented by the lead role of the Monitoring Officer in overseeing the use of the Whistleblowing Policy and tracking complaints about the Council's systems and procedures made through individuals using the policy or more direct referrals. The Whistleblowing Policy is designed to offer a route for challenges to processes or actions within the Council where Council staff need confidentiality.
How the body approaches and carries out its annual budget setting process	The Council sets a balanced revenue budget annually. The budget is intended to support delivery of the Council's key priorities, which for 2022/23 were set out in the Council Plan 2021-2025. We have considered the linkage between the annual budget and the MTFS in the section of this VFM commentary which considers how the Council identifies all significant financial pressures that are relevant to its short term and medium-term plans. Responsibilities and procedures for the annual budget process are set out in Part 3 of the Council's Constitution. The Cabinet is responsible for issuing guidance on the general content of the budget reflecting political priorities. It is the responsibility of the Executive Leadership Team to ensure that budget and capital programme estimates reflecting the Council Plan are submitted to the Cabinet and that these estimates are prepared in line with guidance issued by the Cabinet. The Director of Finance and Support Services is responsible for ensuring that an overall revenue budget and capital programme summarising service budget estimates is prepared on an annual basis for consideration by the Cabinet, before submission to the County Council, along with a forward financial forecast in line with Government funding notifications. The Performance and Finance Scrutiny Committee considers strategic issues relating to the budget including comment on individual portfolio budgets. We are satisfied that this process was followed in both 2022/23 and to date in 2023/24.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23

Reporting Sub-Criteria	Findings
How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed	The Council's constitution sets out the Director of Finance and Support Services' responsibility for providing appropriate financial information to enable both the revenue budgets and the capital programme to be monitored effectively. There is a requirement to monitor expenditure against budget allocations and report to the Cabinet on the overall position on a regular basis, as part of an overall performance management reporting process. It is the responsibility of Directors and Assistant Directors to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Director of Finance and Support Services. They should report on variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation and alert the Director of Finance and Support Services to any problems. Any new proposal containing significant financial implications must take note of the Director of Finance and Support Service's advice as well as that of the relevant Director or Assistant Director. No new assurance reviews were completed by Internal Audit during the year in relation to Budgetary Control ('Reasonable' assurance given in November 2021), however there was a review of Risk Management which took place in September 2023 (Q2 2023/24) which provided 'Reasonable' assurance. This suggests that there are adequate budgetary control systems in place and that the Council have processes in place to monitor this through their internal audit plan. The Council's financial performance (revenue and capital), savings delivery and business performance are monitored monthly through the Monthly Monitor report, with a more detailed PRR produced each quarter for consideration by the Performance and Finance Scrutiny Committee and Cabinet with a tailored service-relevant version also scrutinised by the other four Scrutiny Committees. The Council therefore takes an integrated approach to its financial and business performance reporting. The PRR reports actual financial results to date together with a forecast position at the end of the year. It identifies areas where performance is not meeting targets together with the corrective action that needs to be taken to address this.



Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23

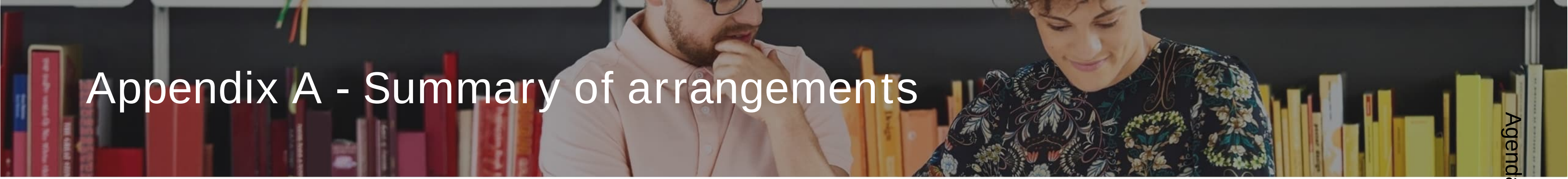
Reporting Sub-Criteria	Findings
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee	The Council has a number of arrangements in place to ensure that appropriate decisions are made. The decision-making process is detailed within Part 3 of the Council's Constitution. Each committee has clear terms of reference which emphasises the Committee's role in providing effective challenge and has an annual work plan to help ensure that it focuses on the relevant aspects of governance, internal control and financial reporting. *County Council Functions* The Full Council is responsible for specified major decisions, such as setting the budget, and debates topical issues. It also receives reports from the Cabinet, and members are able to question the Cabinet on their areas of business. *Executive Functions (Cabinet)* The Cabinet consists of 9 members of the County Council and each is responsible for a separate Council portfolio. The responsibilities of the Cabinet include: • Deciding how services are planned to meet the needs of local residents • Setting targets to be achieved by departments • Deciding how the budget should be spent • Taking the most important decisions about policy and services • Monitoring how each department is performing *Scrutiny Functions* There are 5 Overview and Scrutiny Committees at the Council whose functions are to hold the executive members to account on the decisions they make both collectively as Cabinet and individually. They can assist the Cabinet and executive members to make effective decisions by examining issues beforehand and making recommendations. The Committees can also challenge decisions before they are implemented, review decisions after they have been implemented to see if they achieved what was intended and suggest new policy areas or review the effectiveness of existing policies.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23

Reporting Sub-Criteria	Findings
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee (cont'd)	*Regulation, Audit and Accounts Committee* The Regulation, Audit and Accounts Committee is independent of the Executive and scrutiny functions and is embedded as part of the authority's overall governance framework. The purpose of the committee is to provide oversight of the Council's systems of governance and risk management and its arrangements for financial control and compliance. Its role is to ensure there is sufficient assurance for governance, risk and control to provide confidence that the arrangements are effective. The terms of reference for this committee are aligned to CIPFA's best practice standards for audit committees. The Regulation, Audit and Accounts Committee is supported by the Internal Audit Function (Southern Internal Audit Partnership). Quarterly reports are received from the internal auditors highlighting work carried, these reports are presented at Regulation, Audit and Accounts Committee where the results and procedures are discussed amongst those charged with governance. Our attendance at Regulation, Audit and Accounts Committees indicate that the process is carried out and that any reports brought to the attention of the Committee are appropriately challenged and scrutinised. We have considered issues arising in respect of arrangements for informed decision making for the Smartcore project in Section 02 of this report.
How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)	The responsibilities and statutory requirements for all officers and members are embedded in the Council's Code of Corporate Governance (the Code) and Constitution. The underlying principles of the Code are derived from a series of important reports on governance including the Nolan Committee Report on Standards in Public Life and cover openness, inclusivity, integrity and accountability. All significant actions by the Council which may have legal implications either require authorisation by the Director of Law and Assurance or individuals specifically delegated to act on behalf of the Director as set out in the Council's decision-making rules. Decision makers are also required to act within the Council's Standing Orders and scheme of delegation which makes provision for legal and constitutional advice to inform such decisions. The Council's Constitution contains a number of check points at which officers are able to identify whether decisions are being taken in compliance with the prescribed rules which ensure legal compliance. All executive decisions and policy proposals are considered and advised on by legal officers with access to all current legal provisions and guidance and who use a knowledge and research resource which updates all legislation and sources of advice automatically and provides alerts for significant changes in the law.



Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23

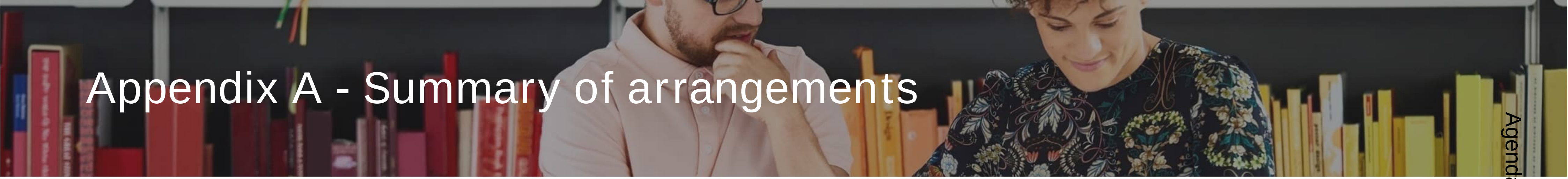
Reporting Sub-Criteria	Findings
How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests) (cont'd)	An updated County Council Code of Governance was approved in February 2022 by the Governance Committee. The Code of Governance explains the framework of governance for Council business and decision-making, and the rules and procedures it has to ensure it acts as a public democratic body should. The Code is underpinned by the Nolan Principles of Standards in Public Life. These provide a guide to the Council to ensure it has robust systems and processes that support effective leadership and high standards of behaviour. There is an established Code of Conduct contained in Part 5.1 of the Council's Constitution with which all members are expected to comply. The Council has also adopted policies relating to responsibilities for ethical behaviour including equality and sustainability. Decision-making is supported by advice from officers and internal guidance that should ensure compliance with these policies. The codes of conduct define the standards of behaviour for members and officers. All members undertake training from the Monitoring Officer on the member code of conduct. Member conduct is monitored by the Standards Committee, which has a remit to deal with complaints of breaches of the member Code of Conduct. *Officer Declaration of Interests* All members complete the register of interests and receive quarterly reminders about personal interest declarations, and the need to disclose interests is a standing item on all formal meeting agendas for both officers and members. Officer interests, including gifts and hospitality, should be published on the County Council's website annually. *Teachers' Pension Breach* In September 2021 we were made aware that the Council reported a breach of the Teachers' Pension Regulations to the Pensions Regulator in June 2021. This resulted in a contingent liability being disclosed in the 2020/21 financial statements, as the Council was not yet in a position to be able to estimate the potential cost to the Council of the breach. We updated our understanding of progress made in addressing the Teachers' Pensions Regulation breach during 2021/22 where we treated this as an area of audit focus in our financial statements audit. While we did raise a recommendation for improvement as part of our Audit Results Report, we acknowledged that the Council's updated disclosures and procedures performed during the year satisfied the recommendation from the prior year. As such, we did not identify a weakness in VFM arrangements during 2021/22 in relation to Teachers' Pensions.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23

Reporting Sub-Criteria	Findings
How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests) (cont'd)	*Teachers' Pension Breach (cont'd)* We obtained a further update to the Teachers' Pension Breach from the Council during 2022/23. The report confirmed that all 401 individuals impacted by this issue were written to in March 2021 and March 2022. Of these, the potential cost has been calculated for 63, and the cost to the Council is around £75,000 if all individuals decided to opt into the TPS for the relevant period. This is in addition to the costs already incurred by the Council through the contract with TPS to investigate the issue, the additional reports produced by Hymans to calculate the impact per individual and the internal resource within the payroll team required to answer the queries and supply data. The report confirms that the Council are taking all the necessary steps to rectify this issue. We acknowledge that there are complexities in determining the full financial impact of the issue, but a clear process has been established by both the Council and TPS. As such, we have not identified this as a weakness in VFM arrangements.



Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23

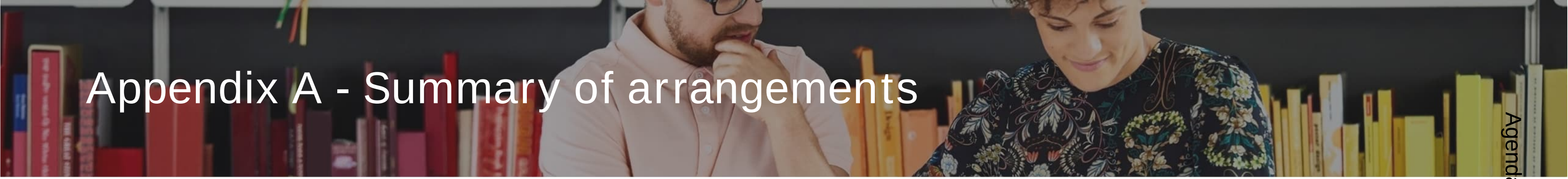
Reporting Sub-Criteria	Findings
How financial and performance information has been used to assess performance to identify areas for improvement	The Council Plan includes Key Performance Indicators (KPIs) that will be used to monitor the performance of the Council in its identified key priority areas from 2021/22. For 2022/23 the KPIs were based on the Council Plan 2021-2025. The KPI dashboard is discussed as part of the PRR which is provided to Cabinet and Scrutiny Committees. The dashboard is used to flag areas of required improvement, devise actions to address the weakness identified and monitor progress. Executive Leadership Team, Cabinet and Scrutiny Committees are responsible for considering reported performance against the KPIs and ensuring effective and efficient mitigating actions are taken to ensure targets set are being met. This performance dashboard is publicly available on the Council's website and based around the agreed strategic priorities of the Council. As set out previously in this commentary routine reporting of performance is combined with financial monitoring in the PRR.
How the body evaluates the services it provides to assess performance and identify areas for improvement	As set out previously in this commentary, service performance against Council priorities is considered regularly throughout the year through both the performance dashboard, which is made publicly available on the Council website, and as part of the quarterly PRR which shows a complete picture of both business and financial performance. This enables the Council to identify services that are not performing as expected by reference to KPI outcomes against targets which from 2022/23 will be based on the Council's refreshed strategic priorities as per the Council Plan. The PRR includes an exception report to highlight areas where performance is deteriorating or not expected to achieve annual target to clearly flag where remedial action needs to be taken. For 2022/23 year-end KPIs, 78% were at Green (63%) or Amber (15%) levels, compared to 80% in 2021/22. There were also 6 (out of 46 total) measures with no data to update in June 2023, however 2 of these are likely to be green and the remaining 4 are likely to be amber. This is an improvement on data collection since the prior year. *External Reviews* We have consider recent external inspections covering Education Services (Ofsted), Care Services (CQC) and Fire & Rescue Services (HMICFRS). The results of these inspections are presented to the relevant committees so they are able to take effective action to address the weaknesses and secure improvements. *Children's Services*: Children's services were previously judged as 'inadequate' from an Ofsted inspection in May 2019. As a result, regular monitoring visits have taken place to monitor improvements made to the service, with two children's services monitoring visits taking place during 2022/23 in May 2022 and October 2022.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23

Reporting Sub-Criteria	Findings
How the body evaluates the services it provides to assess performance and identify areas for improvement (cont'd)	Additionally, a full inspection of Children's Services took place in March 2023 with the report published in May 2023, where the Council's overall effectiveness had improved to 'Requires Improvement to be good', and two out of four criteria were marked as 'Good'. The report acknowledges the substantial improvement to Children's Services by the Council, though there are still several specific areas which require further work. Nonetheless, the results show that the Council has made steady progress, with the report specifically recognising benefits from the permanent senior leadership team and the strengthened approach to quality assurance. *Care Services*: The Care Quality Commission were intending to perform a review of adult social care services across all local authorities from September 2023, however this has been pushed back into 2024. In preparation, the Council prepared a self-assessment using the CQC's draft assurance framework. The resulting assessment has provided the Council with clear, specific areas for further improvements to made to improve their overall services. *Fire & Rescue Services*: No new reviews of the County's Fire and Rescue Services were performed by His Majesty's Inspectorate of Constabulary and Fire & Rescue Services. The most recent report was published based on financial year 2021/22. The results show that the authority has made steady progress, specifically recognising the permanent senior leadership team and the strengthened approach to quality assurance. The report notes that this has not yet had the desired impact of consistently approving the services, however the framework for this to happen is now in place.
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	The County Council works with a variety of stakeholders. This includes a range of public bodies, local authorities, the NHS and Sussex Police. Other tiers of local government are important partners in many areas of service delivery, strategic planning and community development. There are both formal and informal forums in place for regular liaison with elected members and senior officers in the district and borough councils, including regular meetings of all the leaders of the councils (West Sussex Leaders' Board), to discuss issues of common interest and regular meetings of all chief executives (West Sussex Chief Executives' Board).



Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23

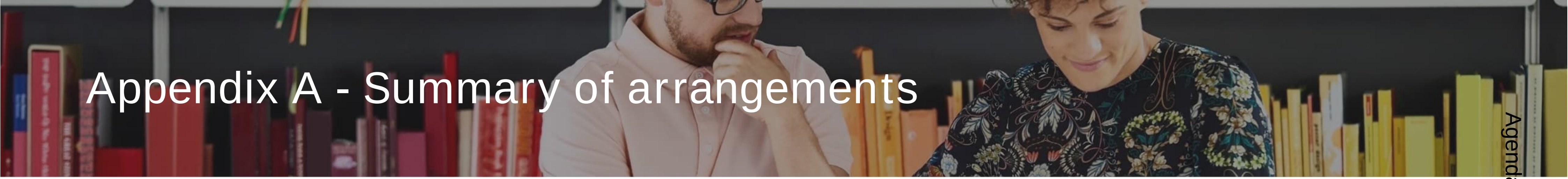
Reporting Sub-Criteria	Findings
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve (cont'd)	Regular meetings with other partners, most notably the NHS Integrated Care Board (ICB), are held at various levels and between members and officers on operational, commissioning and service planning. For a number of years, the Council has operated a joint service commissioning and pooled budget agreement with the NHS to cover a range of social care and NHS services. The West Sussex Better Care Fund (WSBCF) was established in 2015. This is a joint operation between the Council and NHS West Sussex CCG to provide integrated health and social care support within the area. The Council acts as host in the arrangement. The WSBCF is monitored by the West Sussex Health and Wellbeing Board with related reporting presented to the Performance and Finance Scrutiny Committee. Partnership pledges, referred to as 'growth deals' have been made between the Council, and all district and borough councils in the county. Each five-year, tailor-made growth deal identifies specific priority projects to bring local improvements for West Sussex residents, businesses and visitors. The Council established an arrangement with East Sussex County Council effective from January 2020 intended to bolster leadership capacity and bring more stability to the Council's senior leadership which, as highlighted by the results of external service inspections, had been lacking over recent years. This led to the appointment of the shared Chief Executive. It also considered: • Ongoing work on further joint procurements including West Sussex and East Sussex accessing each other's Frameworks, although this has not yet resulted in joint procurement activity. • Ongoing discussions about waste and highways management. • Support for Children's Services recruitment in West Sussex. There have continued to be ad hoc arrangements for informal mutual support between the two council leadership teams.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23

Reporting Sub-Criteria	Findings
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	The Council's Standing Orders on Procurement and Contracts and the Financial Regulations and related procedures provide rules for lawful and sound processes for contract and spending decisions. These are managed by the Director of Law and Assurance and Director of Finance and Support Services in consultation with the Regulation Audit and Accounts Committee and supported by a group of officer subject matter experts sitting as the Procurement Board. The intention is for this to provide a single process for scrutiny of procurement planning, to ensure the most effective and optimal commercial arrangements, ensuring best value from the council's procurement activity, compliance with due process and consistency of best practice. The Council plans to consider some elements of its arrangements further as part of the 'streamlined decision-making' workstream from the good governance review, with the aim being to make aspects of procurement activity simpler and more accessible to officers engaged in commissioning – particularly focussed on ensuring the most effective decision path/routing and documentation required, through the various governance boards in the Council. The Council developed a Procurement Strategy for 2019-2021 which sets the framework in which it works to ensure that procurement delivers value for money across all services and directly contributes to the achievement of the Council's strategic goals. The published strategy has been rolled forward rather than re-created for 2022 onwards, but will be reviewed as part of the planned change to procurement arrangements, with the intention that a new strategy would be published following the Council's transition to Oracle/Atamis under the Smartcore programme. Originally this was planned for 2022/23, but issues with the implementation of the new system have resulted in this planned update being delayed. We have considered VFM issues arising related to Smartcore in Section 02 of this report. The Council's Procurement Strategy, Social Value Framework and Sustainable Procurement Policy are all being reviewed in light of the revised requirements of the Procurement Act 2023, which was also contributory factor in the decision to roll-forward the pre-existing arrangements in 2022/23. The Performance and Finance Scrutiny Committee is responsible for the overview of procurement and contract management. The Committee reviews the performance of the Council and seeks to identify areas where procured goods and services are not delivering expected benefits through the performance dashboard, KPI's and financial monitoring identifying significant overspending on projects and budgets. The residual effects of Covid-19 have required the Council to adapt its arrangements in 2022/23. As set out in the Financial Sustainability section of this commentary the Council has created four new key priorities in line with the Council Plan 2021-2025 and this is underpinned by a focus on climate change. There is a strategic focus on meeting climate change responsibilities and legislation that may be enacted in the future.



Appendix A - Summary of arrangements

Agenda Item 5

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23

Reporting Sub-Criteria	Findings
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits (cont'd)	*Property Partnership - Kinsted Development LLP (formerly West Sussex Development LLP)* The Council has one wholly owned subsidiary, Edes Estates Limited. Ede's Estates owns a joint venture (JV) with Lovell Partnerships, Kinsted Development LLP. The arrangement has been in place since May 2021 following a tendering process by the Council approved in July 2019. The JV was established on the basis that WSCC provides the land and Lovell provide the design and development costs. The resulting net profit after the deduction of the land value, development costs and any other financial input will be split 50:50 with various options for how WSCC receive the funds. Previously, a governance structure had been established for the JV, with the JV Board comprising of three representative officer directors from the Council and three from Lovell Partnerships. Council officers have also been appointed as directors and company secretary for Ede's Estates. A separate Shareholder Group has also been established, formed of the Council Leader, Cabinet Member for Finance and Property and Senior Officer of the Council including the Chief Executive. The Shareholder Group acts in an advisory capacity to the Cabinet Member, who seeks to ensure alignment between the activity of Ede's Estates and the JV to the vision and direction of the Council. During the year, internal audit performed a review of the Company Governance Framework to provide assurance over governance arrangements for the JV, with a report of findings presented to the Performance and Finance Scrutiny Committee in November 2022. The overall assurance opinion provided was 'Reasonable', with internal audit confirming there was generally a sound system of governance, risk management and controls in place. There are 10 sites across the County which have been identified for the potential development of approx. 600 dwellings, with planning applications for three developments totalling 156 new homes submitted at the end of May 2022. Progress has been made since then, with development at one of the sites (Southwick) being approved by the Board and progressed to the shareholder group for further approvals and associated land transfers being made in 2023/24. *Capita* A number of support service functions previously provided by Capita under its contract with the Council have been brought back in-house, or in limited situations re-procured, during 2022/23. This involved preparation and planning work for services and staff impacted by the transition, the design of replacement arrangements and transition and exit from the current contractual arrangements. Significant work was undertaken to support ex-Capita staff to embed them within the employment of the Council, design replacement service structures, agree reporting lines and management responsibilities, devise new job roles and skills requirements, transfer knowledge and implement new ways of working.

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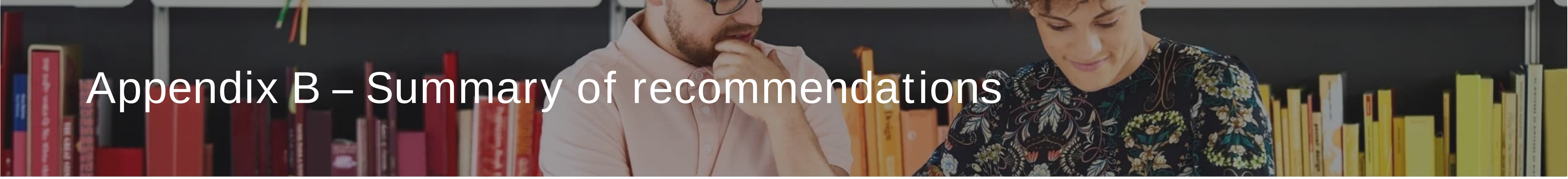


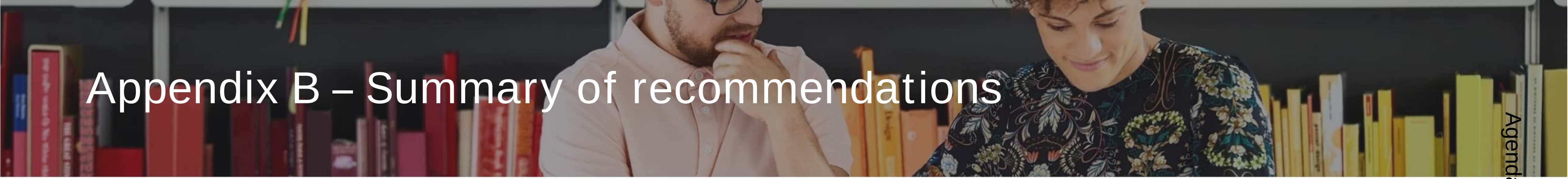
Appendix B – Summary of recommendations

Recommendations

The table below sets out the recommendations arising from the value for money work in the year covered in this report.

All recommendations have been agreed by management.

VFM criterion / area	Recommendation	Management response
SmartCore – Arrangements for Governance	Build on the good work already done in 2023/24 to improve the governance arrangements for the re-launched project. Delivering against the objectives of the Business Readiness Group will be a key-part of this, but reporting of progress and risks should be clear and consistent across all relevant committees and the Council's established corporate risk management arrangements. This is important given both the significance of the project to the operations of the Council and the difficulties experienced in seeking to manage the transition to date. This will require clear direction, and challenge where necessary, from both senior officers and members. In addition to strengthening risk management, successful re-launch of the project will also need engagement with all services on business readiness and strengthening of the overall governance framework and decision making through the project Steering Group.	As part of the recent review of the programme, the County Council undertook a review of the options for the programme's delivery. A revised business case has been developed and will be considered as part of a key decision report by the Cabinet Member for Economic Development and Support Services. This revised business case and programme has taken account of the lessons learned from the programme to date and learning from other authorities implementing an ERP solution. The revised business case and key decision, including increased budget requirement will be considered by the Executive Leadership Team and Performance and Finance Scrutiny Committee in advance of the key decision being taken. Following approval of the business case, a robust procurement exercise will commence to select suppliers with the requisite experience to be able to deliver the programme. Regular monitoring and reporting of project progress, spend against budget and risk and issues management will be reported to senior officers and Members and will continue throughout this next phase of the programme. New governance arrangements are already in place and leadership through the Steering Group, business delivery groups and the Business Readiness Group. The recently developed Communications and Engagement Strategy will be implemented to ensure roles and responsibilities, new policies and processes and new ways of working are fully embedded across all services. The programme risk register is in place and given the complexity of the programme, its cross-cutting nature and the reliance on organisational readiness to adopt the new system, its policies and processes, the implementation of the programme will now be included on the corporate risk register.



Appendix B – Summary of recommendations

Agenda Item 5

Recommendations

The table below sets out the recommendations arising from the value for money work in the year covered in this report.

All recommendations have been agreed by management.

VFM criterion / area	Recommendation	Management response
Smartcore – Arrangements for Improving economy, efficiency and effectiveness	Continue to build on the good work already done in 2023/24 to date and the learn lessons from the SmartCore project to date as part of the process to revise the business case and procure a new implementation partner or partners. In doing this also seek to maximise value from the expenditure incurred to date. Clearly establish revised programme and budget management arrangements for the project sufficient to gain comfort that both timetables and budgets for delivery are both realistic and adhered to.	Subject to the outcome of the key decision report and approval of the revised business case, a procurement process will commence for suppliers to support the delivery of the programme. Work has been undertaken to strengthen the County Council's requirements In line with adopting the Oracle solution. Soft market engagement activity will commence to test the market before formal procurement starts later in the summer. Discussions will take place with new suppliers on progress to date with the programme and will be used to determine the project plan for this next phase of implementation. New governance arrangements are in place and through the leadership of the monthly Steering Groups, progress against the project plan, budget and resource capacity will be monitored. Regular reporting will continue to Executive Leadership Team and Members through Cabinet and Performance and Finance Scrutiny Committee.

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West Sussex County Council

Audit Update

11 March 2024

Building a better working world

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

11 March 2024

Dear Committee Members

Audit Update

The purpose of this report is to provide the Audit with an overview of the current status of the Council's audit status for 2021/22, 2022/23 and our plans for the 2023/24 year. 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 audits.

Yours faithfully,

Ben Lazarus

For and on behalf of Ernst & Young LLP

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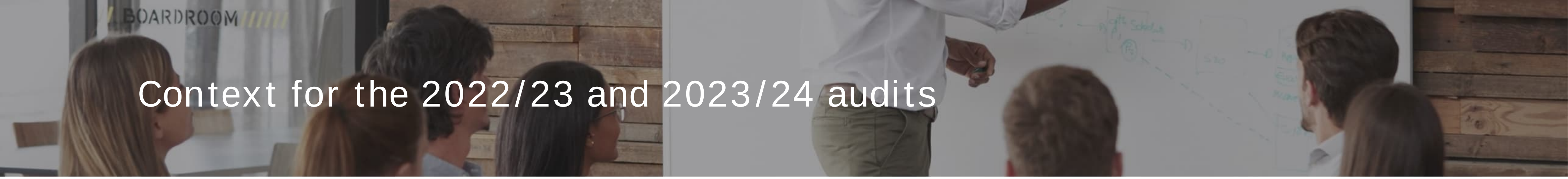
Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/).The Statement of responsibilities serves as the formal terms of engagement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

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

This report is made solely to the Regulation, Audit and Accounts Committee and management of West Sussex County Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Regulation, Audit and Accounts Committee, and management of West Sussex County Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Regulation, Audit and Accounts Committee, and management of West Sussex County Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

Agenda Item 6

01 Progress Update – Financial Statements of the Council



Context for the 2022/23 and 2023/24 audits

Context for the 2022/23 and 2023/24 audits – Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited accounts by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector will need to work together to address this. DLUHC has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to clear the backlog. The proposals, which have been developed to maintain auditor independence and enable compliance with International Standards on Auditing (UK) (ISAs (UK)), consist of three phases:

Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024. For West Sussex County Council and Pension Fund, we issued our audit report for the year ending 31 March 2022 on 28th February 2023.

Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.

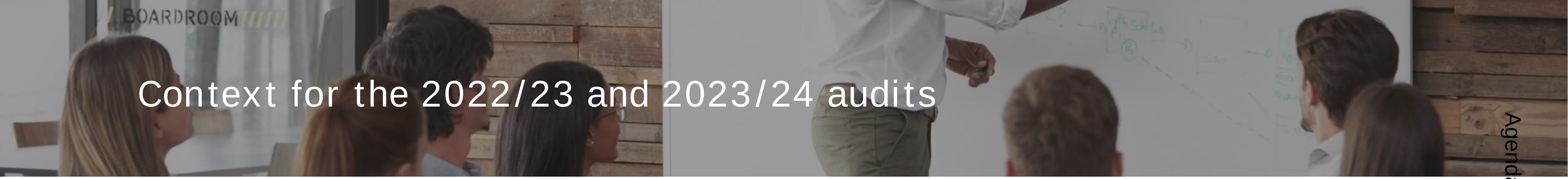
Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

To support the further development and testing of the measures, consultations are taking place to receive further feedback and inform the decision on how to proceed. Specifically:

- DLUHC has launched consultation on changes to the Accounts and Audit Regulations 2015 to insert statutory backstop dates for historic accounts and for the financial years 2023/24 to 2027/28.
- The National Audit Office (NAO) has launched consultation on amending the Code of Audit Practice to :
    - Require auditors to issue audit opinions according to statutory backstop data for historic audits, and place specific duties on auditors to co-operate during the handover period for the new PSAA contract for the appointment of local authority auditors covering the years 2023/24 to 2027/28.
    - Allow auditors to produce a single value for money commentary for the period to 2022/23 and use statutory reporting powers to draw significant matters to the attention of councils and residents.
- The Chartered Institute of Public Finance and Accountancy (CIPFA) has launched a consultation on temporary changes to the accounting code for preparation of the accounts. The proposed temporary changes to the financial reporting framework have an impact on both how the accounts are prepared and our audit procedures necessary to gain assurance.

To allow for timely reset of the audit of the Council we have focused our resources on:

- Completing our audit work over the 2022/23 West Sussex Pension Fund audit. This is an area of work where there has always been clarity that a full scope audit, as completed in previous years, would still be required in 2022/23 even under any new regime. This audit is complete barring our formal certification (which is linked to the resolution of the consultation above). We reported our draft Audit Results Report on this audit to your RAAC in December 2023.
- Discharging our value for money reporting requirements for 2022/23, including bringing up to date all key risk areas (i.e. through to February 2024 as it stands). Again this is an area of work where there has always been clarity that a full scope audit, as completed in previous years, would still be required in 2022/23 even under any new regime. Please note this work also included a series of key financial statements procedures (for example, disclosure checklists).



Context for the 2022/23 and 2023/24 audits

Responsibilities of Council management and those charged with governance

- Our 2022/23 VfM Interim Report is included in the papers for today's (March) RAAC meeting.
- Planning the 2023/24 audit to drive sustainable and on-time delivery for 2023/24 and beyond, as directed in the Ministerial statement.

We also note, we have been working across our wider local authority portfolio to bring as many other audits up to 2021/22 completion, and 2022/23 VfM and Pension Fund completion as possible. As a result of the likely backstop date and our decision to prioritise 2023/24 work to allow for a reset we plan to disclaim the opinion on the Council's 2022/23 accounts. Our proposed disclaimer of the Council's 2022/23 accounts will impact both the audit procedures we need to undertake to gain assurance on the 2023/24 financial statements and the form of our audit report in 2023/24 and subsequent years during the recovery phase.

The changes proposed by the consultations therefore have a significant on both the scope of the 2023/24 audit and our assessment of risk. We will continue to provide updates to the Regulation, Audit and Accounts Committee as the audit progresses and our final assessment on the scope and nature of procedures we will undertake becomes clearer.

For the planned measures to be successful and the current backlog to be addressed it is vital that all stakeholders properly discharge their responsibilities.

The Council's Section 151 Officer is responsible for preparing the statement of accounts in accordance with proper practices and confirming they give a true and fair view of the financial position at the reporting date and of its expenditure and income for the year ended 31 March 2024. To allow the audit to be completed on a timely and efficient basis it is essential that the financial statements are supported by high quality working papers and audit evidence and that Council resources are readily available to support the audit process, within agreed deadlines. The Regulation, Audit and Accounts Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. Based on our historic experience to date the Council has a good track record of producing the financial statements on time, producing good quality working papers and supporting the audit process. We will seek to be clear on this in any reporting of our proposed disclaimer of the Council's 2022/23 financial statements.

On the subsequent pages we have provided an overview of our 2023/24 audit strategy. We intend to complete our Scope and Strategy work in March 2024 and will provide a detailed Audit Planning Report to the next Regulation, Audit and Accounts Committee in July 2024. We will also provide a detailed Audit Planning Report for West Sussex Pension Fund to the July Regulation, Audit and Accounts Committee and expect our key risks and audit approach to closely align to our 2022/23 audit.

02 Overview of our 2023/24 audit strategy

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Overview of our 2023/24 audit strategy

The following ‘dashboard’ summarises the significant accounting and auditing matters we expect to include within our Audit Planning Report. It seeks to provide the Regulation, Audit and Accounts Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year. The risks presented here are subject to further change following completion of our audit planning.

Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from PY	Details
Misstatement due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	Fraud risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
Non-Operational land and buildings classified as Investment Property (IP) and Surplus Assets	Significant risk	No change in risk, however this has been disaggregated from the risk reported in prior years.	The valuation of land and buildings classified as IP and Surplus Assets represent material figures within the Council’s financial statements. The valuation is reliant on the work of the Council’s external professionally qualified valuer and based on information provided by the Council, which includes a number of judgements and assumptions. Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.
Operational land and buildings classified as property, plant and equipment (PPE) - DRC	Significant risk	No change in risk, however this has been disaggregated from the risk reported in prior years	The valuation of land and buildings classified as PPE (valued at DRC) represent material figures within the Council’s financial statements. The valuation is reliant on the work of the Council’s external professionally qualified valuer and based on information provided by the Council, which includes a number of judgements and assumptions. Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

Overview of our 2023/24 audit strategy

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

Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from PY	Details
Operational land and buildings classified as property, plant and equipment (PPE) - EUV	Significant risk	No change in risk, however this has been disaggregated from the risk reported in prior years	The valuation of land and buildings classified as PPE (Valued at EUV) represent material figures within the Council’s financial statements. The valuation is reliant on the work of the Council’s external professionally qualified valuer and based on information provided by the Council, which includes a number of judgements and assumptions. Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.
Pension Liability Valuation	Inherent risk	No change in risk or focus	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.
Going Concern Disclosure	Inherent risk	No change in risk or focus	There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. The Council will need to ensure it’s going concern assessment, including its cashflow forecast, is robust and appropriately comprehensive. The Council is required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

Overview of our 2023/24 audit strategy

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

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Teachers' Pensions liability	Area of audit focus	Possible area of focus for 2023/24	We became aware in September 2021 that the Council reported a breach of the Teachers' Pension Regulations to the Pensions Regulator in June 2021. This relates to a failure over a number of years dating back to 2007 to auto-enrol some part time and casual teaching staff onto the pension scheme as required following a change to regulations in 2007. The underlying failure to auto-enrol was fully rectified from September 2017, so this is not a continuing issue. Work completed by a professional actuary in September 2021 fully scoped the number of records and individuals impacted historically. The Council was not, however, able at that point in time to quantify the cost of the breach until further work had been completed by the Teachers' Pensions Service and impacted individuals were contacted to confirm whether or not they intend to join the scheme. We raised a related recommendation for improvement as part of our 2020/21 Auditor's Annual Report. We will assess the progress made by the Council during the year to quantify the value of the liability and review the accuracy of the provision or contingent liability included in the financial statements by reference to the supporting work undertaken by the actuary, Teacher's Pensions Service and Council to contact impacted individuals. We will also ensure that both the liability and issue are adequately disclosed in the financial statements together with details of assumptions made and the level of estimation uncertainty in the quantification of any provision.

Overview of our 2023/24 audit strategy

Audit scope

We plan to provide you with:

- Our audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2024 and of the income and expenditure for the year then ended; and
- Our commentary on your arrangements to secure value for money in your use of resources for the relevant period.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

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

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

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

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

Taking the above into account, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to those risks. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". Therefore to the extent any of these or any other risks are relevant in the context of the Council's audit, we will continue to discuss these with management as to the impact on the scale fee.

Audit process and strategy

Audit scope (cont'd)

Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

The changes proposed by the consultations are likely to have a significant impact on both the scope of the 2023/24 audit and our assessment of risk. We will continue to provide updates to the Audit Committee as the audit progresses and our assessment on the required scope and nature of procedures we will undertake becomes clearer. As examples:

- Where prior year audit opinions are modified work will be required to gain assurance, where possible, on opening balances over the period of the recovery phase (phase 2). Where we are unable to gain assurance over opening balances, we anticipate that this may lead to limitation of scope of our audit over those balances.
- Where prior year audit opinions are modified, and particularly where we do not have assurance spanning a number of historic financial years, this is likely to have an impact on our assessment of materiality and our ability to issue an unmodified opinion early in the recovery phase.
- Changes to the Code of Audit Practice on Local Authority Accounting will potentially impact on our assessment of audit risk generally, risks associated with significant accounting estimates, such as the valuation of operational property, plant and equipment and the related need to rely on management's and auditor's specialists.

Overview of our 2023/24 audit strategy

Value for Money

We are required to consider whether the Council has made ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources.

Planning on value for money and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council’s arrangements, to enable us to prepare a commentary under three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will provide a commentary on the Council’s arrangements against three reporting criteria:

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

The commentary on the Council’s value for money arrangements will be included in the Auditor’s Annual Report.

In our 2022/23 value for money work we identified a risk of significant weakness in relation to the Council’s arrangements over the SmartCore programme for replacement of its Finance, HR and Procurement systems as part of our risk assessment procedures. We have now concluded that the risk did manifest a significant weakness in 2022/23 which was evident across he Council’s arrangements for governance and improving economy, efficiency and effectiveness. As a result we have raised and reported related recommendations for improvement which have been accepted by management. We will continue to follow-up on progress made in this area as part of our 2023/24 value for money work, and are likely to continue to treat this as a risk of significant weakness in the Council’s arrangements.

Key Audit Partner and senior audit team

Ben Lazarus – Partner

Ben will continue in his role as Partner for the 2023/24 year.

Tom Wilkins - Senior Manager

Tom has experience in the delivery upper tier local authorities and will be the Senior Manager in for the West Sussex County Council audit for 2023/24.

03 Audit Timeline

Audit Timeline

Timeline

Delivery to our proposed timeline is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies.

See https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/.

In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;
- ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.
- assign responsibilities clearly to staff with the appropriate expertise and experience;
- provide necessary resources to enable delivery of the plan;
- maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;
- ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;
- ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and
- during the course of the audit provide responses to auditor queries on a timely basis.

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

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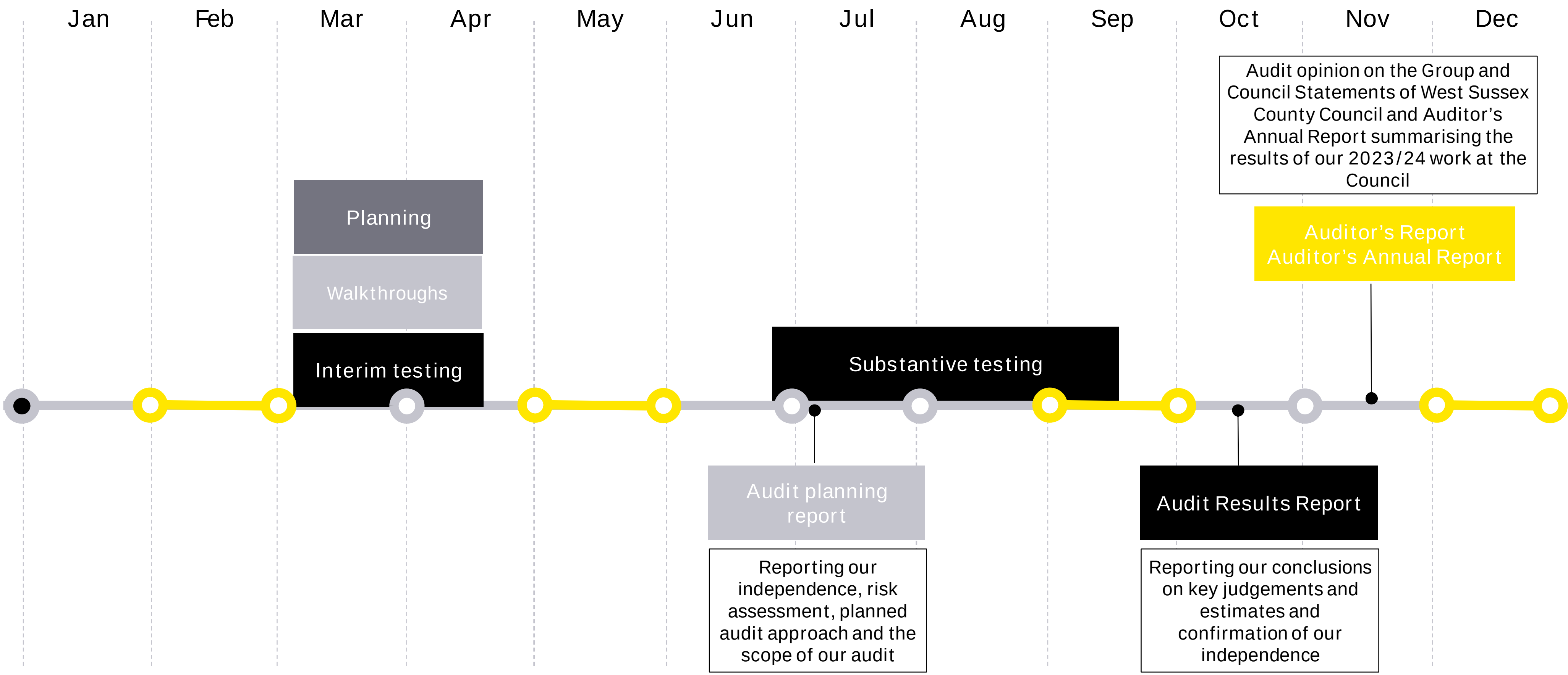
Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2023/24.

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



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04 Audit Fees

Agenda Item 6

Audit Fees

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

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council;
- The Council has an effective control environment; and
- The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full section 3 of this report.

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

	2023/24	2022/23	2021/22
	£	£	£
Total Fee – Code Work	304,071 Note 2	102,442 Note 1	90,561
Scale fee adjustment	TBC	TBC	70,442
Total audit fees	TBC	TBC	167,003

All fees exclude VAT

(1) The 2022/23 audit fee will be adjusted to reflect the work completed in respect of our Value for Money Conclusion and the disclaimed opinion.

(2) The revision to ISA (UK) 315 will impact on our scope and approach, and require us to enhance the audit risk assessment process, better focus responses to identified risks and evaluate the impact of IT on key processes supporting the production of the financial statements. We expect to charge addition fee for this. The scale fee also may be impacted by a range of other factors which will result in additional work, which include but are not limited to:

- Consideration of correspondence from the public and formal objections.
- New accounting standards, for example full adoption or additional disclosures in respect of IFRS 16.
- Non-compliance with law and regulation with an impact on the financial statements.
- VFM risks of, or actual, significant weaknesses in arrangements and related reporting impacts.
- The need to exercise auditor statutory powers.
- Prior period adjustments.
- Modified financial statement opinions.

Key decision: Not applicable
Unrestricted

Report to Regulation, Audit and Accounts Committee

11 March 2024

Financial Statements 2023/24 — Plans and Progress

Director of Finance and Support Services

Summary

The legislative timetable for the production of the accounts requires that draft accounts are published by 31 May annually, with audited accounts to be approved by 30 September.

DLUHC launched a consultation on 8 February 2024, setting out various measures to address the audit backlog, which has resulted in the County Council accounts for 2022/23 not being audited. The consultation closes on 7 March 2024 and the Council is intending to respond to it. Additionally, CIPFA has indicated an intention to consult on some potential changes to the 2023/24 Code of Practice which could impact, at very short notice, on the Authority's accounting policies and practices. Subject to the finalisation of the DLUHC measures, EY have indicated that the Authority's 2022/23 accounts are likely to be subject to a disclaimed audit opinion. The remainder of this report provides an update on the preparations for the 2023/24 draft accounts.

For West Sussex County Council, the handbook and underlying project plan have been prepared to facilitate the production of draft 2023/24 accounts by 31 May 2024 deadline, although the impact of the outcome of the due CIPFA consultation is currently unknown and may impact on these timescales. A project plan has also been produced for the West Sussex Pension Fund, with draft accounts to be published by the 31 May 2024 deadline.

The accounts are prepared under the requirements of statute and accounting standards, which are consolidated into the Code of Practice on Local Authority Accounting. Officers' interpretation of these requirements is set out in the accounting policies. There is currently one change to the 2023/24 policies for West Sussex County Council relating to componentisation. The policies would usually be reviewed to ensure ongoing alignment with the example accounting policies in CIPFA's Code of Practice Guidance Notes. However, neither this nor the outcome of the Code Update consultation are currently available. There are no changes to the accounting policies for the Pension Fund.

Recommendations

The Committee is asked to:

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

(2) Consider the draft accounting policies for both the County Council and Pension Fund accounts for 2023/24 as set out in full in Appendices Ci and Cii and approve them for application in preparing this year's accounts.

(3) Delegate authority to the Chairman to approve any amendments needed to the County Council accounting policies, following the outcome of the anticipated CIPFA Code of Practice consultation.

Proposal

1 Introduction

1.1 This paper sets out the planning framework for closing the 2023/24 accounts for both West Sussex County Council and the West Sussex Pension Fund. It also presents a draft set of accounting policies for both the County Council and the Pension Fund accounts.

2 Planning Framework and Draft Accounting Policies

<u>Planning Framework</u>

2.1 The legislative timetable for the production of the accounts requires that draft accounts are published by 31 May annually, with audited accounts to be approved by 30 September.

2.2 The 2022/23 accounts were closed in line with the statutory deadline of 31 May 2023. A complete set of accounts for both the County Council and the Pension Fund were submitted to EY for audit on this date. It has been reported that only 30% of local authorities achieved the draft accounts publication deadline for 2022/23 and this included West Sussex County Council. The Council has suffered from the widespread issues in the audit market. A report by the Levelling Up, Housing and Communities Committee published in November 2023 confirmed that only 1% of audited local authority accounts were published by the September deadline.

2.3 EY have completed both the audit of West Sussex Pension Fund accounts for 2022/23 along with the County Council Value for Money audit for 2022/23. The audited Pension Fund accounts were considered by the Committee on 1 December 2023. However, the County Council 2022/23 financial statements have yet to be subject to an external audit.

2.4 DLUHC launched a consultation on 8 February 2024, setting out various measures to address the audit backlog, which has resulted in the County Council accounts for 2022/23 not being audited. Included in these proposals are a series of potential backstop dates, after which any outstanding audits would be closed with a qualification or disclaimer. The proposed backstop date for all historic audits up to and including 2022/23 is 30 September 2024. For 2023/24 audits the backstop date is proposed as 31 May 2025. Further backstop dates are then proposed through to 2027/28 inclusive, to align with the latest auditor appointment cycle. The consultation closes on 7 March 2024 and the Council will be submitting a response. The outcome of the consultation remains unknown at the time these papers were despatched for Committee. If there is any further update from DLUHC, this will be shared verbally at Committee. Additionally, CIPFA has indicated an intention to consult on some potential changes to the 2023/24 Code of Practice which could impact, at very short notice, on the Authority's accounting policies and practices. It is expected the consultation will cover the following areas:

- extending the override for the valuation of infrastructure assets and disclosure requirements
- simplifying revaluation of operational property by the use of indexation
- reducing the requirements for disclosures around net defined benefit pension liabilities / assets to align with those in FRS 102 rather than IFRS

2.5 Subject to the finalisation of the DLUHC measures, EY have indicated that the County Council's 2022/23 accounts are likely to be subject to a disclaimed audit opinion.

2.6 For West Sussex County Council, the handbook and underlying project plan have been prepared to facilitate the production of draft 2023/24 accounts by the May deadline, enabling the Council's scarce resources to be allocated, to identify a critical path and formally evaluate risks. It should be noted however, that the impact of the outcome of the due CIPFA consultation is currently unknown and may impact on the timeline. Whilst the statutory deadline was achieved last year, this was extremely challenging, and there are further complexities to consider this year in relation to the potential requirement for group accounts following activity in the Authority's property joint venture, Kinsted Developments.

2.7 A project plan has also been produced for the West Sussex Pension Fund, with draft accounts to be published by the 31 May 2024 deadline.

2.8 Members will have the opportunity to participate in a briefing session which will be arranged in July 2024 to walk through the financial statements for both the County Council and Pension Fund to help members gain a greater understanding of the accounts and the financial statements.

2.9 The external audit planning and interim visits for both the County Council and Pension Fund for 2023/24 audits have been scheduled to take place in March 2024. It is expected that both the County Council and Pension Fund audits will start in June 2024 and assumes that the audit will be concluded and reported to the September committee meeting.

2.10 The project plans for each body are attached as Appendices A and B. Each plan includes a table of milestones which are set out below:

Figure 1: WSCC Closedown Milestones

Task	Due date
Letter of instruction issued to property valuers	27 October 2023
Bruton Knowles provide draft property valuation certificates for Corporate Finance review	16 February 2024 (delayed – see section 3)
RAAC considers accounting policies (which may change subject to 2023/24 CIPFA Code of Practice consultation) and handbook	11 March 2024
Closedown timetable and guidance issued to practitioners	15 March 2024
Planned commencement of interim audit	March 2024
Service & consolidated capital monitors submitted for Outturn Performance & Resources Report (PRR)	17 April 2024
Outturn management accounts finalised	19 April 2024
Deadline for submission of school bank reconciliations	19 April 2024
Bruton Knowles provide final valuation report	19 April 2024
Anticipated receipt of IAS19 pensions actuary reports	19 April 2024
Member & Senior Officer Related Party survey deadline	26 April 2024
Anticipated receipt of HR establishment & bandings reports	30 April 2024
CIPFA 2023/24 Closedown Bulletin and 2024/25 Code of Practice due to be published	30 April 2024
Council Tax and Business Rates outturn collection funds required from billing authorities	30 April 2024
Fixed Asset Register “lockdown”	3 May 2024
Fixed Asset QA complete – disclosures handed over for financial statements	10 May 2024
Handover of financial instrument disclosures	10 May 2024
Senior Officer Remuneration disclosure available for review by Finance and HR Directors	14 May 2024
Executive Leadership Team considers Outturn PRR	16 May 2024
Ledger closed – no further transactions	17 May 2024
Complete draft Statement of Accounts (SoA) available for senior management QA	24 May 2024
Cabinet Briefing considers Outturn PRR	28 May 2024
CFO certifies draft SoA for publication on WSCC website & submission to EY	31 May 2024
Start of accounts inspection period	3 June 2024
Outturn PRR scrutinised by Performance & Finance Scrutiny Committee	21 June 2024
Finalisation of audit working paper file	21 June 2024
Commencement of County financial statements audit (TBC)	24 June 2024
Outturn PRR approved by Public Cabinet	25 June 2024
RAAC meeting - EY Audit Plan (TBC)	8 July 2024
End of accounts inspection period	12 July 2024
RAAC Member Briefing – walkthrough draft financial statements	July 2024 TBC
Submission of ‘Cycle 1’ draft Whole of Government Accounts	16 August 2024

Anticipated conclusion of financial statements audit – schedule of audit adjustments agreed with EY	23 August 2024
Submission of 'Cycle 2' final Whole of Government Accounts	13 September 2024
CFO authorises audited SoA for RAAC despatch	16 September 2024
EY despatches final Audit Results Report to RAAC	16 September 2024
RAAC approves audited SoA	25 September 2024 TBC
EY provides audit opinion	Late September TBC
Audited SoA published on website	30 September 2024

Figure 2: WSPF Closedown Milestones

Task	**Due date**
Complete quality assurance (QA) of SoA	24 May 2024
Director of Finance certifies draft SoA for publication & submission to EY	31 May 2024
Deadline for publication of draft SoA	31 May 2024
Ensure that individual electronic working papers are complete in accordance with the agreed protocol with EY, signed off by the Lead Reviewer	7 June 2024
Submission of draft SoA and working papers to EY and audit commences	June 2024 TBC
Completion of EY audit work within advised fee scale	TBC
Consideration of final SoA by RAAC	25 September 2024 TBC
Provision of an unqualified audit certificate following meeting of RAAC	Late September TBC
Publication of audited SoA on website	30 September 2024

2.11 Attention is drawn to the County Council and the Pension Fund risk registers which are attached as an annex to the respective project plans. For the County Council, five risks have been identified, four of which are red and one is amber, and mitigations are in place for each of them. Six risks have been identified for the Pension Fund; of which two are red and four are amber, and again mitigations are in place for each.

Accounting Policies

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

2.13 There is currently only one amendment proposed to the accounting policies for the County Council for 2022/23. The proposal is to revise the accounting policy for Property, Plant and Equipment in relation to componentisation. Previously, the Authority's policy has been to apportion the value attributed to its operational building assets with a gross carrying value in excess of £10m across a standardised set of components, and depreciate each component accordingly. However, the CIPFA Code of Practice on Local Authority Accounting ('the Code') requires assets to be componentised only to the extent that this has a material impact on in-year and cumulative depreciation charges. Owing to the Authority's approach to property revaluation, including biennial revaluations of high-value assets and the routine application of indexation, it can be demonstrated that the componentisation of assets over £10m does not have a material impact on cumulative depreciation charges. The Authority therefore proposes to remove the requirement to componentise building assets with a carrying value in excess of £10m from its accounting policies, and replace this with a more generic reference to depreciate major components separately subject to materiality to align more closely with both the example accounting policies contained in the Code Guidance Notes and those of neighbouring upper tier authorities.

2.14 The wider review of the accounting policies has been limited by both the delayed publication of CIPFA's 2023/24 Code Guidance Notes (which typically includes a set of example accounting policies reflecting the latest Code requirements and which can therefore be reviewed against) and the absence of any 2022/23 audit findings to amend for. No further changes to the accounting policies for 2023/24 are therefore currently proposed. It should however be noted that, as referenced elsewhere in this report, CIPFA is expected to consult imminently on a Code Update as part of the measures to address the national audit backlog. It is anticipated that this consultation will propose to revise on a temporary basis the Code's requirements in relation to the valuation of operational land and buildings and the disclosure of pension fund assets and liabilities. As such, it may be necessary for the Authority to revise its accounting policies for 2023/24 once the outcome of CIPFA's consultation is known.

2.15 There are no significant changes to the Pension Fund accounting policies, although the opportunity has been taken to review the wording for clarity.

3 Finance

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

4 Risk implications and mitigations

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

Taryn Eves
Director of Finance and Support Services

Contact Officer

Vicky Chuter, Financial Reporting Manager, 033 022 23414

Appendices
Appendix A – WSCC Project Management Handbook
Appendix B – WSPF Project Management Handbook
Appendix Ci – WSCC Accounting Policies
Appendix Cii – WSPF Accounting Policies

Background Papers
None

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2023/24 Final Accounts Closedown

West Sussex County Council (WSCC)

Project Management Handbook

1. Background & Overview

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

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

The legislative timetable for accounts production requires that draft accounts are published by 31 May annually, with audited accounts to be approved by 30 September. According to analysis prepared by LG Improve, West Sussex County Council was in the 30% of local authorities which achieved the draft accounts publication deadline for 2022/23. Despite this, the Authority has suffered from the widespread issues in the audit market, and its 2022/23 financial statements have yet to be subject to an external audit (a Value for Money audit has been undertaken). A report by the Levelling Up, Housing and Communities Committee published in November 2023 confirmed that only 1% of audited local authority accounts were published by the September deadline.

On 8 February 2024 DLUHC launched a consultation on various measures to address the audit backlog. Included in these proposals are a series of potential backstop dates, after which any outstanding audits would be closed with a qualification or disclaimer. The proposed backstop date for 2022/23 audits is 30 September 2024, and for 2023/24 audits is 31 May 2025. Further backstop dates are then proposed through to 2027/28 inclusive, to align with the latest auditor appointment cycle.

Subject to the finalisation of the DLUHC measures, EY have indicated that the Authority's 2022/23 accounts are likely to be subject to a disclaimed audit opinion (i.e. no substantive audit procedures are undertaken). It is noted that any attempt to undertake the 2022/23 audit alongside the production and subsequent audit of the 2023/24 accounts would bring significant resourcing issues for both EY and the Authority. However, failure to audit the 2022/23 accounts may undermine the assurance that can be placed on these accounts, and will create practical challenges for the 2023/24 audit and beyond in respect of reliance on opening balances and prior year comparators.

This handbook and underlying project plan have been prepared to facilitate the production of draft 2023/24 accounts by the May deadline. Whilst this was achieved last year, this was extremely challenging, and there are further complexities to consider this year in relation to the potential requirement for group accounts following activity in the Authority's property joint venture, Kinsted Developments. Additionally, CIPFA has indicated an intention to consult on some potential changes to the 2023/24 Code of Practice which could impact, at very short notice, on the Authority's accounting policies and practices. These and other risks and associated dependencies are detailed more fully in sections 10 and 3 respectively.

EY have advised that their audit of the 2023/24 financial statements will commence on 24 June. Therefore, irrespective of the proposed May 2025 backstop which is subject to consultation, this handbook has been prepared on the basis of publishing approved audited accounts by September 2024, in accordance with the current legislative deadline. EY have also indicated their intention to undertake an interim audit commencing in March 2024.

2. Success Criteria

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

- Complete draft Statement of Accounts available for internal senior management QA by 24 May
- Draft accounts certified by Chief Finance Officer (CFO) by 31 May for publication on WSCC website and submission for external audit
- Complete set of compliant working papers to be made available to external auditors, EY, by 21 June, to facilitate commencement of financial statements audit the following week
- External audit to be substantively concluded by 23 August (including agreement of audit adjustments)
- CFO authorises despatch of audited Statement of Accounts to Regulation, Audit and Accounts Committee (RAAC) by 16 September
- EY despatches final Audit Results Report to RAAC by 16 September
- RAAC approves financial statements at its meeting of 25 September
- EY to provide an unqualified audit opinion and audit certificate following September meeting of RAAC (audit certificate is subject to resolution of Whole of Government Accounts and any objections raised by local electors)
- Audited accounts to be published on the WSCC website by 30 September legislative deadline
- Audit completed within advised fee scale (see section 7)
- RAAC and EY feedback endorses that the accounts have been closed effectively.

Note that the approval and publication of audited accounts by the end of September reflects the current legislative requirements and EY's proposed scheduling of the start of the audit – however, EY have not committed to concluding their audit by September and, subject to the outcome of the live DLUHC consultation (see section 1), the ultimate backstop for the audit of the 2023/24 accounts is proposed to be 31 May 2025.

3. Dependencies & Stakeholder Analysis

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

- **Billing Authorities (Collection Funds)** – as a precepting authority, the Council is required by the CIPFA Code of Practice on Local Authority Accounting ('the Code') to consolidate the Council Tax and Business Rates Collection Funds of each of its billing authorities into its financial statements. Billing authorities typically work to DLUHC's submission deadline for the annual NNDR3 return for the provision of this information which, for 2023/24, is scheduled to be 30 April 2024. This impacts various aspects of the financial statements, including debtors, creditors, financial instruments, unusable reserves, provisions and each of the core statements. It is therefore vital that billing authorities supply the required information by this date if the Council is to meet the legislative deadline for the publication of draft accounts.
- **Bruton Knowles (Property Valuations) –** the capital accounts are largely dependent on the certificates provided by our external valuers as part of the rolling revaluation programme. Bruton were instructed to provide draft valuation certificates to Corporate Finance by 16 February; however, this has been subject to delay. Corporate Finance continues to work through Valuation and Estates Management (as contract owners) to escalate this issue and establish a revised delivery timescale. The timely provision of these valuations to allow for thorough quality assurance by both Property and Finance professionals has been identified as a significant risk to the project's success in section 10. Given the external audit focus in this area over recent years, it is imperative that officers both within Valuation and Estates Management and Finance have the opportunity

to thoroughly review the output from Bruton Knowles. A final valuation report is due to be delivered by 19 April.

- **Members/Senior Officers (Related Party Transactions)** – the Authority surveys its Members and Senior Officers in the spring to identify any related party transactions during the financial year. The deadline for responses this year will be 26 April. For the purposes of this survey, senior officers shall be defined as direct reports to the Chief Executive, and any other officers undertaking statutory roles (as is consistent with the senior officer remuneration disclosure).
- **Schools (Bank Reconciliations)** – as part of school banking arrangements, transactions that are initiated locally by schools are routinely 'swept' into the County Fund for cash flow purposes and to ensure that all activity is captured in the consolidated WSCC accounts. In order to reconcile its overall bank position, WSCC therefore requires each of its maintained schools to submit an individual bank reconciliation at year-end. For 2023/24, the deadline for schools to submit their reconciliations is 19 April (the end of the first week back after the Easter holidays).
- **Hymans Robertson (IAS 19 Reports)** – these reports, issued by the Pension Fund actuary, analyse the performance of the West Sussex Local Government and Firefighters' Pension Schemes. The detail in these reports informs the pension disclosure notes, and also impacts on all four core financial statements. These reports are anticipated to be delivered no later than 19 April.
- **EY –** the timely conclusion of the audit is dependent, amongst other things, upon the allocation of sufficient resource by EY. This is a challenge for EY (and the other audit firms) due to competing demands – all local government audits need to be scheduled during the same window – and a limited supply of suitably qualified staff (a consequence in part of dramatically reduced audit scale fees over the past decade, which is now being addressed – see section 7). Additionally, in recent years the local audit team has increasingly relied on central specialists ('EY Real Estates') to gain assurance over the property valuations undertaken by the Council's valuer, which has proven to be a further bottleneck due to limited resources in this area. The compound effect of years of delays in the legislative timetable, and increased regulatory requirements, means that West Sussex (and a vast majority of other local authorities) has yet to receive a financial statements audit for 2022/23, and may ultimately result in the audit being disclaimed. In theory such measures are intended to enable audit firms to get 'back-on-track' for 2023/24, but delays in audit planning, the absence of interim visits and the need to gain assurances over opening balances which have not been subject to audit mean that, in reality, the ability for audits to be concluded by the September deadline is under some doubt. This has been recognised by DLUHC in their current consultation which proposes a backstop date of 31 May 2025 for 2023/24 audits. Locally, a further risk to the timely conclusion of the audit are changes to the audit team; the Council has been assigned a new Partner and Senior Manager for its 2023/24 audit.
- **CIPFA –** CIPFA releases various publications annually, which provide a mixture of instruction and guidance as to how a local authority should present its annual accounts. Two such publications – the 2023/24 Closedown Bulletin and 2024/25 Code of Practice – are expected to be published by the end of April. The former will provide topical guidance on the latest issues concerning local authority practitioners. The latter, whilst primarily relating to 2024/25, typically includes an appendix which specifically identifies the accounting standards taking effect in future years but requiring disclosure in 2023/24. Both documents are therefore critical to the preparation of 2023/24 accounts, and so their timely publication is a dependency for achieving the legislative timetable. Furthermore, CIPFA is due to consult on temporary changes to the 2023/24 Code of Practice as part of the measures to get local authority audits back on track, which is expected to include simplifying the revaluation requirements for operational property and reducing the disclosure requirements for pension fund assets and liabilities. Clearly it is very late in the financial year to be introducing any such changes, particularly given that in many instances (for example in relation to property and pension valuations), instructions have already been provided to external partners to undertake work, in some cases many months ago. The scope to adopt any voluntary measures proposed by CIPFA to ease the burden in the current financial year may therefore be limited.

- **Treasury (Whole of Government Accounts)** – as part of their audit procedures, EY reviews the Council's 'Whole of Government Accounts' (WGA) submission to HM Treasury (subject to audit thresholds). EY cannot issue its certificate to formally conclude the annual audit until this WGA work is complete. Typically production of the WGA is timetabled to run alongside the main financial statements, but this has been subject to significant delay since 2020/21 – initially a fallout from HMT's implementation of the OSCAR II system the previous year, but subsequently tied into the wider delays in local authority audits. Most recently, the Council's 'cycle 1' (draft) WGA for 2022/23 was submitted in December 2023 – Treasury has advised that the 'cycle 2' (final) submission cannot be made until the audit of the financial statements is resolved. Treasury have recently announced the timescales for the 2023/24 WGA, with the final 'cycle 2' deadline advised as 13 September. This highlights an interdependency, insofar that the WGA cannot be finalised until the audit is concluded, and the audit cannot be concluded until the WGA is finalised. However, it is emphasised that the impact is limited to the issuance of the audit certificate, and should not affect the audit opinion and publication of audited financial statements.
- **Financial Planning (Performance and Resources Report)** – the Performance and Resources Report (PRR) confirms the outturn position, including any approved carry forwards. These management accounts are the foundation from which the financial statements are built; as such, large aspects of the Statement of Accounts cannot be progressed until the management accounts are finalised. The Outturn PRR will be considered by the Executive Leadership Team (ELT) on 16 May and at the Cabinet Briefing on 28 May, before being formally scrutinised at Performance and Finance Scrutiny Committee on 21 June and approved at Public Cabinet on 25 June.
- **Human Resources Management Information –** the team provides two reports by the end of April each year which are crucial to the preparation of the financial statements. An establishment report is used to calculate the accumulated absences accrual required by the Code in accordance with IAS 19. Additionally, the 'bandings' report identifies the number of officers with remuneration in excess of £50,000 in bands of £5,000 for disclosure in the financial statements. This is in addition to monthly 'gross-to-net' payroll files supplied throughout the year which form part of the audit working paper file.
- **NHS –** the Council has entered into a pooled budget arrangement with the National Health Services for the provision of mental health services, for which the NHS acts as host. The Council is required to disclose in its accounts the consolidated income and expenditure of the pooled budget, and as host the NHS is responsible for providing this information. The Authority is therefore dependent on the NHS closing its accounts and supplying this disclosure in a timely manner.

4. Roles & Responsibilities and Project Organisation

- Taryn Eves (Director of Finance and Support Services), as s151 officer, will be the **project owner** who will certify the accounts presented to the Regulation, Audit and Accounts Committee. Taryn will be responsible and accountable for ensuring the project is resourced and prioritised in order to achieve the success criteria as defined in section 2 above. Taryn is due to leave the organisation in May 2024 and it is anticipated that an interim will be appointed who will inherit ownership of this project.
- Vicky Chuter, as Financial Reporting Manager, will be the **project manager** and will oversee the preparation of the WSCC accounts on behalf of the project owner. Vicky will be responsible for delivering the accounts and monitoring the progress of the project team against the agreed project plan.

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

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

5. Project Plan Milestones

Corporate Finance has prepared a detailed Project Plan, which details in excess of 400 component tasks of preparing the Statement of Accounts. Each task has a responsible officer, due date, and identified dependencies. The project plan is the primary control document for the closedown process, and progress against the plan will be reviewed on a weekly basis by the Project Manager. The key milestones from this project plan are identified in the table below. For planning purposes, it has been assumed that the audit will be concluded by September so that audited accounts can be approved at the September meeting of RAAC and published by the current legislative deadline at the end of the month. However, EY have not committed to this timescale, and it is noted that the recent DLUHC consultation (see section 1) proposes a backstop date of 31 May 2025 for 2023/24 audit opinions.

Task	**Due date**	**Lead**
Letter of instruction issued to property valuers	27 October 2023	SMc
Bruton Knowles provide draft property valuation certificates for Corporate Finance review	16 February 2024 (delayed – see section 3)	VEM
RAAC considers accounting policies (which may change subject to 2023/24 CIPFA Code of Practice consultation) and handbook	11 March 2024	DEM
Closedown timetable and guidance issued to practitioners	15 March 2024	SMc
Planned commencement of interim audit	March 2024	EY
Service & consolidated capital monitors submitted for Outturn Performance & Resources Report (PRR)	17 April 2024	SFBP/ FPM
Outturn management accounts finalised	19 April 2024	FPM
Deadline for submission of school bank reconciliations	19 April 2024	SFS
Bruton Knowles provide final valuation report	19 April 2024	VEM
Anticipated receipt of IAS19 pensions actuary reports	19 April 2024	WSPF
Member & Senior Officer Related Party survey deadline	26 April 2024	DEM
Anticipated receipt of HR establishment & bandings reports	30 April 2024	HR
CIPFA 2023/24 Closedown Bulletin and 2024/25 Code of Practice due to be published	30 April 2024	CIPFA
Council Tax and Business Rates outturn collection funds required from billing authorities	30 April 2024	VC
Fixed Asset Register “lockdown”	3 May 2024	SMc
Fixed Asset QA complete – disclosures handed over for financial statements	10 May 2024	SMc
Handover of financial instrument disclosures	10 May 2024	VC
Senior Officer Remuneration disclosure available for review by Finance and HR Directors	14 May 2024	VC
Executive Leadership Team considers Outturn PRR	16 May 2024	FPM
Ledger closed – no further transactions	17 May 2024	SMc
Complete draft Statement of Accounts (SoA) available for senior management QA	24 May 2024	SMc
Cabinet Briefing considers Outturn PRR	28 May 2024	DEM
CFO certifies draft SoA for publication on WSCC website & submission to EY	31 May 2024	tbc
Start of accounts inspection period	3 June 2024	VC
Outturn PRR scrutinised by Performance & Finance Scrutiny Committee	21 June 2024	DEM
Finalisation of audit working paper file	21 June 2024	SMc
Commencement of County financial statements audit (TBC)	24 June 2024	EY
Outturn PRR approved by Public Cabinet	25 June 2024	DEM
RAAC meeting - EY Audit Plan (TBC)	8 July 2024	VC/EY
End of accounts inspection period	12 July 2024	VC

Task	Due date	Lead
RAAC Member Briefing – walkthrough draft financial statements	July 2024TBC	DEM
Submission of 'Cycle 1' draft Whole of Government Accounts	16 August 2024	SMc
Anticipated conclusion of financial statements audit – schedule of audit adjustments agreed with EY	23 August 2024	EY
Submission of 'Cycle 2' final Whole of Government Accounts	13 September 2024	SMc
CFO authorises audited SoA for RAAC despatch	16 September 2024	TE
EY despatches final Audit Results Report to RAAC	16 September 2024	EY
RAAC approves audited SoA	25 September 2024 TBC	DEM
EY provides audit opinion	Late September TBC	EY
Audited SoA published on website	30 September 2024	SMc

Leads: **DEM** Democratic Services; **EY** External Auditors; **FPM** Financial Planning Manager; **HR** WSCC Human Resources; **SFBP** Strategic Finance Business Partners; **SFS** Schools Financial Services; **SMc** Sean McEwan; **TE** Taryn Eves; **VC** Vicky Chuter; **VEM** Valuation & Estates Management; **WSPF** West Sussex Pension Fund

6. Human Resource Requirements

The Project Team primarily comprises Financial Control, led by Sean McEwan (Finance Manager). Elements of the accounts preparation process are scattered throughout the year for the five-person team, but the resource requirement can roughly be quantified as 3fte for three intensive months, equating to approximately 1,400 hours. However, the total resource requirement is likely to be far in excess of this figure. Within Corporate Finance, there are significant inputs outside of Financial Control, particularly from the Treasury Management, Banking & Income and Capital Finance functions. There is also significant input from the Financial Reporting Manager as Project Manager. Strategic Finance also has a fundamental role in the process, particularly during April when the management accounts are closed and subsequently in the provision of supporting working papers. There is also a substantial demand on all of the above teams throughout the audit period. Finally, there are numerous inputs from outside the Finance function, as illustrated by the dependencies identified in section 3.

7. Other Budget Requirements

The audit scale fee, as determined by Public Sector Audit Appointments Ltd (PSAA) for opted-in bodies, has been notified as £304,071 for 2023/24. This is the first year of a new five-year appointment cycle, and represents a significant increase on the 2022/23 scale fee (£102,442). This is due in part to the rolling in of recurring fee variations (£18,702), but is primarily due to an 151% uplift applied nationally reflecting increased market rates in the PSAA procurement. Whilst some recurring fee variations have been rolled into the scale fee, it is anticipated that additional fees may still be chargeable for the 2023/24 audit – the most recent fee variation agreed by the PSAA, relating to the 2021/22 audit, was for £70,442. Based on the outcome of the DLUHC proposals to address the audit backlog (see section 1), some of the 2022/23 audit scale fee already invoiced by EY may be refundable to the extent that work has not been undertaken.

The Authority adopts a rolling approach to its valuation of property assets. As part of this on-going programme, approximately 290 valuations are expected to be commissioned from our external valuers, Bruton Knowles, during the 2023/24 closedown process, at a cost of c£27,500.

The Council has also instructed its Pension Fund actuary, Hymans Robertson, to provide reports revaluing the LGPS and Firefighter's Pension Scheme assets and liabilities in accordance with the requirements of IAS 19. For the LGPS, the cost of this exercise in 2023/24 has yet to be advised by the scheme administrator, but is estimated to be in the region of £6,500 based on prior year costs (this provides for an estimated eight bulk academy transfers, calculation of the asset ceiling, and the Council's share of costs recharged by the Fund for work undertaken by the actuary to support EY's assurance work). For Fire, the actuary has advised that the cost of the works for 2023/24 based on their recommended roll-forward approach will be £5,875.

8. Project Control & Quality Assurance

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

- Weekly monitoring of progress against the project plan by the Project Manager
- Project Manager to feed back to Finance Director (Project Owner) and Deputy Chief Finance Officer (who is joining the Council on 11 March 2024) on a weekly basis, with focus on milestones as identified in section 5 and risks as identified in section 10 and Annex A
- Draft accounts to be finalised by 24 May to enable an overall review of the complete document (to include an internal consistency review) by the Project Manager and other senior officers prior to certification. This will be in addition to the technical review of individual components of the accounts as they are prepared
- Electronic working papers to be produced in accordance with the protocol to be agreed with EY
- All balances to be reconciled against SAP.

9. Communications Plan

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

With RAAC
- 11 March – sign-off Accounting Policies (subject to any changes required from the outcome of the 2023/24 CIPFA Code of Practice consultation) and Project Management Handbook. EY to present a high level planning report for both 2022/23 and 2023/24
- 8 July – EY to present their Audit Plan to Committee (TBC)
- July TBC – briefing session to walkthrough draft financial statements (subject to the timing of the audit by EY)
- 25 September – approve audited accounts and consider Audit Results Report and Auditor's Annual Report (subject to EY's confirmation of audit scheduling)

With EY
Ordinarily, a communications plan would be agreed with EY, to include items such as the following:

- Regular meetings throughout interim audit
- Check-ins as necessary during financial statements production
- Pre-audit liaison meeting
- Weekly liaison meeting throughout financial statements audit
- Reporting of Audit Plan, Audit Results Report and Annual Auditors' Report to Committee.

However, at the time of writing EY has been able to engage in only limited conversations regarding the 2023/24 audit, pending confirmation of measures by DLUHC to address the national audit backlog and EY's focus on prioritising catch-up with other clients in the interim. The outcome of DLUHC's live consultation, which is due to close to 7 March, and EY's high-level audit plan which is expected to be presented to Committee alongside this handbook will facilitate more detailed scheduling and a communications plan to be developed in the coming weeks.

10. Risk Analysis

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

- Auditor resources, both locally and centrally, are a risk to the timely conclusion of the audit and publication of audited accounts by the end of September. Issues in the audit market nationally mean that the vast majority of local authority audits (including for West Sussex) for 2022/23 have yet to be undertaken, and (subject to confirmation of the DLUHC consultation outcomes – see section 1) may never be. Increased regulatory requirements are also sighted as a contributory factor to delays in audit completions being experienced nationally. Much of the demand on local government and NHS audit teams is condensed into the same short window, and this bottleneck has been exacerbated in recent years by the reliance of local audit teams on central specialists (in our case, EY Real Estates) who may be commissioned by dozens of clients concurrently. Locally, the risk of delays may be compounded by changes at a senior level (Audit Partner and Senior Manager) to the audit team. It is recognised that new relationships will need to be developed and preferred ways of working established. There is also the prospect that through professional judgement new audit seniors may challenge established WSCC practices which have been acceptable to their colleagues previously, which could ultimately lead to prior period adjustments. The risk of delay to the conclusion of the 2023/24 audit would be further aggravated by the absence of an interim audit, putting additional pressure on the financial statements audit in areas such as the substantive testing of income and expenditure. However, the proposed scheduling of an interim audit in March coincides with the closedown timetable and risks the timely production of the accounts. EY have however indicated their intention to commence their financial statements audit in June, which increases the prospect of the current September legislative deadline being achieved. The risk of reputational impact from missing the legislative deadline is further mitigated by the extension which would effectively be provided by the proposed May 2025 backstop date which is being consulted upon by DLUHC. However, delays in the conclusion of the audit also limits the timeliness of information and the assurance that can be placed upon it to inform decision making, and creates further resourcing issues by distracting officers from their responsibilities at other times of the financial year (budget monitoring, budget setting etc).

- There is a significant risk that the 31 May legislative deadline for draft accounts may not be achieved. Specific risk factors (such as the availability of external inputs and additional reporting requirements) are considered separately below, but from a general resourcing perspective, this deadline is extremely challenging. Whilst considered unlikely, any attempt by EY to undertake the outstanding 2022/23 financial statements audit during the preparation window for the 2023/24 accounts would place further significant strain on internal resources. There is a small core team responsible for the production of the accounts, and due to the expertise involved and the inter-dependency of tasks, it is not practicable to scale up capacity in the short term. It should be noted that 70% of local authorities did not meet this deadline in 2022/23, and whilst West Sussex were able to achieve it, this was dependent on significant additional hours worked for a sustained period by members of the core project team. An extensive project plan, developed over many years, is the primary mitigation for this risk. The consequence of not achieving the May deadline is in part dependent on the as-yet-underdetermined scheduling of the subsequent audit by EY. The risk of failing to achieve this deadline is compounded by the anticipated CIPFA consultation on an update to the 2023/24 Code of Practice. This consultation is expected to include proposals to temporarily simplify the revaluation requirements for operational property and reduce the disclosure requirements for pension fund assets and liabilities. Whilst intended to ease the burden for local authorities, this is complicated by the fact that much of the underlying information is provided by external valuers, in some cases instructed many months ago. Changes to specifications (even simplifications) therefore require a significant investment of time to agree inputs, outputs and workflows, and working papers to derive accounting entries need to be redeveloped. Therefore any changes which are mandated by CIPFA, or which are judged to be beneficial for the subsequent audit, are likely to increase the lead time for the production of draft accounts in the short term.

- As identified in section 3, the Authority is dependent on various external partners for the provision of information which features in the accounts. This includes collection fund data provided by billing authorities, and property and pension fund valuations commissioned from external valuation specialists. This information impacts on many areas of the financial statements, and the property and pension fund valuations in particular represent highly material values on the Authority's balance sheet. Any delay in the provision of this information by the external partners therefore risks the finalisation of draft accounts by the legislative deadline. These risks are mitigated through early and continued dialogue with the external partners, including the clear communication of deadlines and dependencies. Instructions for property and pension valuation exercises have been issued in good time and weekly meetings have been established with the property valuer to monitor progress against the various milestones. One such milestone – the provision of draft valuations for Corporate Finance review by 16 February – has been missed. Finance continues to work through Valuation and Estates Management (as contract owners) to escalate this issue and establish a revised delivery timescale. As a consequence of this delay, the likelihood of this risk materialising through the unavailability of sufficiently quality assured valuations in time to achieve the May draft accounts publication deadline is increased.

- The Authority may need to prepare group accounts in 2023/24 in relation to its interest in its property development joint venture, Kinsted, through its subsidiary Edes Estates. The risk will manifest if the impact of consolidation is deemed to be material, following the first transfer of land from the Council into the JV in 2023/24. Given the pre-existing challenges to achieving the May publication deadline for draft accounts as outlined above, this represents a significant additional risk factor, not least because no members of the core project team have any experience preparing group accounts. To mitigate this risk, the Authority has commissioned some bespoke accounting advice from KPMG.

- Work is continuing on the 'Smartcore' project to replace the Authority's current SAP Enterprise Resource Planning software. This is a time pressured and therefore very resource-intensive project, and Subject Matter Experts from across the Finance function are engaged to work on the project. Whilst these SME's have been sourced from outside the direct final accounts project team, it is inevitable that the expertise of the team will be drawn upon at various intervals. If the programme continues and a new implementation partner is appointed, this will mean that, particularly in areas of specialism such as GL and Fixed Assets where the detailed technical knowledge does not exist outside of one or two core team members, key resources within the team may need to input into the project to ensure that delivery remains on track. This is an additional resourcing risk that will exist throughout the accounts preparation and audit process, and prioritisation at the project owner level may be required to balance two key corporate priorities.

The above risks are summarised in the Risk Register attached at Annex A, with an assessment of risk based on likelihood and impact. Officers responsible for taking specified mitigating actions are also identified.

Annex A

West Sussex County Council: Closedown Risk Register

Key:	**Risk (R):**	**Impact x Likelihood**
Impact (I):	**1 = insignificant, 2 = minor, 3 = moderate, 4 = significant, 5 = catastrophic**	
Likelihood (L):	**1 = rare, 2 = unlikely, 3 = possible, 4 = likely, 5 = certain**	

Risk	Potential Impact	Initial Risk (I – Impact L-Likelihood R- Risk)			Mitigation	Who	Time scal e
		I	L	R			
Dependency on external partners (e.g. billing authorities, pension fund actuary and property valuers)	Provision of information for collection fund, capital and pension accounting purposes is on the 'critical path' for the preparation of the accounts. Any delay is therefore likely to cause the Authority to miss the draft accounts deadline. The reliance on experts provides assurance over extremely material balances in the Authority's core financial statements. As a result of the delays currently being experienced in relation to the property valuation exercise as identified elsewhere in this report, the likelihood of this risk materialising has been increased.	4	4	16 (R)	Early engagement with partners and agreement to defined timetable. Early instruction of property valuations and frequent meetings to provide for extensive quality assurance. Weekly meetings with property valuer to monitor progress and escalation of delays within Valuation and Estates Team as contract owners.	Sean McEwan	October 2023 – April 2024
Failure to complete audit in scheduled period and by legislative deadline	Likelihood may be increased by new audit team at a senior level (e.g. establishing relationships, preferred ways of working, and may challenge established WSCC practices). Reputational impact and availability of timely information to inform decision making. Compounding impact of delays on other officer priorities (e.g. budget preparation, Smartcore etc) and on subsequent accounts preparation and audit. Any delays attributable to the Authority may result in increased audit fees.	4	3	12 (R)	Early scheduling of audit and agreement of working papers, plus completion of system walkthroughs and substantive testing during interim audit to reduce pressure on summer financial statements audit. Potential extension via introduction of May 2025 backstop being consulted upon by DLUHC.	Vicky Chuter	June – September 2024

Risk	Potential Impact	Initial Risk (I – Impact L-Likelihood R- Risk)			Mitigation	Who	Timescale
		I	L	R			
Failure to achieve the legislative deadline for publication of draft accounts	Likelihood may be increased by pending CIPFA Code consultation (for example if changes to existing property or pension valuation instructions are mandated or are seen to be beneficial for the subsequent audit). Reputational impact and availability of timely information to inform decision making. Compromises may need to be made if decision is taken to prioritise publication by deadline. Alternatively there may be consequential implications for commencement of the audit and subsequent legislative requirements for approval of audited accounts, although the proposed scheduling of the audit by EY is currently unknown.	3	4	12 (R)	Development of detailed project plan detailing component tasks, dependencies etc. Regular monitoring of progress to highlight issues and establish prioritisation and consider compromise as necessary. Restrictions on team leave during peak period to ensure sufficient capacity.	Seam McEwan	April – May 2024
Requirement to produce group accounts	If required – likely failure to achieve draft accounts deadline given historic production timetable. Additional audit fees likely due to expanded accounts and additional testing requirements. May increase risk of audit delays and additional audit adjustments due to limited experience of core project team.	4	3	12 (R)	Commissioning of bespoke accounting advice from KPMG. Early engagement with related entities (JV/Edes accounts preparers and auditors) to establish production timetables and required inputs.	Vicky Chuter	April – September 2024
Demands of Oracle implementation project on core project team	Specialism limited in areas such as fixed assets and GL to one or two core project team members. Risk to delivery of draft accounts and support to external audit if these individuals are pulled too heavily into concurrent SAP replacement project.	3	2	6 (A)	Oracle project team has been resourced without direct impact on core final accounts project team. Senior representation on both projects to ensure that resourcing clashes are mitigated appropriately.	Vicky Chuter	April – September 2024

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2023/2024 Final Accounts Closedown

West Sussex Pension Fund (WSPF)

Project Management Handbook

Background & Overview

1. This Project Management Handbook has been prepared, recognising the importance of achieving an unqualified set of final accounts for the organisation, for the assurance it gives in:

   - Providing a reliable foundation for decision-making and planning.
   - Maintaining the reputation of the West Sussex Local Government Pension Scheme (LGPS) and providing employers with assurance around the stewardship and transparency of the arrangements in place.
   - Ensuring employers participating in the West Sussex LGPS can adhere to their own accounting timetable where this relies on the WSPF's Statement of Accounts.
   - Ensuring key processes are identified and adhered to.

2. This handbook and project plan have been prepared to facilitate the production of the 2023/24 accounts by 31 May 2024, the legislative deadline for the publication of draft accounts. However due to the widespread issues in the audit market and the uncertainties around the EY audit timeframe there is limited detail in relation to audit and subsequent approval of the accounts.

Key Milestones, Project Controls and Quality Controls

3. The following are the key milestones for a successful final accounts project – reflecting key project and quality controls. The dates provided within this document are likely to change given the uncertainty in the audit timing at the time of writing.

Milestone	Date
Complete quality assurance (QA) of SoA	24 May 2024
Director of Finance certifies draft SoA for publication & submission to EY	31 May 2024
Deadline for publication of draft SoA	31 May 2024
Ensure that individual electronic working papers are complete in accordance with the agreed protocol with EY, signed off by the Lead Reviewer	7 June 2024
Submission of draft SoA and working papers to Ernst & Young (EY) and audit commences	June 2024 TBC
Completion of EY audit work within advised fee scale	TBC
Consideration of final SoA by RAAC *	25 September 2024
Provision of an unqualified audit certificate following meeting of RAAC	Late September TBC
Publication of audited SoA on website	30 September 2024

*subject to audit scheduling by EY

Roles & Responsibilities

Project organisation

4. Taryn Eves, Director of Finance & Support Services, as Section 151 officer, will be the Project Owner who will sign off the accounts presented to the Regulation, Audit and Accounts Committee (RAAC). The Director will be responsible and accountable for ensuring the accounts work remains focused and on course to meet the key deliverables as set out in the Key Milestones (above). Taryn Eves is due to leave the organisation in May 2024 and it is anticipated that an interim will be appointed who will inherit the ownership of this project.

5. Rachel Wood, Pension Fund Strategist, will oversee the preparation, review and delivery and provide the final quality assurance (Lead Reviewer) of the SoA on behalf of the Project Owner and will monitor the progress of the team against the agreed project plan.

6. Dara Quaid, Finance Manager, is responsible for managing the team with responsibility for day-to-day project control, keeping the detailed project plan under close review and ensuring technical compliance to CIPFA Code of Practice. The Finance Manager will facilitate weekly project team meetings on progress against milestones and risks and monthly meetings between the project team.

7. In preparation for the delivery of the accounts, considerable resources have been committed throughout the year. Between March and July, the Pension Fund's accounting team will be focussed on delivering the Project Plan.

   Other Stakeholders (third party providers)

8. The interdependencies of individual tasks are identified in the Project Plan. In addition, several tasks within this Project Plan require input from individuals outside of the immediate Pension Fund's accounting team - including fund managers, administration service providers, custodian and professional bodies. These are listed below.

   - Legal Services (WSCC)
   - Pension Services (Hampshire CC)
   - External Valuer (Savills)
   - External Fund Managers (Abrdn, Waystone, Goldman Sachs, ICG, JP Morgan, Pantheon, Partners Group)
   - Custodian (Northern Trust)
   - Fund Actuary (Hymans Robertson)
   - Investment Consultant (Hymans Robertson)
   - Professional Body (CIPFA)
   - External Auditor (Ernst & Young)

Key Risks

9. The following are key risks to the delivery of the Project and are detailed in Annex 1.

- Delay in information supplied by third party providers and complexity and estimation for end of year valuations for illiquid asset classes (property, private equity, infrastructure, and private debt).
- The methodology applied by EY to provide assurance to Level 3 investments may result in a difference that is outside their acceptable tolerance range. Due to the holdings in these asset classes having increased since 1 April 2023 there is a risk that any difference from EY's calculations compared to valuations reported in the financial statements may be above the reporting threshold.
- Failure to provide information to EY in time and in a compliant format.
- Late additional technical requirements.
- Uncertainty around the audit framework and timetable may be compounded this year by changes at a senior level (Audit Partner and Senior Manager) within the audit team.

Annex 1 - West Sussex Pension Fund closedown – Risk Register

Key: **Risk (R):** **Impact x Likelihood**

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

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

Risk	Potential Impact	Initial Risk (I – Impact L-Likelihood R- Risk)			Mitigation	Who	Time scale
		I	L	R			
Complexity and estimation for end of year valuations for illiquid asset classes (property, private equity, infrastructure and private debt).	Provision of information after 31 May 2024 will mean that estimations are included within the draft SoA. Final 31 March 2024 valuations will be received during the audit period for some asset classes, which may be materially different to the estimations and require an adjustment. EY will undertake alternative valuation methods to gain assurance on the reported value of the level 3 investments. The Pension Fund has increased commitments to these asset classes in the last 12 months. Changes in valuation can also impact on employer IAS19 statements, requiring amendments – which therefore has a third party impact.	4	4	16 (R)	Engage with Fund Managers, Advisors and EY in advance and through-out the process.	FM	March to September 2024
Failure to achieve the legislative deadline for publication of draft accounts	There may be implications in relation to the Pension Fund audit and subsequent approval of audited accounts as a result of legislative changes relating to County Council disclosures. Uncertainty in the scheduling of audit work by EY. Primary legislation remains in place which requires the Pension Fund accounts to form part of the WSCC Statements. The completion of the audit for the Pension Fund is therefore dependent on the County Council's audit. No framework currently exists to support the two sets of accounts being separated.	3	4	12 (R)	Continual engagement with County Council Finance Team and EY. Monitoring of developments through the Scheme Advisory Board.	FM	March to September 2024

Risk	Potential Impact	Initial Risk (I – Impact L-Likelihood R- Risk)			Mitigation	Who	Time scale
		I	L	R			
Reduction of resource availability to produce the Final Accounts	The core project team are required to operate at maximum capacity throughout the accounting period. Any staff unavailability could result in the inability to complete technical accounting tasks and issue the accounts by the deadline.	4	2	8(A)	Utilisation of resources across the wider Pensions team and develop a succession plan to manage key person risk.	FM	March to July 2024
Delay in information supplied by third party providers (including Private Equity & Private Debt Fund Managers)	Prevents completion of statements and delays time available for Quality Assurance (QA).	4	2	8 (A)	Requesting information early. Estimates to be calculated for Private Equity and Private Debt (see above). Additional time allowed to embed QA processes.	FM	March to May 2024
Failure to provide information to EY on time and in compliant form	Delays in audit, causing additional audit fees	3	2	6 (A)	Early liaison with EY over format of working papers	PFS	March to July 2024
Late additional technical requirements	Delays to timetable	2	2	4 (A)	Professional networking, liaison with CIPFA and attendance at year-end events/conferences	FM	March July 2024

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

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Accounting Policies

(i) General Principles

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

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

(ii) Property, Plant and Equipment

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

Recognition

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

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

Recognition - Schools

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

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

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

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

Measurement

Assets are initially measured at cost, comprising:

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

The Authority does not capitalise borrowing costs.

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

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

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

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

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in Balance Sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost.

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

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

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

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately (subject to this having a material impact on in-year or cumulative depreciation charges).

Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

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

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

The Code requires that, where expenditure is capitalised in relation to the replacement of a component of an item of Property, Plant and Equipment, the carrying amount of the replaced component shall be written out of the balance sheet as a disposal. For infrastructure assets, the Authority has determined the carrying value of any components replaced during the accounting period to be nil, in accordance with the provisions of the Local Authorities (Capital Finance and Accounting) (Amendment) Regulations 2022. Further detail regarding the accounting arrangements for infrastructure assets is provided at Note 4 Property, Plant and Equipment.

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

(iii) Investment Property

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

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

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

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

(iv) Charges to Revenue for Non-Current Assets

Services are charged an accounting estimate of the cost of holding non-current assets during the year. This comprises:

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

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

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

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

<u>Supported Borrowing</u>

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

Unsupported Borrowing

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

MRP – Finance Lease and PFI

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

(v) Government Grants and Contributions

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

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

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

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

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

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

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

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

(vii) Leases

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

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

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

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

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

Lease payments are apportioned between:

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

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

Operating Leases

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

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over an item of property, plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal and a long-term debtor representing the Authority's net investment in the lease is recognised.

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

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

Lease rentals receivable are apportioned between:

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

Operating Leases

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

IFRS Transitional Rules

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

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

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

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

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

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

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- Payments towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

(ix) Accruals of Income and Expenditure

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

In particular:

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

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

Where income or expenditure is to be recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. The Council has applied a de minimis threshold of £10,000 for all manual accruals of income and expenditure, except for the accrual of expenditure relating to termination benefits (no de minimis has been applied to these payments).

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

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

(x) Overheads and Support Services

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

(xi) Reserves

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

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

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

(xii) Provisions

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

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

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

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

(xiii) Contingent Liabilities

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

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

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

(xiv) Financial Instruments

a) Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and

Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

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

b) Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost:

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

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

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

Expected Credit Loss Model:

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

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

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

<u>Financial Assets Measured at Fair Value through Profit or Loss:</u>

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

In November 2018 the Ministry of Housing, Communities and Local Government (now the Department for Levelling Up, Housing and Communities) announced a statutory override applicable to English local authorities regarding fair value movements on pooled investments funds, initially covering a five-year period commencing 1 April 2018. This override was subsequently extended in January 2023 for a further two years, now expiring 31 March 2025. During the period of the statutory override, the Authority will transfer all fair value movements recognised in the Surplus or Deficit on the Provision of Services relating to pooled investment funds to the unusable Pooled Investment Funds Adjustment Account (or, for equity investments, to the Capital Adjustment Account).

<u>Fair Value Measurements of Financial Assets:</u>

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

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

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

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

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

(xv) Cash and Cash Equivalents

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

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

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

(xvi) Schools

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

(xvii) Council Tax and Non-Domestic Rates

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

<u>Accounting for Council Tax and NDR</u>

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

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

(xviii) Value Added Tax

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

(xix) Employee Benefits

<u>Benefits Payable During Employment</u>

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

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

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

Termination Benefits

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

(xx) Post-employment Benefits

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

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

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

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

The Local Government Pension Scheme and The Firefighters' Pension Scheme

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

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

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

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

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

Service cost, comprising:

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

Remeasurements, comprising:

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

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

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

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

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

(xxi) Early Retirement Costs

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

(xxii) Senior Officer Remuneration

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

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

There are two related disclosures required by the regulations:

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

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

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

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

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

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

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

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

(xxiv) Fair Value Measurement of Non-Financial Assets

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

a) in the principal market for the asset, or

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

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

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

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

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

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

(xxv) Joint Operations and Other Pooled Budgets

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

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

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

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

(xxvi) Events After the Reporting Period

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

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

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

(xxvii) Going Concern

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

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

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

An authority experiencing significant resource pressures does not therefore negate the presumption of going concern, because if an authority were in financial difficulty the prospects are that alternative arrangements might be made by central government for the continuation of services. However, references to such issues affecting financial resilience and sustainability will be made in other sections of the financial statements as appropriate, for example in Note 38 Critical Judgements in Applying Accounting Policies.

Considering the above, and the critical judgements made in applying the Council’s policy on going concern as set out in Note 38, the Council is satisfied that the financial statements should be prepared on a going concern basis.

West Sussex Pension Fund - Summary of significant accounting policies

As of February 2024, we are not aware of any significant changes to the accounting policies since last year. We have however taken the opportunity to review the wording of this document for clarity. As in previous years the Pension Fund Accounts are produced in line with, and fully adhering to, guidance from the Chartered institute for Public Finance Accounting (CIPFA).

Fund Account – revenue recognition

a. Contribution income

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

Employers' augmentation contributions and pensions strain contributions are accounted for when received. Any amount due in year but unpaid will be classed as a current financial asset.

b. Transfers to and from other Schemes

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

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

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

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

c. Investment income

Investment income is received in both GBP and foreign currency. Income in foreign currency is recorded at the spot exchange rate and translated into sterling on the date of the transaction with any difference between that and the actual transaction value recorded as a realised gain/loss. Any change in the value of investments (including investment properties) are recognised as income or expense and reported as a realised gain/loss.

Investment Income Classes

i. **Private Equity**

Private Equity income is recognised on the date paid.

ii. **Property-related income**

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

iii. **Private Debt**

Private Debt income is recognised on the date paid.

iv. **Infrastructure**

Infrastructure income is recognised on the date paid.

v. **Pooled fund**

Pooled Fund income is recognised on the date paid.

Fund Account - Expense items

d. **Benefits payable**

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

e. **Taxation**

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

f. **Management expenses**

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

Administrative expenses

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

Oversight and governance costs

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

Investment management expenses

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

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

Net Asset Statement

g. Financial assets

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

h. Freehold and leasehold properties

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

i. Foreign currency balances

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

j. Cash and cash equivalents

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

k. Investment income due

Investment income due is made up of tax reclaims and interest on cash balances accrued at the end of the reporting period. Tax reclaims relate to withholding tax suffered on income received on investments.

l. Financial liabilities

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

m. Actuarial present value of promised retirement benefits

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

n. Contingent assets and contingent liabilities

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

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

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

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

Key decision: Not applicable
Unrestricted

Regulation, Audit and Accounts Committee

11 March 2024

Review of Financial Regulations

Report by Director of Finance and Support Services and Director of Law and Assurance

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Summary

The Financial Regulations are part of the Authority's Constitution. They are intended to help the exercise of statutory financial responsibilities, safeguard finances and assets, and ensure the proper record keeping and reporting of financial accounts.

Recommendation

The Committee is asked to review and approve the revised Financial Regulations.

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1. Introduction

1.1 The Financial Regulations are part of the Authority's Constitution. They are intended to help the exercise of statutory financial responsibilities, safeguard finances and assets, and ensure the proper record keeping and reporting of financial accounts.

2. Review of Financial Regulations

2.1 The Financial Regulations set out the financial policies and the framework for managing the Council's financial affairs. They seek to ensure that the Council conducts its affairs in a way that complies with statutory provisions, generally accepted accounting principles and professional good practice.

2.2 In addition, the Council has Financial Procedures which are held outside the Constitution and are accessed on the Finance Sharepoint site, which set out the controls in place for the key areas covered in the Financial Regulations, along with the responsibilities of the Directors in respect of each of the key areas. These will be updated to align with the revised Financial Regulations.

2.3 The updated Financial Regulations which are set out in Appendix A, have been amended throughout to reflect the current titles for jobs, committees and Cabinet Members, along with minor wording changes and corrections. Appendix B summarises the more significant amendments.

2.4 Directors and Assistant Directors will be reminded of their responsibilities once the regulations have been approved.

3. Risk implications and mitigations

3.1 There are financial risks associated with the organisation not having adequate up to date regulations and procedures in place.

Taryn Eves
Director of Finance and Support Services

Tony Kershaw
Director of Law and Assurance

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

Appendices
Appendix A – Financial Regulations
Appendix B – Financial Regulations - Summary of Changes

Background Papers
None

Part 4

Section 3

Financial Regulations

Approved by the Regulation, Audit and Accounts Committee

at its meeting on 11th March 2024

March 2024

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Part 4 Section 5

Financial Regulations

Financial Regulation A - General

1. **General Introduction**

1.1 The Financial Regulations and Financial Procedures of the County Council are intended to help the County Council exercise its statutory financial responsibilities, safeguard its finances and assets, and ensure the proper record keeping and reporting of its financial accounts. The Financial Regulations form part of the Council's Constitution while the Financial Procedures are held outside of the Constitution. The Financial Regulations clarify responsibilities and provide a framework for decision making.

1.2 Any changes to Financial Regulations will be drawn up jointly by the Director of Finance and Support Services and Director of Law and Assurance and approved by the Regulation, Audit and Accounts Committee.

1.3 Any employee who knowingly or by negligence breaches the Financial Regulations may be subject to disciplinary action and in some instances may incur criminal liability.

1.4 The regulations also apply to persons who are carrying out the business of the County Council but are employed by any contractor, partner or other organisation representing the County Council.

1.5 The Director of Finance and Support Services, in consultation with the Director of Law and Assurance, may approve a departure from Financial Regulations where he or she concludes that such action is appropriate to safeguard the interests of the County Council.

1.6 It is the responsibility of all Directors to make all employees and other persons carrying out Council business aware of the Financial Regulations.

2. **Financial Management**

2.1 **Introduction**

2.1.1 Financial management covers all financial accountabilities in relation to the running of the authority, including the Policy Framework, revenue and capital budgets and treasury management.

2.2 **The County Council**

2.2.1 The County Council is responsible for adopting the authority's Constitution and for approving the Policy Framework and budget within which the Executive operates. In terms of financial planning, the key elements are:

- The Medium Term Financial Strategy
- The Annual Revenue Budget
- The Capital Strategy
- The Treasury Management and Investment Strategy

2.2.2 It is also responsible for approving and monitoring compliance with the County Council's overall framework of accountability and control, and for monitoring compliance with the agreed policy and related executive decisions. The functions of the County Council are listed in Responsibility for Functions, Part 3 of the Constitution.

2.3 **The Cabinet**

2.3.1 The Cabinet is the principal Executive body of the County Council. The Cabinet is responsible for proposing the Policy Framework and budget to the County Council, and for discharging Executive functions in accordance with the Policy Framework and budget including Standing Orders and the Scheme of Delegation. The role of the Cabinet is described in the Description of the Constitution, Part 2 Chapter 7.

2.3.2 Executive functions can be delegated to the Cabinet, individual Cabinet Members, officers or through joint arrangements with other public bodies. The County Council's Scheme of Delegation is set out in Appendices 1-4 of the Constitution.

2.4 **Regulation, Audit and Accounts Committee**

2.4.1 The Regulation, Audit and Accounts Committee's purpose is to provide an independent high-level oversight of the Council's systems of governance and risk management and its arrangements for financial control and compliance.

2.4.2 The Committee is responsible for reviewing the external auditor's reports including the Audit Plan and Audit Results Report. Additionally, it is responsible for reviewing internal audit's work plan, progress and delivery of audit recommendations to assess the level of assurance it can give over the council's corporate governance arrangements. It can consult directly with internal and external auditors. The Committee also deals with the approval of the statutory Statement of Accounts of the County Council (and the Pension Fund) and the review of the Governance Framework including the system of internal control.

2.5 **Director of Finance and Support Services**

2.5.1 In line with the Local Government Act 1972, the Director of Finance and Support Services is responsible for:

- Promoting and maintaining high standards of financial conduct, including compliance with the CIPFA Financial Management Code
- The provision of proactive advice to both Cabinet and the County Council, informing them of the financial implications of all new policies and changes of policy
- The provision of strategic financial planning and advice to the Executive and Corporate Leadership Teams, the Cabinet, other committees and member task groups

- Ensuring proper administration arrangements are in place for the Council's financial affairs
- Reporting to members on the overall budget performance and recommending corrective action
- Ensuring that the council or any officer of the council does not make any unlawful financial transaction or action
- Complying with the relevant accounting and financial procedures and standards in accordance with best accounting practices
- Agreeing and ensuring locally managed schools and other local financial management arrangements are aligned to these regulations
- Preparing the revenue budget and capital programme
- Securing an effective internal audit function
- Treasury management and banking arrangements
- Maintaining a continuous review of the Financial Regulations and submitting any additions or changes necessary to the Regulation, Audit and Accounts Committee
- Issuing advice and guidance to underpin the Financial Regulations that Members, officers and others acting on behalf of the Council are required to follow
- The maintenance of reserves, accounting policies, records and returns and the annual statement of accounts
- Advising on prudential indicators required to be set in accordance with the CIPFA Prudential Code for Capital Finance in Local Authorities and ensuring that all matters required to be taken into account in setting Prudential Indicators, and monitoring them, are reported to the Cabinet Member for Finance and Property.

2.5.2 The Director of Finance and Support Services has statutory duties in relation to the financial administration and stewardship of the County Council. This statutory responsibility cannot be overridden. The statutory duties arise from:

- Section 151 of the Local Government Act 1972
- The Local Government Finance Act 1988
- The Local Government and Housing Act 1989
- The Local Government Act 2003
- The Accounts and Audit Regulations 2015
- Local Government Pension Scheme Regulations 2013 and The Local Government Pension scheme (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006

2.5.3 Section 114 of the Local Government Finance Act 1988 requires the Director of Finance and Support Services to report to the County Council, the Cabinet and external auditor if the County Council or one of its officers:

- Has made, or is about to make, a decision which involves incurring unlawful expenditure
- Has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the authority
- Is about to make an unlawful entry in the County Council's accounts.

Section 114 of the 1988 Act also requires:

- The Director of Finance and Support Services to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under section 114 personally
- The authority to provide the Director of Finance and Support Services with sufficient staff, accommodation and other resources - including legal advice where this is necessary - to carry out the duties under section 114.

2.6 The Chief Executive and Directors

2.6.1 The Chief Executive and Directors are responsible for:

- Ensuring that Cabinet Members are advised of the financial implications of all proposals and that they have been agreed by the Director of Finance and Support Services.
- Consulting the Director of Finance and Support Services and seeking approval on any matter liable to affect the County Council's finances materially, before any commitments are incurred.

3. Other Financial Accountabilities

3.1 Budget Transfers

3.1.1 Budgets may be transferred between revenue headings provided that they do not involve a new policy or a policy change and do not involve an increasing commitment in future years that cannot be contained within the existing approved budget allocations (see limitations below). Budget transfer limits apply equally to expenditure financed by increased income, including specific grants, and by drawing down of reserves and contingencies, other than when there is a specific delegation.

3.1.2 The Cabinet Member for Finance and Property is responsible for agreeing the rationale for the transfer of budget between budget headings.

3.1.3 Revenue Budget Transfers - Assistant Directors (or Directors if appropriate) are responsible for agreeing in-year revenue budget transfers within delegated limits for their relevant area, as set out below, in consultation with the Director of Finance and Support Services.

Delegated Approval	Limit for budget transfer
Key decision process applies	£500,000 and over
Director of Finance and Support Services, in accordance with the Finance and Support Services' Scheme of Delegation	Technical budget transfers (eg, budget transfers to comply with proper accounting practice) – no financial limit
Director of Finance and Support Services, in accordance with the Finance and Support Services' Scheme of Delegation	Administrative budget transfers (eg, already approved by County Council or Schools Forum) - no financial limit
Assistant Director (or Director as appropriate) and Director	All other budget transfers up to £499,999

of Finance and Support Services, in accordance with the Finance and Support Services' Scheme of Delegation	

3.1.4 Capital Programme – Budget Transfers - the overall governance arrangements for capital programme is set out in Section B, paragraphs 2.2 to 2.4 below. The Authority's Capital Strategy also outlines the governance controls and monitoring arrangements for the capital programme. Approvals for amendments to the capital programme including variations to individual projects are outlined in the Constitution's Scheme of Delegation, as set out below:

Delegated Approval	Limit for new projects, project variations or budget transfers
Key decision process applies	£500,000 and over
Director of Place Services in consultation with the Director of Finance and Support Services and the Cabinet Member, in accordance with the Constitution's Scheme of Delegation	Where the level of investment or variation (including transfers within or across portfolios) is no greater than £500,000 or no more than 10% of the total project cost (if higher) the Cabinet Member will be consulted before the decision is made and; i) Where the decision has not previously been marked by the relevant Cabinet Member for decision by the Cabinet Member; or ii) Where the matter has been the subject of previous Cabinet Member decision delegating further decisions to the Director; and iii) Where the relevant Director, in discussion with the Cabinet Member, does not consider the matter to be politically sensitive and so the use of officer delegation would be appropriate
Director of Place Services in consultation with Director of Finance and Support Services, in accordance with the Constitution's Scheme of Delegation	Where the level of investment or variation (including transfers within or across portfolios) is no greater than £250,000 or no more than 5% of the total project cost (if higher)
Where a scheme is subject to more than one change in any financial year these will be considered cumulatively for this purpose.	

3.2 **Contingency Allocations**

3.2.1 Revenue budgets and capital programmes are approved as cash-limited allocations. The presumption is that service budgets and capital programmes will not be supplemented. Any exception to that presumption and the use of the contingency allocations is the responsibility of the Cabinet Member for Finance and Property on receiving advice from the Director of Finance and Support Services.

3.3 **Treatment of Year-end Balances**

3.3.1 The Cabinet Member for Finance and Property, on advice from the Director of Finance and Support Services, is responsible for agreeing:

- rationale for the transfer to and from reserves, including the carrying forward of underspends on revenue budget headings
- any transfers of non-portfolio budgets

3.3.2 The Director of Finance and Support Services is responsible for the approval of transfers to and from earmarked reserves, including carrying forward year-end underspends.

3.3.3 Cabinet is responsible for approving the overall outturn position within the outturn financial management report.

3.3.4 The Capital Programme is approved as part of the budget process by County Council each February. Any variations within the overall programme, including capital slippage to be carried forward, due to planned expenditure being unable to be completed in the financial year, is then reported through the Performance & Resources Report process.

3.3.5 Specific approvals for variations to the capital scheme including any transfers are outlined in 3.1.4.

3.4 **Accounting Policies**

3.4.1 The Regulation, Audit and Accounts Committee is responsible for approving the accounting policies. The Director of Finance and Support Services is responsible for the application of the accounting policies and ensuring that they are applied consistently.

3.5 **Accounting Records and Returns**

3.5.1 The Director of Finance and Support Services is responsible for determining the accounting procedures and records for the authority.

3.6 The Annual Statement of Accounts

3.6.1 The Director of Finance and Support Services is responsible for ensuring that the annual statement of accounts is prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom' (CIPFA/LASAAC). The Regulation, Audit and Accounts Committee is responsible for approving the annual statement of accounts.

Financial Regulation B - Financial Planning

1. **Introduction**

1.1 The County Council is responsible for agreeing the authority's Policy Framework and budget, which will be proposed by the Cabinet. In terms of financial planning, the key elements are:

- Our Council Plan
- Directorate Business Plans
- Service Business Plans
- the revenue budget
- the capital programme

1.2 The County Council is also responsible for approving procedures for the budgets, plans and strategies forming the Policy Framework and for determining circumstances in which a decision will be deemed to be contrary to the budget or Policy Framework. Such decisions should be referred to the County Council by the Monitoring Officer.

1.3 The Cabinet Members are responsible for taking in-year key decisions on resources and priorities in order to deliver the Policy Framework and services within the annual budget set by the County Council.

2. **Budgeting**

2.1 **Budget**

2.1.1 The budget will be approved by the County Council and proposed by the Cabinet on the advice of the Director of Finance and Support Services.

2.1.2 Comprehensive budget plans should be based on realistic projections about:
- pay and price inflation
- business and activity levels, including future budget pressures
- known service development plans
- savings plans
- government funding
- other income, including business rates and council tax
- risk assessments and contingency plans
- other internal plans such as human resources and IT

2.2 **Budget and Capital Programme Preparation**

2.2.1 The Cabinet is responsible, in consultation with the Director of Finance and Support Services, for setting the overarching strategies and policies, in line with the priorities in the Council Plan, which should underpin the budget and capital programme.

2.2.2 It is the responsibility of Directors to ensure that budget and capital programme estimates reflecting agreed service plans are submitted to the

Cabinet and that these estimates are prepared in line with the strategic direction and policies set by the Cabinet.

2.2.3 The Director of Finance and Support Services is responsible for ensuring that an overall revenue budget and capital programme summarising service budget estimates is prepared on an annual basis for consideration by the Cabinet, before submission to the County Council, along with a forward financial forecast in line with Government funding notifications. The County Council may amend the budget or ask the Cabinet to reconsider it before approving it.

2.2.4 The Performance and Finance Scrutiny Committee considers strategic issues relating to the budget including comments on individual portfolio budgets ahead of its presentation to Cabinet. All Members are engaged in the budget planning process through informal Member sessions where financial strategies and savings options/proposals are discussed and where appropriate, savings options are scrutinised by individual Scrutiny Committees.

2.3 Budget and Capital Programme Monitoring and Control

2.3.1 The Director of Finance and Support Services is responsible for providing appropriate financial information to enable both the revenue budgets and the capital programme to be monitored effectively. He or she must monitor expenditure against budget allocations and report to the Cabinet on the overall position on a regular basis, as part of an overall performance management reporting process. The Director of Finance and Support Services will collate and present the Performance and Resources Report to the Executive Leadership Team, Cabinet and all Scrutiny Committees each quarter, including a forecast of the financial outturn at year end. This report will cover financial and performance reporting for both revenue and capital, risk and workforce.

2.3.2 It is the responsibility of Directors and Assistant Directors to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Director of Finance and Support Services. They should report on variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation and alert the Director of Finance and Support Services to any problems. Any new proposal containing significant financial implications must take note of the Director of Finance and Support Services advice as well as that of the relevant Director or Assistant Director and Cabinet Member.

2.4 Capital Governance

2.4.1 The Council has an established governance process which ensures transparency and gives assurance to members. Officer panels receive and consider proposals and business cases, which are supported by a set of tools and procedures (‘the officer handbook’) to define the process for approving capital schemes and to manage subsequent variations, including how officers provide members with information and assurance that controls are in place alongside an audit trail that meets member expectations.

2.4.2 The same process for considering and approving projects and business cases applies whether the decision is for an officer or a Cabinet Member. A model for business cases is used, which is streamlined for less complex projects, to ensure the input is proportionate. Where a decision relating to the capital programme is also a 'key decision' (investment of £500,000 and over or significant impact on more than one division), it will be published in the Forward Plan and taken in line with usual key decision governance processes.

2.4.3 All projects have a business justification through an initial business case (for schemes that require resources to develop a detailed business case) or outline business case (where the scheme is more straightforward). These are considered for prioritisation each year ahead of recommendation to the Council for approval of the programme. Individual projects may be considered by the Performance and Finance or relevant service Scrutiny Committees.

2.4.4 In addition to the large schemes and development projects that make up much of the capital programme, there will be routine investment plans for the core business of the Council that have block allocations. These include the schools maintenance programme, the maintenance of the Council's operational buildings, highways maintenance, the replacement of vehicles and other essential service assets. These are planned and budgeted for through asset management plans within the capital programme and will operate within the approved control totals. Their implementation is delegated to the relevant Director.

2.4.5 All significant or cross-portfolio changes are taken through the Performance and Resources Report and published as Cabinet Member decisions in accordance with their portfolio. The Performance and Finance and service Scrutiny Committees sees the Forward Plan, notice of capital schemes on the programme register and has access to the business cases which may therefore be subject to preview as required.

2.4.6 The monitoring of the capital programme is part of the quarterly Performance and Resources Report with formal decisions published in accordance with constitutional arrangements. Quarterly finance performance reports on the capital programme are reviewed by the Capital and Assets Board and both finance and performance are included in the Performance and Resources Report and reported to the relevant scrutiny committee. Variations and transfers between capital scheme budgets are outlined in Section A, 3.1.4 above.

2.5 Budgeting

2.5.1 The Director of Finance and Support Services is responsible for developing and maintaining a resource allocation process that ensures due consideration of the County Council's Policy Framework and Medium-Term Financial Strategy.

2.6 Budget Principles

2.6.1 Budget principles and general guidance relating to budget preparation are shared with Directors and Assistant Directors from the Director of Finance and Support Services, through the Finance Business Partner Teams. The guidance will take account of:

- legal requirements

- medium-term planning prospects
- West Sussex Plan priorities
- spending pressures
- other relevant government guidelines
- other internal policy documents
- cross-cutting issues (where relevant)
- the role of the Performance and Finance Scrutiny Committee in strategic budget issues.

2.7 **Maintenance of Reserves**

2.7.1 It is the responsibility of the Director of Finance and Support Services to advise the Cabinet and/or the County Council on prudent levels of reserves for the authority, having regard to an assessment of the financial risks facing the authority. This duty is set out in Section 25 of the Local Government Act 2003.

2.8 **Budgets Delegated to Schools**

2.8.1 Revenue budgets delegated to schools under Department for Education Regulations are outside the scope of these regulations and are subject to the conditions set out in the Scheme for Financing Schools – Statutory guidance for local authorities – March 2023.

2.9 **Fees and Charges**

2.9.1 A schedule of fees and charges must be reviewed annually as part of the business planning and budget setting cycle and agreed by Cabinet Members, guided by the Director of Finance and Support Services.

2.9.2 All income properly due to the Council must be collected promptly and recorded to the Council's benefit, unless specific authority to waive, discount or write-off such income is approved through Cabinet, Cabinet Members or under delegated powers to officers.

2.9.3 Proposals to commence charging for or trading in goods or services not previously subject to charging or trading must be agreed by the relevant Cabinet Member (external charging/trading only) and in consultation with the Director of Finance and Support Services.

Financial Regulation C – Risk Management and Control of Resources

1. Introduction

1.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant risks to the authority. This should include the proactive participation of all those associated with planning and delivering services.

2. Risk Management

2.1 The Chief Executive is responsible for approving the County Council's corporate risk management strategy and for reviewing the effectiveness of risk management.

2.2 The Regulation, Audit and Accounts Committee provides assurance of the adequacy of the risk management framework and the associated control environment and scrutiny of the County Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk.

2.3 The Performance and Finance Scrutiny Committee considers existing policies and the effectiveness of their delivery relevant to the Scrutiny Committee's specific portfolio and to issues of major strategic importance to the County Council. It also considers the effectiveness of the Council's arrangements and systems for the management of contracts and for the scrutiny of the achievement of such commissioning outcomes as have been determined, as well as the annual budget and performance framework on a strategic basis at each meeting.

2.4 Risk management must complement and build on the existing integrated service planning and performance management processes. All significant risks must be managed to, or maintained at, an acceptable level.

2.5 The Executive Leadership Team is responsible for promoting the County Council's risk management policy statement throughout the County Council with Directors responsible for ensuring there are sufficient processes in place to identify, assess and capture risks within their directorates.

2.6 The Director of Finance and Support Services is responsible for monitoring and reporting all significant risks and the Director of Law and Assurance is responsible for maintaining proper insurance cover where appropriate, in pursuant with paragraph 7 of this section.

3. Internal Control

3.1 Internal control refers to the systems of control devised to help ensure that the County Council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that its assets and interests are safeguarded.

3.2 The Director of Finance and Support Services is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.

3.3 It is the responsibility of Directors and Assistant Directors to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their business objectives and performance targets.

4. Audit Requirements

4.1 The Accounts and Audit Regulations 2015 require every local authority to "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". Accordingly, internal audit is a separate, 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.

4.2 The Local Audit and Accountability Act 2014 requires the County Council to prepare an annual Statement of Accounts, and for these accounts to be subject to an external audit. The general duties of the auditor are set out in section 20 of the Act. The Council has opted into the national auditor appointment provisions of the Local Audit (Appointing Person) Regulations 2015. Under these provisions, an external auditor is appointed to the authority by Public Sector Audit Appointments Ltd for a specified period, the latest appointment being from 2023/24 to 2027/28.

4.3 The County Council may, from time to time, be subject to audit, inspection or investigation by external bodies, who have statutory rights of access.

5. Preventing Fraud and Corruption

5.1 The Director of Finance and Support Services is responsible for the development and maintenance of the Anti-Fraud Strategy and the Anti-Money Laundering Policy. These are reviewed every three years and approved by the Regulation, Audit and Accounts Committee.

5.2 Where financial irregularity is suspected or discovered, Directors or nominated officer are to notify the Director of Finance and Support Services (represented by the Head of Internal Audit) immediately, who in turn is to inform the Director of Law and Assurance. Detailed procedures for such action are contained in the Anti-Fraud Strategy and Anti-Money Laundering Policy.

6. Assets

6.1 Directors and Assistant Directors should ensure that assets, including property, vehicles, equipment, furniture and stocks/stores, are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place, as set out in the council's Asset Strategy and Business Continuity policies.

7. Insurance

7.1 The Director of Law and Assurance shall effect all necessary cover for liability (including employer, third party, personal accident and fidelity guarantee), motor and property (including terrorism) insurance and negotiate all claims, in consultation with other officers where necessary.

7.2 Directors and Assistant Directors shall notify the Director of Law and Assurance immediately of:

- All new risks and liabilities which may require to be insured
- Any change which may affect existing insurance
- Any loss, damage, claim or event which might give rise to a claim by or against the Council
- Any acquisition or disposal of interests in property which involves an amendment to insurance cover.

7.3 All appropriate employees of the Council shall be included in a suitable fidelity guarantee insurance.

7.4 The Director of Law and Assurance shall, at least annually, review all insurance in consultation with Directors.

8. Treasury Management

8.1 The County Council has adopted the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code). Accordingly, the County Council will maintain, as the cornerstones for effective treasury management:

- a Treasury Management Policy Statement, stating the policies, objectives and approach to risk management of its treasury management activities (held outside of the Constitution)

- suitable Treasury Management Practices (TMPs), setting out the manner in which the County Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

8.2 The content of the Policy Statement and TMPs follows the recommendations contained in the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the County Council materially deviating from the Code's key recommendations.

8.3 The County Council will receive reports on its treasury management policies, practices and activities, including as a minimum an annual Treasury Management Strategy Statement in advance of the year, a mid-year review and an annual report after its close (see 8.4 below), in the form prescribed by its TMPs.

8.4 The County Council delegates to the Performance and Finance Scrutiny Committee responsibility for ensuring effective scrutiny of the treasury management strategy and policies. In accordance with the Constitution, a mid-year and year end treasury management report benchmarking security and liquidity, in addition to the actual yield achieved on County Council investments, will be submitted to this Committee.

8.5 The County Council in its Constitution delegates responsibility for monitoring compliance with its treasury management policies and practices against planned parameters to the Regulation, Audit and Accounts Committee.

8.6 The County Council delegates responsibility for the execution and administration of treasury management decisions to the Director of Finance and Support Services.

8.7 The County Council will act in accordance with the Policy Statement, TMPs and CIPFA's Standard of Professional Practice on Treasury Management in the implementation and administration of all treasury management decisions.

9. Prudential Code

9.1 Interlinked with the CIPFA Code of Practice for Treasury Management is the Prudential Code for Capital Finance in Local Authorities; furthermore, the Council is required by regulation to have regard to the code when carrying out its duties under Part 1 of the Local Government Act 2003.

9.2 The Director of Finance and Support Services will be responsible for ensuring that all matters required to be taken into account are reported to the full Council for consideration, and for establishing procedures to monitor performance.

10. Banking Arrangements

10.1 All arrangements with bankers must be made only by the Director of Finance and Support Services, who is authorised to operate any bank accounts considered necessary.

11. Staffing

11.1 The Chief Executive as Head of Paid Service is responsible for providing overall management to staff and is responsible for the arrangements for determining how officer support for Executive and non-Executive roles within the authority will be organised.

11.2 Directors are responsible for controlling total staff numbers by:

- advising the Cabinet on the budget necessary in any given year to cover estimated staffing levels
- managing the staffing numbers within approved budget provision and, where necessary, adjusting the staffing to a level that can be funded within approved budget provision, varying the provision as necessary within that constraint in order to meet changing operational needs
- the proper use of appointment procedures, workforce plans and verified personnel information.

12. **Information Technology and Data and Information Management**

12.1 The Director of Finance and Support Services shall ensure there is sufficient provision for all Information Technology and data and information management requirements.

12.2 All Directors and Assistant Directors will conform with and follow the Council's prevailing IT Strategy and will seek the advice of the Chief Information Officer on the introduction of new information and communications systems. In particular, Directors and Assistant Directors will ensure that sufficient standards and procedures are in place and will also ensure the achievement of value for money in the introduction of new systems and equipment.

12.3 Directors and Assistant Directors shall consult with the Chief Information Officer on the development of any financial or other systems whether computerised or manual at the earliest practicable stage and where appropriate obtain the consent of the Director of Finance and Support Services, and the Chief Information Officer in implementing those systems. This includes the potential use of AI assisted technologies to automate or simplify manual process.

12.4 Minimum standards of control for any new system or development of an existing system which involves a financial operation or produces output that may influence such an operation, must be agreed in advance with the Director of Finance and Support Services and Chief Information Officer.

12.5 Directors and Assistant Directors shall conform to the County Council's security and control of systems' standards within their Departments. They shall also be responsible for the security and privacy of data necessary to accord with the Data Protection Act 2018. When accessing central or other systems, Directors and Assistant Directors will be responsible for ensuring that agreed procedures are followed.

12.6 Any proposal to purchase or develop a computer system (IT hardware, software or communications equipment) shall be the subject of a business case in an approved form and in accordance with the Council's prevailing IT Strategy. In the same manner, such proposals will also be subject to post implementation review.

12.7 Directors and Assistant Directors shall make sound and sufficient contingency arrangements to ensure the security and continuity of services in the event of a disaster e.g. cyber, fire, flood etc. and to enable the restitution of systems and data.

Financial Regulation D – Systems and Procedures

1. **Introduction**

1.1 Sound systems and procedures are essential to an effective framework of accountability and control.

2. **General**

2.1 The Director of Finance and Support Services is responsible for the operation of the County Council's accounting systems, the form of accounts and the supporting financial records. Any changes to the existing financial systems or the establishment of new systems must be approved by the Director of Finance and Support Services. However, Directors are responsible for the proper operation of financial processes in their own service areas, including those activities which are delivered by an external party.

2.2 Any changes to agreed procedures by Directors to meet their own specific service needs should be agreed with the Director of Finance and Support Services.

2.3 Directors should ensure that their staff receive relevant financial training that has been approved by the Director of Finance and Support Services. This will also apply to external parties.

2.4 Directors must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. Directors must ensure that staff are aware of their responsibilities as set out in legislation including Freedom of Information requests and GDPR requirements.

3. **Income and Expenditure**

3.1 It is the responsibility of Directors to ensure that a proper scheme of delegation has been established within their area and is operating effectively. The scheme of delegation should identify staff authorised to act on the Director's behalf, or on behalf of the Council, in respect of payments, income collection and placing orders, together with the limits of their authority.

3.2 Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly. It is preferable to obtain income in advance of supplying goods or services as this improves the County Council's cashflow and also avoids the time and cost of administering debts. The Council has debt management procedures in place which are regularly reviewed.

3.3 Public money should be spent with demonstrable probity and in accordance with the County Council's policies. The County Council's procedures should help to ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the County Council's Standing Orders on Procurement and Contracts. All ordering and payment for works, goods and services must comply with the County Council's Standing Orders.

3.4 The Cabinet Member for Finance and Property is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control. Any irrecoverable debt will be written off in accordance with the Scheme of Delegation, in line with the delegation limits set out below:

Delegated Approval	Limit for Write-Off
Director of Finance and Support Services	Up to £15,000
Director of Finance and Support Services in consultation with the Director of Law and Assurance	Between £15,001 to £100,000
Cabinet Member for Finance and Property	In excess of £100,000

4. **Payments to Employees and Members**

4.1 The Director of Human Resources and Organisational Development is responsible for all payments of salaries and wages to all staff, including payments for overtime, as well as payment of expenses and any loans and for payment of allowances to members. The Director of Finance and Support Services is responsible for ensuring there are appropriate financial systems in place to make these payments.

5. **Ex-Gratia Payments**

5.1 Directors may approve reasonable ex-gratia payments to both employees and 3rd parties of £1,000 or less to provide a remedy under the Council's complaints system or where a goodwill payment is made.

5.2 For ex-gratia payments in excess of £1,000 Directors must obtain the approval of the Director of Finance and Support Services and the Director of Law and Assurance. Such payments shall not exceed £10,000 without the approval of the Cabinet Member for Finance and Property.

5.1 A complete record of ex-gratia payments made by Directors shall be maintained and shall be available to the Director of Finance and Support Services on request and retained in line with the current policy.

6. **Taxation**

6.1 The Director of Finance and Support Services is responsible for advising Directors, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on VAT taxation issues that affect the County Council. The Director of Human Resources and Organisational Development is responsible for advising Directors, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all employee related taxation issues.

6.2 The Director of Finance and Support Services is responsible for maintaining the County Council's VAT records, making all VAT payments, receiving VAT credits and submitting VAT returns by their due date as appropriate.

7. Non-Employees

7.1 It shall be a condition of engagement of any non-employee acting in partnership or on behalf of the County Council (including consultants, contractors, agency staff and joint committees) for purposes within the scope of these Financial Regulations that they shall have a comprehensive knowledge of these Regulations and abide by them throughout the duration of their engagement. The relevant Director with responsibility for engaging and managing the service provider shall ensure that this requirement is met.

Financial Regulation E - External Arrangements

1. **Introduction**

1.1 The County Council provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. It has the power to achieve the promotion or improvement of the economic, social or environmental well-being of its area.

1.2 This may involve the establishment of collaborative arrangements (formal or informal partnerships), joint ventures, joint operational models (such as pooled budgets) or providing an agency service.

1.3 The County Council may also want to provide financial support to staff in exceptional circumstances, clients or 3rd parties in the form of grants or loans. These are subject to approval by the Director of FSS and where appropriate the Directors or HR and OD.

2. **Partnership Arrangements, Joint Ventures and Pooled Budgets**

2.1 The County Council is responsible for approving delegations (Part 3, Section 2 of the Constitution), including frameworks for partnerships. The Cabinet is the interface in forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.

2.2 Cabinet Members can delegate functions to officers. These are set out in the Scheme of Delegation that forms part of the County Council's Constitution. Where functions are delegated, the Cabinet remains accountable for them to the County Council.

2.3 The Chief Executive represents the County Council on partnership and external bodies, in accordance with the scheme of delegation.

2.4 The Director of Finance and Support Services is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the County Council.

2.5 The Director of Finance and Support Services must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. He or she must also consider, in consultation with the Director of Law and Assurance, the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. He or she must ensure that the risks have been fully appraised before agreements are entered into with external bodies.

2.6 Directors are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

2.7 Formal joint ventures will be subject to Cabinet approval. Governance arrangements, financial framework and funding must be agreed in advance of the signing of any agreement or formal commitment of the Authority.

3. **External Funding**

3.1 All external funding is to be notified to the Director of Finance and Support Services and he or she is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the County Council's accounts. Any grant funding for which we apply must support the County Council priorities and be accompanied by an agreed exit strategy.

4. **Work for Third Parties**

4.1 The Cabinet Members for a service and the Cabinet Member for Finance and Property shall be consulted before the completion of any contractual arrangements for any work for third parties or external bodies.

5. **Grants and Loans**

5.1 The County Council can make grants or loans to local enterprises, charities, wholly owned companies, joint ventures or private individuals as part of a wider strategy for economic growth or specific support.

5.2 Loans to third parties will generally form part of the Council's Capital Strategy with approval based on the economic and social benefits to the Council and the residents of West Sussex; or following an external credit assessment of the companies involved. These are not treasury type investments, rather they are Service Delivery policy investments and the funding will be spent on capital projects and may include:

- loans to the Council's Joint Venture (JV) Partnership with Lovell Partnerships Limited or Edes Estates, the County Council's wholly owned company. Any loan made to the joint venture would be in line with the JV Partnership Agreement;

- loans to other third parties with which the County Council has a shared interest linked to the Council Plan priorities or legal responsibilities and where the nature of spend for which the loan is required is of a capital nature. These will be subject to consideration by the Director of Finance and Support Services.

5.3 Non-Treasury Service Delivery investments will be funded through borrowing and will either utilise the Council's cash balances (internal borrowing) or impact on the Council's external borrowing. The value of loans to a specific third party at any one time will be limited to £15m.

5.4 Such loans will be considered when all of the following criteria are satisfied:

- The loan is towards expenditure which would, if incurred by the Council, be capital expenditure;

- The purpose for which the loan is given is consistent with the Council's corporate / strategic objectives and priorities;

- Due diligence is carried out that confirms the Council's legal powers to make the loan, and that assesses the risk of loss over the loan term;

- A formal loan agreement is put in place which stipulates the loan period, repayment terms and loan rate; (which will be set at a level that seeks to mitigate any perceived risks of a loss being charged to the General Fund and takes appropriate account of Subsidy Control Rules).

5.5 The approval limits for loans are:

- For loan amounts up to £0.5m, the Director of Finance and Support Services can authorise where there is no adverse impact on Council Policy or service delivery and can be funded from approved capital programme;
- For loan amounts over £0.5m and funded from current capital programme resources the Cabinet Member for Finance and Property can authorise;
- For any loan amounts in excess of the approved capital programme, County Council will need to approve any change to the capital programme required to enable such a loan to be approved.

5.6 Third party loans approved in support of a company's (or individual's) revenue cash flows may however be arranged through the prescribed Treasury Management Practices (TMPs) of the County Council. Ahead of the Director of Finance and Support Services approving a loan the Council will undertake appropriate due diligence of the third party and the Council will also look to obtain appropriate levels of security or third party guarantees for any loan advanced. The Council would expect a return commensurate with the type, risk and duration of the loan and a maximum limit of £5m for all third party loans has been set. All loans should be in line with the Council's governance arrangements.

5.7 The County Council can make grants in certain circumstances where it is considered that they represent the most appropriate form of assistance. This is most likely to be the case for minor items of work or assistance, where the costs of arranging loan finance cannot be justified or in cases where the financial circumstances of the applicant are such that any other form of financial assistance would be inappropriate. All grant payments must be made in accordance with clearly defined criteria in line with the relevant grant conditions and should represent good value for money.

5.8 Grants or loans must be agreed by the appropriate Director and the Director of Finance and Support Services. All legal agreements to secure the repayment of a loan must be agreed by the Director of Law and Assurance.

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Financial Regulations - Summary of Changes

Reference	Heading
Section A	**Financial Regulation A – General**
2.2.1	The County Council – added key elements of financial planning
2.4.1 - 2.4.2	Regulation, Audit and Accounts Committee – clarified/defined role of the committee to align with its Terms of Reference
2.5.1	Director of Finance and Support Services – added new responsibility to cover CIPFA Financial Management Code and Prudential Code for Capital Finance
3.1.1	Budget Transfers – added the definition of budget transfers
3.1.3	Delegated approval table for revenue budget transfers –updated to reference the Scheme of Delegation and removal of financial limits for technical / administrative budget transfers
3.1.4	Delegated approval table for capital budget transfers – added to reference the Scheme of Delegation
3.3.1 - 3.3.4	Treatment of Year-end Balances – clarified role of Cabinet Member for Finance and Property and Director of Finance and Support Services for approving transfers to/from reserves, outturn position and treatment of capital slippage
3.4	Clarified role of RAAC in approving accounting policies.
3.7	Write-Off of Debt – removed as covered in Section D (3.4)
Section B	**Financial Regulation B - Financial Planning**
1.1	Introduction – revised key elements to financial planning
2.1.2	Included detail on the construction of detailed budget plans
2.2.1 - 2.2.4	Budget and Capital Programme Preparation – updated the role of Cabinet, Director of Finance and Support Services and Performance and Finance Scrutiny Committee for setting the strategic direction and engagement in the budget planning process for both the capital programme and revenue budgets
2.3.1 & 2.4.6	Budget and Capital Programme Monitoring and Control – included monitoring and reporting arrangements
2.5.1	Budgeting – included reference to the Medium-Term Financial Strategy
2.7.1	Maintenance of Reserves – included reference to the need to have regard to the financial risks facing the authority
2.9.3	Fees and Charges – added that the Director of Finance and Support Services should be consulted on any new charges

Reference	Heading
Section C	**Financial Regulation C – Risk Management and Control of Resources**
5.2	Preventing Fraud and Corruption – included reference to the Anti-Money Laundering Policy
12.1 – 12.7	Information Technology and Data and Information Management – included more detail regarding key aspects of information management
Section D	**Financial Regulation D – Systems and Procedures**
3.2	Income & Expenditure – included additional guidance on income and debt management
3.3	Income & Expenditure – included reference to value for money and the importance of complying with County Council's Standing Orders on Procurement and Contracts
3.4	Income & Expenditure – revised delegated approval limits for the write-off of debts. Previously, Cabinet Member for Finance and Property approved write-offs in excess of £15,000, which is increased to £100,000, with other delegated approvals below that level
5.1 – 5.2	Ex-Gratia Payments – new section added to cover procedures for payments below and above £1,000
Section E	**Financial Regulation E – External Arrangements**
3.1	External Funding – included requirement that any grant funding for which we apply must support County Council priorities
5.1 - 5.8	Grants & Loans – new section to include a range of loans that we may make to clients or organisation to support economic or social benefits. This includes the Joint Venture or loans to families/clients for adaptions or enhancements to property.

Key decision: Not applicable
Unrestricted

Report to Regulation Audit & Accounts Committee

11 March 2024

Internal Audit Progress Report (January 2024)

Report by 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 (January 2024) as attached

Proposal

1 Background and context

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

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

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

- The status of 'live' internal audit reports (outstanding management actions)
- an update on progress against the annual audit plan:
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor's annual opinion.

1.3 Appendix A summarises the activities of internal audit for the period up to January 2024

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

Taryn Eves
Director of Finance and Support Services

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

Appendices
Appendix A – Internal Audit Progress Report (January 2024)

Background papers
None

Southern Internal Audit Partnership

Assurance through excellence and innovation

WEST SUSSEX COUNTY COUNCIL

INTERNAL AUDIT PROGRESS REPORT - JANUARY 2024

Prepared by: Neil Pitman, Head of Partnership

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

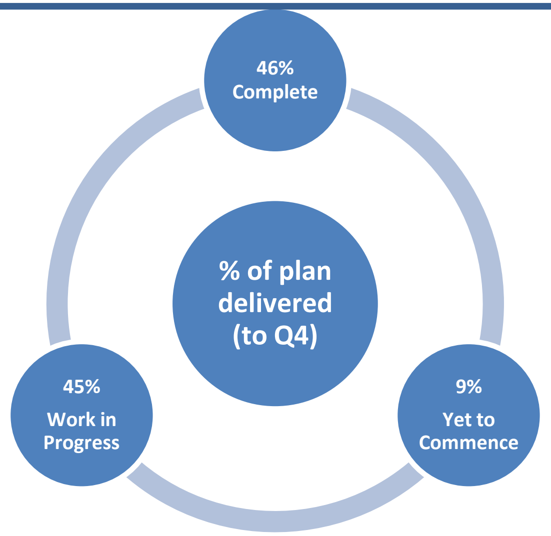
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to 'Senior Management' and 'the Board', summarising:

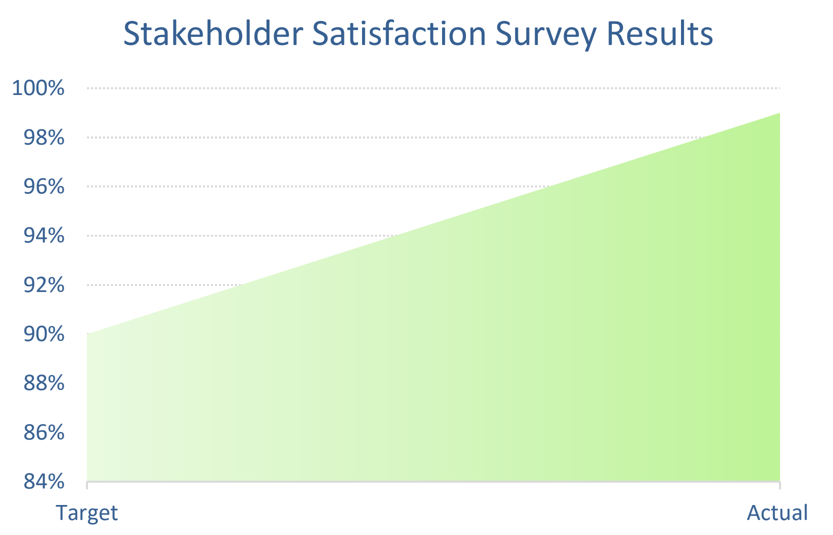
- The status of 'live' internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor's annual opinion.

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	Management Action(s)	Not Accepted	Not Yet Due	Complete	Overdue		
								L	M	H
Cyber Security (Risk Treatment)	Jul 2021	DFSS	Reasonable	3	0	0	2		1	
Special Schools Funding Thematic	Nov 21	DCYP&L	Reasonable	4	0	0	0	2	2	
WSFRS Operational Training delivery	Jan 22	CFO	Limited	14	0	0	13		1	
WSFRS Working Time Directive	May 22	CFO	No	10	0	0	3		5	2
Adult's Income	July 22	DA&H	Limited	7	0	0	6		1	
Company Governance Framework	Oct 22	DL&A	Reasonable	5	0	0	4		1	
HR Policy Decision Making	Nov 22	DHR/OD	Limited	12	0	0	9		3	
Workforce Planning / Strategy	Jan 23	DHR/OD	Limited	5	0	0	2	1	2	
Procurement (Sub £100K)	Feb 23	DFSS	Limited	18	0	9	3		2	4
Direct Payments	Feb 23	DA&H	Limited	11	0	1	9		1	
Payroll	May 23	DHR/OD	Reasonable	17	0	0	16			1
Children's Care Placements	May 23	DCYP&L	Limited	23	0	0	20		1	2
WSFRS Overtime and TOIL	Jun 23	CFO	Reasonable	6	0	0	4		2	
RIPA Usage	Jun 23	DL&A	Reasonable	9	0	0	8		1	
Accounts Payable	Jun 23	DF&SS	Reasonable	12	0	0	6		6	
WSFRS Safe & Well follow up	Jul 23	CFO	Reasonable	6	0	0	3		3	
SmartCore	Aug 23	DF&SS	Limited	11	0	0	7			4
Risk Management	Sep 23	DF&SS	Reasonable	3	0	1	2			
Retained Duty System Firefighters	Sep 23	CFO	Limited	11	0	9	2			
Contract Management - Public Health	Oct 23	DA&H	Reasonable	8	0	2	6			
Joint Fire Control	Oct 23	CFO	Limited	6	0	5	0	1		
Ball Tree Croft	Oct 23	DA&H	Reasonable	3	0	0	2		1	
Ill Health Retirements	Dec 23	DHR/OD	Limited	5	0	5	0			
Health & Safety – Highways Depots	Dec 23	DPS	Limited	6	0	4	2			

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Action(s)	Not Accepted	Not Yet Due	Complete	Overdue		
								L	M	H
Debt Recovery	Jan 24	DF&SS	Reasonable	6	0	4	1		1	
Contract Management	Feb 24	Corporate	Limited	23	0	13	10			
Employer Contributions (Pensions)	Feb 24	DF&SS	Reasonable	3	0	2	1			
Financial Adult Safeguarding Team	Feb 24	DF&SS	Limited	4	0	4	0			
Public Consultations	Feb 24	DPS	Reasonable	3	0	3	0			
Overtime	Feb 24	DHR/OD	Limited	7	0	7	0			
Total								4	34	13
Overdue Management Actions - Direction of travel since December 2023 progress report								-	-8	-1

Audit Sponsor

Chief Executive
Becky Shaw

Chief Fire Officer	Director of Adults & Health	Director of Children, Young People & Learning	Director of Place Services	Director of Finance & Support Services	Director of HR/OD	Director of Law & Assurance
(CFO)	(DA&H)	(DCYP&L)	(DPS)	(DFSS)	(DHR/OD)	(DL&A)
Sabrina Cohen- Hatton	Alan Sinclair	Lucy Butler	Lee Harris	Taryn Eves	Gavin Wright	Tony Kershaw

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

Overtime (Corporate)		
Audit Sponsor	**Assurance opinion**	**Management Actions**
Gavin Wright, Director of Human Resources & Organisational Development	Limited	Low 4; Medium 3; High 0

Summary of key observations:

This review sought to assess the compliance of overtime with relevant policies, procedures and regulations. The Council has in place an Allowances and Enhancements Policy which covers overtime payments and confirms key provisions on the approval, criteria and calculation of overtime payments. The audit employed data analytics to assess whether overtime payments to staff members in the financial year of 2022/23 were accurate and in line with the policy.

Positively, it was observed that sufficient management reporting tools were available for monitoring staff members' overtime. Specifically, there was a high-level dashboard allowing senior management to review the amount of overtime payments by grade, financial year and month. Moreover, managers could log into SAP Manager Self-service to generate a report that summarises the approved overtime of their direct reports.

Amounts of overtime payments payable to staff based on their hourly rates and the number of hours of overtime work reported for four types of overtime which accounted for 96% of all overtime payments were compared against the actual amounts paid. We concluded that the computation of the of overtime payment amounts were in general accurate.

However, data analysis highlighted £1.4 million of overtime payments in 2022/2023 did not fully conform with the Council's policy.

- Staff above a certain pay grade are not normally entitled to claim overtime. However, analysis highlighted £916k was paid to 496 staff members above that threshold. Whilst the policy requires that their overtime working, if unavoidable, has to be approved by Heads of Business Unit and the Relationship Managers with evidenced business cases, we were unable to obtain any evidence that this policy requirement was fulfilled.

- Overtime was recorded for part-time staff against full-time wage types and vice versa. The client explained that in some instances identified by the analysis overtime was set against an incorrect wage type albeit this was at the same rate of pay, while other instances resulted in wrong rates of pay.

The Working Time Directive enforces a cap on average working time each week, which is 48 hours. According to the Directive, the average working hours are calculated over a period of 17 weeks. Due to limitation of data, we calculated the average working hours of staff members over the whole financial year. Our analysis has revealed that 7 staff members have their average working hours exceeding 48 hours. Further testing confirmed that effective opt-out agreements are in place for 5 of the concerned staff members, however, for one their signed opt-out agreement had expired and for the other, an opt-out agreement could not be confirmed.

The policy mandates that the use of overtime working should be avoided were possible and time off in lieu should always be considered in the first instance. While management reporting tools are available, no procedure is in place to monitor overtime working and ensure these policy requirements are complied with. Further, the existing procedure is unable to detect any anomalies for follow-up actions (for example, those staff members taking excessive overtime working and those who require special approval to do so). Some part-time staff members had taken extensive overtime working but there is no current reporting mechanism available to identify these cases and review if any changes to the employment contracts are necessary for resources planning.

Financial Adult Safeguarding Team		
Audit Sponsor	**Assurance opinion**	**Management Actions**
Taryn Eves, Director of Finance & Support Services	Limited	Low 0 / Medium 4 / High 0

Summary of key observations:

FAST manages the finance and properties of over 900 adults across West Sussex who cannot manage their own arrangements, because of mental incapacity, and have no one else willing, able and/or appropriate to do it for them.

Recent changes were made to streamline the referral process. Specifically, social workers have been required to complete all required forms and documents when the cases are referred to FAST. Analysis confirmed that the processing time has since been improved from 120 days in 2022 to 10 days in the period between February and August 2023, which is now meeting management expectation.

Individual bank accounts have been set up for each customer accepted by FAST which are reconciled against the income and payment plans set in Caspar Cloud on a weekly basis with manual investigation and follow-up actions undertaken for any discrepancies.

There is an arrangement in place through Lloyds Bank that no payments on behalf of customers can be paid by an individual staff member. Specifically, payment requisitions are raised by the responsible officers, checked by a member of FAST's administration team and then authorised by a member of FAST management team.

There is a training programme in place for FAST team members, which covers OPG standards, social benefits and the Mental Capacity Act. We reviewed the training log confirming that the current FAST team members have attended all training sessions.

FAST has prepared a practice handbook, which brings together a variety of procedures used by the team. We noted that this handbook was last reviewed approximately 4 years ago. Similarly, FAST publishes the practice guidance on access criteria for social workers on how referrals can be made. This practice guidance has recently been reviewed in August 2023 but has not been finalised and published.

Following a fraud incident in June 2023 involving the misappropriation of payments, a number of improvements have been made on prevention of falsifying supporting documents, record keeping and confirmation of payee bank details. However, new procedures were not documented, nor sufficient trails of their execution retained, consequently, no assurance could be given on their effectiveness.

Contract Management		
Audit Sponsor	**Assurance opinion**	**Management Actions**
Taryn Eves, Director of Finance & Support Services	Limited	Low 10 / Medium 6 / High 7

Summary of key observations:

The purpose of the audit was to ensure contracts are appropriately managed to deliver the required outcomes, with a focus on contracts categorised as either Strategic or Business Critical in line with WSCC's categorisations as per the Procurement Strategy.

Testing during fieldwork found that the control and compliance elements of the three single supplier contracts reviewed was strong; however, the assurance opinion is reflective of gaps identified with the processes the service-based contract management teams are following to obtain assurance from other departments within their directorates that the services are being provided in line with contractual expectations.

The CPOSS Category 3 contract states that all placements will be agreed via an Individual Placement Agreement (IPA). Although IPAs are used for any placements outside of contracted rates or via Independent Foster Agencies (IFAs) not signed up to the contract, Change Notices are used in all other instances.

Monitoring arrangements specified within the contract, including six monthly IFA self-assessment reports and confirmation that insurance remains in place, are not being collected, contractually allowed annual review meetings are not consistently held, and although controls are in place to ensure that any change in OFSTED ratings are identified and considered, there are no arrangements in place to gain assurance that any IFA not subject to an OFSTED inspection for a prolonged period of time is still operating at a level compliant with an OFSTED rating of at least 'good'.

The Care Homes contract has been rolled forwards since 2007 and the care homes signed up to it have not been categorised. The Contract Management - Older People Commissioning Team view their relationship as being with the care homes so do not have controls in place to give assurance that service users are receiving regular reviews which confirm they are receiving a service in line with their contractual rights, with reliance placed upon other departments within Adults to monitor and advise of any issues but no formal mechanisms in place to confirm that they are.

Although reviews are thorough and comprehensive when they happen, there are currently no controls in place to ensure that every care home on the contract is subject to at least annual review and that any care home which has not been subject to a Care Quality Commission (CQC) review for a prolonged period of time, or has been subject to a review where the rating is not at least 'good', or has had a safeguarding issue raised against it, would definitely be subject to a review which is followed through to completion in a timely manner.

There is no formal arrangement in place for the Procurement & Contract Management (P&CM) Team to review contract management performance at a DMT level (albeit this is currently work in progress with Adults).

The WSCC Procurement Strategy sets the framework in which the Council clarifies the expected approach to contract categorisation and contract management and is supported by separate Contract Framework and Category Management documents as well as other guidance including on KPIs, Social Value and the completion of balanced scorecards. However, the Procurement Strategy is dated 2019-2021 and none of the documents are subject to version control or confirm the sign-off route.

No regular review of officers within directorates who have contract management responsibilities is carried out to assess related training needs or to ensure departments consider such needs, and the P&CM Team have not confirmed whether the corporate induction programme raises awareness of the support they offer.

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, 2, 3 & 4 plans were approved by the County Council's Executive Leadership Team and the Regulation, Audit & Accounts Committee in March, July, September 2023, and January 2024 respectively.

SIAP will continue to liaise with key stakeholders over the remainder of the year to develop ongoing quarterly plans. The rolling work programme (section7 below) outlines audit activity during 2023/24 (Q1, Q2, Q3 & Q4).

7. Rolling Work Programme

Audit Review	Sponsor	Scoping	ToR	Field work	Draft Report	Final Report	Assurance Opinion	Comment
Contract Management	Corporate	✓	✓	✓	May 23	Feb 24	Limited	
Homes for Ukraine	DPS	✓	✓	✓	Sep 23	Oct 23	Reasonable	
Children's Transitions	DA&H	✓	✓	✓				
Joint Fire Control (WSFRS)	CFO	✓	✓	✓	May 23	Oct 23	Limited	
Pension Fund Processes	DF&SS	✓	✓	✓				
Contract Management - Public Health	DA&H	✓	✓	✓	Aug 23	Oct 23	Reasonable	
Risk Management	DF&SS	✓	✓	✓	Aug 23	Sep 23	Reasonable	
Ball Tree Croft (care home)	DA&H	✓	✓	✓	Sep 23	Sep 23	Reasonable	
Group Crewing System	CFO	✓	✓	✓	Dec 23			
School Thematic – Procurement and CSO	DCYP&L	✓	✓	✓	Aug 23	Sep 23	Reasonable	
SFVS – Returns analysis	DE&S	n/a	n/a	n/a	n/a	n/a	n/a	
Overtime (Corporate)	DHR&OD	✓	✓	✓	Dec 23	Feb 24	Limited	
Parkside Accounts 21/22	DPS	✓	✓	✓	Aug 23			
Retained Firefighters (New)	CFO	✓	✓	✓	Aug 23	Sep 23	Limited	
Direct Payments (Children)	DCYP&L	✓	✓	✓	Jan 24			
School Thematic - Recruitment Checks	DCYP&L	✓	✓	✓	Dec 23	Jan 24	Limited	
Supporting Families QA review	DCYP&L	✓	✓	✓	Nov 23	Nov 23	Substantial	

Audit Review	Sponsor	Scoping	ToR	Field work	Draft Report	Final Report	Assurance Opinion	Comment
Debt Recovery	DF&SS	✓	✓	✓	Nov 23	Jan 24	Reasonable	
Highways Claims	DPS	✓	✓	✓	Jan 24			
Parkside Accounts (22/23)	DPS	✓	✓	✓				
Employer Contributions (Pensions)	DF&SS	✓	✓	✓	Jan 24	Feb 24	Reasonable	
Adult Placements – Waivers	DA&H	✓	✓	✓	Jan 24			
Ill Health Retirements	DHR&OD	✓	✓	✓	Oct 23	Dec 23	Limited	
Financial Adult Safeguarding Team (FAST)	DF&SS	✓	✓	✓	Nov 23	Feb 24	Limited	
Ethical Governance (AGS Effectiveness)	DL&A	✓	✓	✓				
Health & Safety in Highways Depots	DPS	✓	✓	✓	Sep 23	Dec 23	Limited	
Right to Work Process	DHR&OD	✓	✓	✓	Jan 24			
Independent Lives (Contract Management)	DA&H	✓	✓	✓	Feb 24			
Public Consultations	DPS	✓	✓	✓	Jan 24	Feb 24	Reasonable	
Health & Safety in Schools (Thematic)	DCYP&L	✓	✓	✓				
School Based Complaints (Thematic)	DCYP&L	✓	✓	✓	Jan 24			
SFVS 22/23 Testing	DCYP&L	✓	✓	✓				
High Cost Placements (Children's)	DCYP&L	✓	✓	✓				
Adult - Improvement Programme	DA&H	✓	✓	✓	Feb 24	Feb 24	Substantial	
Pensions – Admissions & Cessations	DF&SS	✓	✓	✓				
IT Change Management	DF&SS	✓	✓	✓				
Cyber–User Training & Phishing Simulation	DF&SS	✓	✓					
IT Asset Management	DF&SS	✓	✓					
Corporate Complaints	DL&A	✓	✓					
Use of Volunteers	DHR&OD	✓						
Financial Arrangements (School Thematic)	DCYP&L							
Use of Agency Staff	DHR&OD	✓						
Ash Dieback Contract Management	DPS							
Capital Programme Governance	DL&A DPS							
Public Health Grant Assurance Mapping	DA&H	✓						

Audit Review	Sponsor	Scoping	ToR	Field work	Draft Report	Final Report	Assurance Opinion	Comment
Purchasing Controls Analytics	DF&SS	✓						
Travel Portal	DF&SS							
NEET's	CYP&L	✓						
Children & Young People Plan (2022-25)	CYP&L							
H&S Assurance Mapping and Assessment	DHR&OD	✓						
Grants & Other								
Supporting Families Q2 claim	DCYP&L	n/a	n/a	n/a	n/a	n/a	n/a	
BSOG	ADHTP	n/a	n/a	n/a	n/a	n/a	n/a	
Highways DFT Funding Grant Declaration	ADHTP	n/a	n/a	n/a	n/a	n/a	n/a	
Supporting Families Q3 claim	DCYP&L	n/a	n/a	n/a	n/a	n/a	n/a	
BRG & LTF Grant	ADHTP	n/a	n/a	n/a	n/a	n/a	n/a	
Delivering Better Value in SEND	DCYP&L	n/a	n/a	n/a	n/a	n/a	n/a	

Annexe 1

Overdue 'High Priority' Management Actions

WSFRS Working Time Directive- No

Observation: Opt-out status

The WSFRS Working Time Policy states: 'If the employee agrees to work in excess of 48 hours per week, for whatever reason, they must sign an Opt-Out Form without coercion or enforcement. This should be done as a matter of course for those on more than one contract of employment, whether for WSFRS or another employer.'

We found in our testing that signed opt out forms were not consistently held on employee files or, where held, forms were out of date; we also found that opt out recording in FireWatch was inaccurate.

Risk: If Employees working over 48 hours a week on average have not signed an opt-out agreement, then WTR are breached.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Opt-out status Workstream to address this through: • Contact all staff to confirm opt out status. • Review current process. • Process mapping. • Gap analysis of information held. • Completion of information gaps.	 30.10.22 30.04.24 30.04.23 30.04.23 30.04.23	N/A	These elements of the required action have been implemented.
• Future process embedded. • Communications.	30.04.23 30.04.23	31.01.24 **31.08.24**	Compiling final version of the system functionality specification document from the external supplier. Based on the timely sign off of this, we have created a full project plan for system build (externally and then internally), user acceptance testing, updating policies (SOPs), writing training guides and communications. This robust planning has now dictated the revised dates.

Observation: Secondary Employment

The Working Hours SOP states: 'Pay & Employment Services (PES) - 3.1 Keep records of Night Workers, any workers who work nights and workers with multiple employments, whether with WSF&RS or not'. Payroll Services (Capita) advised that they do not keep records as stated in the Working Hours SOP.

The Working Hours SOP also states: 'Employees will advise their line Manager of all external employment, all hours worked and any substantial changes.'

In September 2021 People Support sent out an e-mail to all staff stating: 'We are aware that some of the information we hold regarding secondary employment could be out of date and we would like to request that everyone checks that this information is correct on FireWatch.'

Risk: If WSFRS does not have accurate information of employees with more than one job they cannot ensure that employees are not working more than an average 48 hours a week in total across both jobs and may be in breach of the Working Time Regulations.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Secondary Employment workstream to address this through: • Review of process. • Process mapping – as is/to be – one central version of the truth. • Gap analysis of information held. • Completion of information gaps.	30.10.22 30.04.24 30.04.23 30.04.23	N/A	These elements of the required action have been implemented.
• Future process embedded. • Communications.	30.04.23 30.04.23	31.01.24 **31.08.24**	Compiling final version of the system functionality specification document from the external supplier. Based on the timely sign off of this, we have created a full project plan for system build (externally and then internally), user acceptance testing, updating policies (SOPs), writing training guides and communications. This robust planning has now dictated the revised dates.

Procurement Sub £100k - Limited

Observation: Compliant Spend Reporting

Contracts are currently not set up in the finance system and linked to purchase orders to identify on and off-contract expenditure. Consequently, the Council is unable to accurately demonstrate its compliance with CSO's. Data obtained from the Council's financial system, SAP, showed that 992 suppliers each had PO expenditure of between £5k-£100k between January and December 2021 (with total expenditure of £26m). From these, 515 suppliers (52%) – £11.1m – could not be tied, via Procurement or Legal, to a known contract or waiver / exemption. The extent to which any current / historical contractual and related documentation (such as request for quotes) that may or may not reside at a local directorate/departmental level is unknown.

Albeit the Council's contracts register is regularly updated and made available to the public via the Council website, as required by the Local Government Transparency Code, it does not include contracts which are held locally only and unknown to Procurement / Legal.

Risk: Overall compliance with CSOs cannot be accurately established and the legally required published contracts register is incomplete.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Continued drive with Directorate commissioners/service leads and contract management staff will progress via ELT and all DLTs to ensure clear awareness of CSO obligations to secure contracts >£5k-£100k via Legal and shared with P&CM to be recorded in the WSCC Contract Management system (Atamis) enabling reporting within the Contracts Register. As an ongoing activity – we will: • Report (quarterly) into ELT and DLTs the view of their Contract Register and Pipeline (showing timing of future tenders to ensure structured planning in advance) and their compliance data (spend on/off contract and waivers) • Ask DLTs to identify the barriers to following procurement regs and build actions to address these. • Plan to produce a basic toolkit and training material for 'buyers' that provides them with short and simple guidance on the process and thresholds	30.04.23	31.10.23 **31.03.24**	A briefing to remind and build awareness of Standing Order responsibilities for Officers across Directorates that are responsible for contracts and buying activities (in the value range of >£5k-£100k) is in progress of development and will be issued to Requestors, Certifying Officers and shared as a briefing with DLTs.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Consistent and standard Contract Compliance reporting dashboard to be developed and shared on a regular basis with DLTs and Procurement Board (minimum quarterly basis).	30.04.23	31.10.23 **31.03.24**	Procurement Board have been updated with a quarterly report that includes Contract Compliance as part of it and this will continue on a quarterly basis as a fixed agenda item. A subset of this report has been developed and issued by our Category Leads to most DLTs that they attend (including Place Services, FSS, HROD, ASC and CYP). By March 2024, we will have completed this new reporting suite and ensure that all DLTs (Directors and Assistant Directors) are sighted, also receiving the report an ongoing quarterly basis.

Observation: Non-Compliant Contracts

We identified 515 suppliers (with CSO applicable expenditure between £5k-£100k) from the finance system that did not have a centrally recorded contract against its name. We managed to trace and get a response from a council officer for 295 of these, however, 206 (£4.1m) provided information that they were in non-compliance with CSOs.

We were unable to obtain any further information for another 220 contracts (£4.9m). Therefore, there was a potential non-compliant contract spend of circa £9m (£4.1m+£4.9m) during 2021.

Risk: Sufficient assurances over service levels and value for money cannot be made.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
As above – in addition work with DLTs to improve the quality of the contracts register and fill in any gaps.	30.06.23	31.10.23 **31.03.24**	Briefings to the Procurement & Contract Management stakeholder group (via our enewsletter/virtual meetings) continues to be a regular message item requesting updates to Contract Register. A briefing to DLTs will be issued as a call to action in order to continue the development of the register for all new contracts issued in their services. Data quality will be significantly improved with new system.

Observation: Reporting of Waivers
The Director of Law and Assurance and Director of Finance and Support Services are responsible for determining any requests to waive procurements requirements as laid out in CSO 52.5, as follows: '*Procurement and Contracts Services shall provide quarterly summary reports of all requested waivers to these Standing Orders, whether approved or not, to all Directors and Assistant Directors of the Council.'* We were only able to evidence this quarterly reporting to the Directors of Children Young People and Learning (CYP&L) and not for any other directorates within the Council.
Risk: The extent of current and / or expired waivers to CSOs is unknown

Management Action	Original Due Date	Revised Due Date	Latest Service Update
SO Waivers and Single Tenders reported to Procurement Board and DLTs on quarterly basis. This data to be included within ELT/DLT and Procurement Board dashboard of contract compliance	30.04.23	31.10.23 **31.03.24**	Procurement Board have been updated with a quarterly report that includes Waivers/Single Tenders as part of it and this will continue on a quarterly basis as a fixed agenda item. A subset of this report has been developed and issued by our Category Leads to most DLTs that they attend (including Place Services, FSS, HROD, ASC and CYP). By March 2024, we will have completed this new reporting suite and ensure that all DLTs (Directors and Assistant Directors) are sighted, also receiving the report an ongoing quarterly basis.

Payroll - Reasonable

Observation: Key Performance Indicators

Strategic KPIs were in place as part of the Council's contract with Capita prior to Payroll moving back in-house in June 2022. However, our enquiries established that there is no system of formal KPI measurement currently in place for operational Payroll activities.

Key Performance Indicators (KPIs) are linked to critical success factors and are used to tangibly measure progress being made towards operational and strategic payroll objectives. It also allows management to formulate and track remedial actions in order to correct any poor performance highlighted as part of a KPI reporting package.

Risk: Payroll business objectives are ultimately not met.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Report key performance indicators as part of quarterly HR&OD performance review meetings.	30.09.23	30.11.23 31.01.24 **30.04.24**	HR Shared Services was delayed.

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Agenda Item 9
Appendix A

Children's Care Placements - Limited
Observation: Placement Requests The Service Development Lead, Data and Performance Team, and Children's Commissioning & Interim Service Manager for PFT advised that a Care Referral UNDER 16 Form CYP765 should be completed before the Placement Finding Team initiate a search. However, our testing showed that for 11 of 15 children in our sample (Family Safeguarding) there was either: • no CYP765 Form (Care Referral under 16) showing in Documents in Mosaic (4), • Step status on Forms and Letters tab in Mosaic showing as 'incomplete' (4) or • a form with one or more sections not ticked as 'section completed' (3). Missing or incomplete sections/forms could mean there is insufficient information to initiate a search or delay the process; there could also be implications for reporting. The referral form includes a section for desired outcomes and development needs and requirements for this section are included in the guidance; for two forms in our sample section 8 was not ticked as complete and for one form section 8 had not been completed.
Risk: Inappropriate/unsatisfactory placements

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Design and implement new referral process and form (to include new Needs Assessment Tool) – for both under 16yr and post 16yr referrals. Guidance document and briefing to be provide to teams across the service as required	30.06.23	30.09.23 **31.03.24**	Draft referral has been shared with stakeholders and co production finalised. Engagement events have now been completed the form will go live on the ICS across Q4.
A new 'Care' referral form is being devised which will also be embedded on the Mosaic platform. It is felt the launching of the new form provides the team with a good opportunity to reset the practice expectations for the completion of referrals and ensuring that these are both needs led and child centred. The new form will therefore be accompanied by updated flow diagrams to aid ease of completion, the provision of exemplars of 'outstanding' referrals and bespoke training on referral completion which will be available on various platforms.	30.06.23	30.09.23 **31.03.24**	Key stakeholders have been met with as part of the review process, and benchmarking has taken place with 4 other LA's to date. Feedback has been incorporated into final draft template which has also been reviewed with SW teams and providers. The upskilling of the Children's Placement Team re: best practice in referral writing has been completed and now forms part of our BAU processes. The form will go live on the ICS across Q4.

SmartCore - Limited

Observation: Programme Plan

During our initial discussions with the then SRO and the Adviser to the Sponsors in November 2022, we were advised that an iterative programme plan was in place and was at the best place that it had been to date. However, review of the plan found that it was not fully resourced or costed and it was confirmed by the Co-Sponsor in April 2023 that a fully resourced, costed and deliverable plan was not in place. We were advised that this was due initially to the ongoing commercial discussions and subsequently issues identified around data migration.

It is imperative that a plan to enable successful delivery of the programme is agreed, providing clarity around goals, roles, timescales (and milestones), resourcing, costing, communication, and deliverables etc. with all key stakeholders as a matter of priority.

Risk:

Management Action	Original Due Date	Revised Due Date	Latest Service Update
A new Programme Director has been appointed and a revised programme plan is being developed that will be fully resourced and costed.	Autumn 2023	**31.03.24**	Work on the revised business case is ongoing and will incorporate the feedback from the recent PWC review on the suitability of Oracle as an ERP for West Sussex. Key decision on revised business case and programme plan expected Spring 2024.
A revised budget is being constructed based on the revised programme plan and timescales. Any increase will be subject to scrutiny by P&F and approval by the Cabinet Member for Economic Development and Support Services.	Autumn 2023	**31.03.24**	The revised business case that is currently being prepared will take account of the recent lessons learnt workshop, include a revised programme plan and timescales and an updated budget all of which will be subject to a key decision by the Cabinet Member for Support Services and Economic Development. Key decision on revised business case and programme plan expected Spring 2024 and will be subject to scrutiny by P&F in advance.

Observation: Budget
The initial budget for the programme of £2.6m was increased to £7m in March 2021. This increase was approved by the Cabinet Member for Economy and Corporate Resources. Approval for a further budget increase to £14m was requested and granted by the Cabinet Member for Support Services and Economic Development in October 2022. This budget approval was based on a programme completion date of April 2023. In accordance with the production of a clear programme plan it is inevitable that a further budget increase will be required, and this should be calculated, and approval sought as soon as possible.
Risk:

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Work to develop a revised budget requirement based on latest agreed Programme Plan and resources required to implementation and 'after care'.	Autumn 2023	**31.03.24**	The revised business case that is currently being prepared will include an updated full programme budget for both implementation and 'after care' all of which will be subject to a key decision by the Cabinet Member for Support Services and Economic Development. Expected Spring 2024.
Any increase in budget requirement subject to scrutiny by P&F before approval by Cabinet Member for Economic Development and Support Services	November 2023	**31.03.24**	The key decision will be subject to scrutiny by P&F in advance.

Annexe 2

Overdue 'Low & Medium Priority' Management Actions (January 2024)

Audit Review	Report Date	Opinion	Priority		Due Date	Revised Due Date
			Low	Medium		
Cyber Security (Risk Treatment)	Jul 2021	Reasonable		1	31.12.22	*30.09.22* **30.06.24**
Special Schools Funding Thematic	Nov 2021	Reasonable		1	31.03.22	31.03.23 **31.08.24**
				1	31.03.22	31.03.23 **31.08.24**
			1		31.03.22	31.03.23 **31.08.24**
			1		31.03.22	31.03.23 **31.08.24**
WSFRS Operational Training	Jan 22	Limited		1	28.02.22	30.09.22 28.04.23 31.12.23 **30.04.24**
Working Time Directive	May 22	No		1	31.12.22	31.12.23 **31.08.24**
				1	30.04.23	31.01.24 **31.08.24**
				1	30.04.23	31.01.24 **31.08.24**
				1	30.04.23	31.01.24 **31.08.24**
				1	30.04.23	31.03.24 **31.08.24**
Adults Income	Jul 22	Limited		1	31.12.22	30.09.23 31.12.23 **31.03.24**

Audit Review	Report Date	Opinion	Priority	Due Date	Revised Due Date
Company Governance Framework	Oct 22	Reasonable	1	31.12.22	30.04.23 31.08.23 30.11.23 **31.03.24**
HR Policy / Decision Making	Nov 22	Limited	1	30.11.22	28.02.23 31.03.23 31.08.23 30.11.23 **31.01.24** **31.03.24**
			1	30.11.22	28.02.23 31.03.23 31.08.23 30.11.23 **31.01.24** **31.03.24**
			1	30.11.22	28.02.23 31.03.23 31.08.23 30.11.23 **31.01.24** **31.04.24**
Accounts Payable	Jun 23	Reasonable	1	31.05.23	30.11.23 **31.03.24**
			1	30.06.23	30.11.23 **31.03.24**
			1	30.04.23	**30.04.24**
			1	30.06.23	30.11.23 **31.03.24**
			1	30.06.23	30.11.23 **31.03.24**
			1	30.06.23	30.11.23 **31.03.24**

Audit Review	Report Date	Opinion	Priority		Due Date	Revised Due Date
Children's Care Placements	May 23	Limited		1	31.07.23	31.08.23 **30.11.23**
Procurement Sub £100k	Feb 23	Limited		1	30.04.23	31.12.23 **31.10.24**
				1	30.06.23	**31.03.24**
Workforce Planning / Strategy	Jan 23	Limited		1	31.07.23	31.12.23 31.01.24 **30.04.24**
				1	30.09.23	**31.03.24**
			1		30.06.23	**31.03.24**
WSFRS Overtime and Toil	June 23	Reasonable		1	31.08.23	**31.03.24**
				1	31.08.23	31.01.24 **31.03.24**
RIPA Usage	Jun 23	Reasonable		1	30.09.23	**31.07.24**
WSFRS Safe and Well (Follow Up)	Jul 23	Reasonable		1	31.08.23	**31.03.24**
				1	31.08.23	**31.03.24**
				1	31.08.23	**31.03.24**
Direct Payments	Feb 23	Limited		1	31.10.23	**31.03.24**
Ball Tree Croft	Oct 23	Reasonable		1	30.11.23	31.01.24 **29.02.24**
Joint Fire Control	Oct 23	Limited	1		31.12.23	**29.02.24**
Debt Recovery	Jan 24	Reasonable		1	31.01.24	**31.03.24**

Total	**4**	**34**

Key decision: Not applicable
Unrestricted

Report to Regulation Audit & Accounts Committee

11 March 2024

Internal Audit Plan 2024-25 (Q1)

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

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Summary

The purpose of this paper is to provide the Regulation Audit & Accounts Committee with an overview of the Internal Audit Plan 2024 – 2025 (Q1) (Appendix A).

Recommendations

That the Committee approve the Internal Audit Plan 2024-25 (Q1) as attached.

Proposal

1 Background and context

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

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

1.2 The Internal Audit Plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements. Internal audit focus should remain proportionate and appropriately aligned to key areas of organisational risk.

1.3 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 Executive Leadership Team (ELT) and the Regulation, Audit and Accounts Committee (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.

Taryn Eves
Director of Finance and Support Services

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

Appendices
Appendix A – Internal Audit Plan 2024-25 (Q1)

Background papers
None

Southern Internal Audit Partnership

Assurance through excellence and innovation

WEST SUSSEX COUNTY COUNCIL
INTERNAL AUDIT PLAN 2024-25 (Q1)

Prepared by: Neil Pitman, Head of Partnership

February 2024

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 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, Penny Knowles, 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.

Southern Internal Audit Partnership
Assurance through excellence and innovation

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.

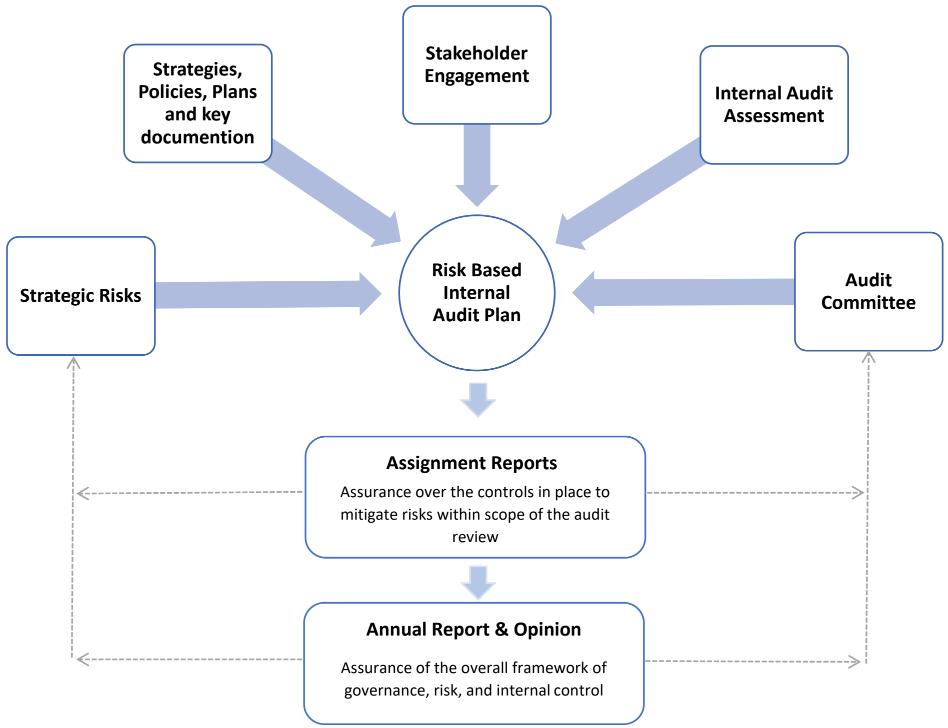
Developing the internal audit plan 2024/25

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.

Audit planning is a perpetual process throughout the course of the year to ensure we are able to react to new and emerging risks and the changing needs of the organisation.

To ensure internal audit focus remains timely and relevant the Southern Internal Audit Partnership has moved to a quarterly planning process.

Based on conversations with key stakeholders, review of risk registers, key corporate documents and our understanding of the organisation, the Southern Internal Audit Partnership have developed a plan of proposed internal audit coverage during quarter 1.



The Council are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation.

We will however continue to work closely with other assurance providers to ensure that duplication is minimised, and a suitable breadth of assurance is obtained.

Internal Audit Plan 2024-25

Audit	Directorate Sponsor	Scope/ Risk	Corporate/ Directorate Risk	Quarter
Governance				
IR35 - Follow up	DHR/OD	Follow up of previous review (Limited)	**CR11**	Q1
Keeping people safe from vulnerable situations				
Flexi Duty (WSFRS)	CFO	To review the governance and controls in place to ensure that roles and responsibilities are clear, the system is operating as expected and in line with the Standard Operating Procedures to provide operational resilience, with effective reporting and oversight		Q1
Financial Assessments	DF&SS	To complete an end-to-end review of the financial assessments process with a focus on efficiency, accuracy and completeness.	**FSS49**	Q1
ASC Improvement Programme - work streams	DA&H	Assurance of the governance and delivery of individual workstream(s)		Q1
Public Health Statutory Responsibilities	DA&H	Focus of audit resource on existing assurance gaps from the ongoing Q4 (23/24) mapping exercise.	**PH65**	Q1
Modern Slavery		Cross cutting review to attain assurance the Council obligations are being met (including contracts).		Q1
A sustainable and prosperous economy				
Civil Parking	DPS	Review of governance, agreements and interactions with districts and boroughs to fulfil Council responsibilities / obligations.		Q1
Helping people and communities to fulfil their potential				
Blue Badges	DPS	Assurance over the end to end process followed for blue badges. To include overview of proposed new operating model.		Q1

Audit	Directorate Sponsor	Scope/ Risk	Corporate/ Directorate Risk	Quarter
School Place Planning	DCYP&L / DPS	Assurance on processes for identifying future requirements for school places to ensure capacity enables WSCC to meet service requirements. To include review school development projects to attain a holistic approach.	**ES018** **ES023** **ES045**	Q1
Education, Health, and Care Plans (EHCP)	DCYP&L	Assurance that additional investment of resource to address existing backlogs is providing the desired outcomes.	**ES027**	Q1
School Thematic - SATS Returns	DCYP&L	Assurance over the data quality and accuracy of the returns within schools.		Q1
Home to School Transport	DCYP&L	To provide assurance of ongoing governance and controls to support the delivery of home to school transport during a period of escalating demand and cost.		Q1
Making the best use of resources				
Main Accounting	DF&SS	Key financial review (to incorporate journals, bank reconciliation, cf/bf balances etc.)		Q1
SmartCore - Governance	DF&SS	Review of the new governance structure to support the future delivery of the project		Q1
Grants / Other				
Chichester Harbour		Fulfil requirements of the small bodies return	-	Q1
Supporting Families (Claim 1)		Requirement to verify sample of claim.	-	Q1
Multiply		Grant certification	-	Q1
Management				Q1-4

Agenda Item 10
Appendix A

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	Director of Finance & Support Services (DFSS) Taryn Eves	Director of HR/OD (DHR/OD) Gavin Wright	Director of Law & Assurance (DL&A) Tony Kershaw

Key decision: Not applicable
Unrestricted

Report to Regulation Audit & Accounts Committee

11 March 2024

Internal Audit Charter 2024-25

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

Summary

The purpose of this paper is to present the Internal Audit Charter 2024-25 to the Regulation, Audit & Accounts Committee in accordance with the requirements of the Public Sector Internal Audit Standards.

Recommendations

That the Committee approve the Internal Audit Charter 2024-25 as attached.

Proposal

1 Background and context

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

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

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

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

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

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

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

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

1.6 Appendix A provides a draft copy of the internal audit charter 2024-25 for review and comment.

2 Risk implications and mitigations

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

Taryn Eves
Director of Finance and Support Services

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

Appendices
Appendix A – Internal Audit Charter 2024-25

Background papers
None

Southern Internal Audit Partnership

Assurance through excellence and innovation

WEST SUSSEX COUNTY COUNCIL

Internal Audit Charter 2024/25

Prepared By: Neil Pitman, Head of Southern Internal Audit Partnership

February 2024

Internal Audit Charter 2024-25

Introduction

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

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

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

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

Mission and Core Principles

The IPPF’s overarching ‘Mission’ for internal audit services is:

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

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

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

Authority

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

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

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

Purpose

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

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

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

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

Responsibility

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

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

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

Definitions

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

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

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

Position in the organisation

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

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

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

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

Internal audit resources

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

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

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

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

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

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

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

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

Independence and objectivity

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

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

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

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

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

Due professional care

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

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

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

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

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

Access to relevant personnel and records

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

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

Scope of Internal Audit activities

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

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

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

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

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

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

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

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

Reporting

Chief Internal Auditor's Annual Report and Opinion

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

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

The annual report will incorporate as a minimum:

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

Executive Leadership Team

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

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

The Regulation, Audit and Accounts Committee

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

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

Review of the internal audit charter

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

Annex 1

Southern Internal Audit Partnership – Client Portfolio

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

Annex 2

Assurance Services

- **Risk based audit**: in which risks and controls associated with the achievement of defined business objectives are identified and both the design and operation of the controls in place to mitigate key risks are assessed and tested, to ascertain the residual risk to the achievement of managements' objectives. Any audit work intended to provide an audit opinion will be undertaken using this approach.

- **Developing systems audit**: in which:

  - the plans and designs of systems under development are assessed to identify the potential weaknesses in internal control and risk management; and
  - programme / project management controls are assessed to ascertain whether the system is likely to be delivered efficiently, effectively and economically.

- **Compliance audit**: in which a limited review, covering only the operation of controls in place to fulfil statutory, good practice or policy compliance obligations are assessed.

- **Quality assurance review**: in which the approach and competency of other reviewers / assurance providers are assessed in order to form an opinion on the reliance that can be placed on the findings and conclusions arising from their work.

- **Fraud and irregularity investigations**: Internal audit may also provide specialist skills and knowledge to assist in or lead fraud or irregularity investigations, or to ascertain the effectiveness of fraud prevention controls and detection processes. Internal audit's role in this respect is outlined in the County Council's Anti Fraud and Anti Corruption Strategy.

- **Advisory / Consultancy services**: in which advice can be provided, either through formal review and reporting or more informally through discussion or briefing, on the framework of internal control, risk management and governance. It should be noted that it would not be appropriate for an auditor to become involved in establishing or implementing controls or to assume any operational responsibilities and that any advisory work undertaken must not prejudice the scope, objectivity and quality of future audit work.

Key decision: Not applicable
Unrestricted

Report to Regulation, Audit and Accounts Committee

11 March 2023

Quarterly Review of Corporate Risk Management

Report by Director of Finance and Support Services

Summary

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

The risk relating to the financial sustainability of council services has increased in impact, and the likelihood of a serious health, safety, and wellbeing incident occurring has also increased.

Internal Audit conducted a review of Risk Management in 2023 to seek assurances on the embeddedness of the risk management strategy and associated processes. The County Council were found to be 'Reasonable' and the outstanding action is due to be completed by 31 Mar 2024.

Recommendations

(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 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 Since the previous Regulation, Audit and Accounts Committee (RAAC) on 1 December 2023 there have been the following changes to risks in the Corporate Risk Register (CRR). The full CRR is included at Appendix A.

Risk No	Risk	Action	Reason	Current Score
CR22	Financial sustainability	Risk severity increased	Due to current financial challenges and consideration of impact of DSG from 2026	25
CR50	Serious health, safety, and wellbeing incident	Risk severity increased	Due to an increased number of serious H&S incidents which have highlighted the need to strengthen awareness, and compliance with H&S responsibilities	12

2.2 The following table summarises risks on the CRR with the current severity graded above the tolerance threshold. Full details of the mitigations in place are set out in the full CRR at Appendix A.

Risk No	Risk	Summary of Mitigations	Score - Prev Qtr	Score
CR11	Recruitment and retention	Development of strategic workforce plan, including a consideration of alternative arrangements to address hard to fill posts and salary benchmarking across neighbouring LA's.	25	25
CR22	Financial sustainability	Regular monitoring/reviews of financial position and reserves. Robust and regular financial planning sessions with ELT, Cabinet and Finance Teams. Lobbying for fairer funding for LA's.	20	25
CR39a	Cyber-security	Conduction of penetration tests, disaster recovery and social engineering exercises. IT service redesign to ensure capacity & capability.	25	25
CR58	Failure of social care provisions	Monitoring of care home financial sustainability, including reviews of capacity and fees paid to providers.	20	20

3 New Risks

3.1 No new risks have been added to the CRR during this reporting period.

3.2 It is expected that a new risk will be added to the CRR. Officers are currently discussing the detail, including the actions and mitigations, and this will be included for the next update on 8 July 2024.

4 Risk de-escalation or closure

4.1 There have been no risks either de-escalated or closed during this reporting period.

5 Risk Management Framework

5.1 The CRR continues to be reviewed quarterly by ELT, with any actions promptly addressed. In addition, risk is now considered as part of the quarterly ELT strategy sessions.

5.2 The directorate risk registers have been reviewed at least quarterly by each Director/Assistant 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.

5.3 The quality 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 period.

5.4 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 the Director of Law and Assurance 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.

5.5 Risk Management Lunch ‘n’ Learn sessions are being delivered as an online seminar every 2 months. 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 WSCC risk management process using a generic scenario. Both formats of this course are available for staff in Districts and Boroughs, and other partnering organisations, at zero cost. To support staff in better managing their risks the Corporate Risk Manager has produced a variety of resources, which have been communicated to all staff and added to the WSCC Risk Management SharePoint site.

5.6 At this stage, there will be no additional resources required to facilitate the embedding/management of risk and future actions because 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. 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.

6 Internal Audit Review

6.1 In 2023 Internal Audit conducted a review of risk management to seek assurances on the embeddedness of the risk management strategy and associated processes. The County Council were found to be of a 'Reasonable' level of assurance. The table below summarises their observations, officer actions, and the current status.

Observation/Risk	Action	Action Target Date	Status
Council officers may not possess sufficient knowledge to ensure they can competently perform duties in relation to risk management, affecting the effectiveness of the Council's risk management process.	Introduction to Risk Management course will be removed from the Managers Induction Pathway and be included on the All-Staff Induction Pathway.	31 Mar 2024	This will be introduced from 1 Apr 24. The Risk Management Lunch n Learn course will continue for staff refreshers.
As above	In preparation for action above, a full review of the Introduction to Risk Management course will be conducted to ensure that it is suitable for all staff.	31 Dec 2023	**Complete**
Risks that require mitigating to an acceptable level are tolerated exposing the authority to higher levels of risk.	All risks to be reviewed to confirm they have been assigned the appropriate risk response strategy.	31 Aug 2023	**Complete** - but will be subject to regular review as part of quarterly discussions with services.

Observation/Risk	Action	Action Target Date	Status
Risk actions specified as ongoing - Risks continue unabated and not reduced by the proposed mitigations in a reasonable period, exposing the authority to risks for longer than necessary.	Regular communication and review of these risks at the appropriate level ensure that actions remain effective and appropriate in addressing the risk. These "ongoing" actions will continue to be reviewed and assessed as frequently and robustly as those with specific completion targets.	31 Aug 2023	**Complete** - but will be subject to regular review as part of quarterly discussions with services.

7 Risk Activities

7.1 Significant activities the Corporate Risk Manager has been undertaking to support continuous improvement and alignment with best practice include:

- Quarterly attendance at ELT Strategy sessions
- Quarterly attendance at all directorate management team meetings to review existing corporate and service level risks, including horizon scanning discussions to identify additional concerns
- Provision of risk management support to Assistant Directors and Heads of Service
- Support to projects and programmes to provide assurance and support on robust governance
- Inclusion of risks into the business planning process
- Increased collaboration with Internal Audit to ensure the risk management framework remains robust and aligned with best practice, and to support discussions and outcomes of ELT risk strategy sessions
- Design and delivery of an internal project management course (apprenticeship pathway) to ensure risk is considered during project delivery
- Support to the Southeast Risk Managers Group to share best practice of risk management across various local authorities

8 Recommendations

8.1 The committee is asked to consider the information in this report and provide comment, as necessary.

9 Risk implications and mitigations

9.1 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.

10 Policy alignment and compliance

10.1 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.

Taryn Eves
Director of Finance and Support Services

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Appendices
Appendix A – WSCC 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	
CR7	There are governance systems which are not used fully and to best effect, and some which do not fit well together. This inhibits effective performance and delivery and frustrates those involved. Skills and knowledge of systems are patchy and excessive effort required for sound decisions and outcomes.	Director of Law & Assurance	1. Delayed or incomplete governance for decisions impede service delivery.	Dec-19	4	4	16	Tolerate	2	2	4	Examples of non-compliance used to inform Directors to enforce compliance with standards.	Director of Law & Assurance	Ongoing	AGS actions finalised November 2022 completed. AGS to RAAC in Dec 23.	2	2	4	Mar-24
			2. Service improvement effort impeded.									Regular monitoring and active corporate support to establish better practice.	Director of Law & Assurance	Ongoing	Audit plan settled and activity in progress - specific work on governance of officer interests for new AGS & Director Statements of Assurance (completed July 2023).				
			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. External criticism through audit									Training focused on CMT and senior officers involved in decision governance.	Director of Law and Assurance	Ongoing	Training rolled out to CMT and programme planned as continuous focused at relevant officers.				

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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 qualified/experienced 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	Review and continual development of strategic workforce planning approach in collaboration with services, to identify cross organisational skills, capacity and capability risks and requirements (current and future) and work with services to establish action plan for high risk and priority areas and roles.	Head of HR Bus Patr & Org Dev	Sep-24	• Establish and maintain long term workforce action plans for identified priorities for recruitment and retention intervention. • Identify priority professions and/or posts where succession planning could be impactful in addressing recruitment and retention challenges.	5	5	25	May-24
			2. Lack of corporate memory.									Developing alternative arrangements to attract candidates for hard to recruit to roles including the use of specialist third party search agencies.	Director of Human Resources & Org Dev/ Deputy Director HR&OD	ongoing	The recommendations arising from the recent TFG looking at careers and skills are now being implemented and these include actions to develop new supply chains and supporting recruitment to hard to recruit to roles.				
			3. Inadequate pace/speed of delivery.									Development and regular communication of comprehensive employee value proposition to support recruitment and retention.	Deputy Director of HR & OD	Mar-24	Part of People Framework Action Plan. 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 taking place at Smarter Working Stakeholder Group to inform and support decision making. Ongoing social media activity around EVP, currently focussing on working environment and celebrating our Living our Values awards. Workshop planned post summer holidays to further develop an action plan. Being progressed as part of Careers and Skills TFG Action Plan.				
			4. Low staff morale and performance.									Longer term strategies for addressing recruitment issues through apprenticeships scheme (growing our own).	Head of Learning & Organisational Development & Equality, Diversity & Inclusion	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. Members Task and Finish Group (TFG) recommendations supported, next step will be to develop 4 year action plan. Performance and Finance Select Committee (PFSC) now receive quarterly HR and KPI data, which also includes key recruitment actions. Being progressed as part of Careers and Skills TFG Action Plan.				
			5. Unable to respond effectively to unexpected incidents.									Benchmarking of salaries against peers across neighbouring LA's and private-public sector comparisons, with a focus on attracting and retaining talent for key areas, and consider activities to address outcomes.	Head of Specialist HR Services	ongoing	Joint working with ESCC to benchmark across common priority roles with a view to sharing resource if commissioning deeper piece of work is needed. Initial benchmarking completed which broadly indicates parallels across LA's. Plan for a deep dive into selected roles to be planned.				
												Conduct planning sessions with HR team and key stakeholders to redefine and develop recruitment processes to improve efficiency.	Deputy Director of HR & OD	ongoing	Improvements in recruitment now being seen across the board, time to hire down to 78 days in Q1 (down from 92 in Q4). Capacity issues addressed in team. Further work needed around moving contract production into ATS. Payroll activity now transferred. RPO work transitioned back in house. Process improvements delivered.				
												Restructure of HR & OD function to ensure it is fully enabled to support council wide services.	Director of Human Resources & Org Dev	Oct-24	Deputy Director is now in post and reviewing culture and structure of directorate with a view to recommending changes to improve current working arrangements				

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CR22	The financial sustainability of council services is at risk due to the lack of new funding from central government, the impact of economic conditions (mainly inflation and interest rates) and the growing services pressures, particularly around social care, home to school transport and SEND. There is a risk of **failure to make the required decisions to ensure the budget is balanced**.	Director of Finance & Support Services	1. Insufficient funding to deliver services, including statutory services.	Mar-17	4	4	16	Treat	4	3	12	Continue to lobby for fairer funding for Local Government through, fiscal announcements. Lobbying as individual County Council, part of the SE7 Group, SCT, CCN and through direct engagement with MPs. Responses provided to all relevant Government consultations on changes to ensure the Voice of West Sussex is heard.	Director of Finance & Support Services	ongoing	Lobbying through SE7, CCN, SCT and MPs in advance of Autumn Statement (Nov 23) and provisional local government finance settlement (Dec 23) with a focus on children's social care, home to school transport and SEND. Evidence base being prepared for influencing next Spending Review in early 2025.	5	5	25	Apr-24
			2. Reserves reduced to a level that is no longer prudent or for managing current and future financial risks or unplanned needs to spend.									Regular review of sector specific publications and updates to ensure remain up to date on issues and changes impacting the financial position across the sector.	Director of Finance & Support Services	Ongoing	Ongoing review of MJ, LGC, LGA announcements, Government consultations and other sector specific comms channels. Response to provision settlement submitted and responses to consultations on capital receipts flexibility and MRP being prepared. Participation in Government led webinars.				
			3. Reputational impact through reduction of service provision and quality following decisions on budget reductions.									Regular engagement with other authorities to share best practice and also discuss challenges and solutions.	Director of Finance & Support Services	ongoing	Ongoing through various networks and across all finance disciplines and at all officer levels. SE7 151s meet regularly, Director attends quarterly SCT meetings.				
			4. Impact of new legislation and requirements which are not fully funded and require additional council resources for delivery.									Annual review of five year MTFS published in July of each year, including five year forecast of reserves. Both will be based on assumptions around future funding and spending pressures using data, evidence and trends. All assumptions will be reviewed regularly in the run up to setting the budget each year and regularly through the year as more information becomes available.	Director of Finance & Support Services	ongoing	2024/25 MTFS published July 2023 and set the foundations and financial challenges for the 2024/25. 2024/25 budget prep started in May 2023 - assumptions underpinning future spending pressures and proposals developed for budget reductions. Published for consultation in October 2023. All assumptions remainder under review between May and December 2023 and the latest information used to prepare the draft budget for 2024/25 to be agreed by CC on 16 February.				
			5. No solution from Government on the statutory over rides relating to pooled investments and the DSG deficit ending in 2025/26, with responsibility for any financial implications falling to the County Council.									The budget and MTFS provides the financial framework for the delivery of the Council Plan and funding is focussed on delivering the priorities in the Council Plan and supporting our must vulnerable residents.	Director of Finance & Support Services	ongoing	2024/25 MTFS and 2024/25 draft budget prepared in the context of the Council Plan and prioritises resources of £1.2bn to ensure statutory services are delivered and supports the most vulnerable. Council Plan and Budget 2024/25 aligned and approved together.				
												Annual review of reserves undertaken to ensure they remain at a prudent level but can be used for one off unexpected spend. All use of risk and uncertainty reserves are assumed to be replenished and assumed within the MTFS position. Monitor the use of additional funds made available to improve service delivery.	Director of Finance & Support Services	ongoing	Annual review completed, including scrutiny of all services specific reserves to ensure balances held for more than two years are still required. Up to date forecast on planned use over the five years. £3.6m planned use to balance the 2024/25 budget and to fund £6m of one-off service spend assumed to be replenished between 2026/27 and 2030/2031				
												Monthly monitoring of the financial position reported to ELT, in addition to a separate report on Children's and Adults to consider mitigations for growing pressures and costs and progress against the delivery of savings.	Director of Finance & Support Services	ongoing	Ongoing monthly reporting to ELT and Members to discuss pressures emerging and management action needed. Monthly update to Cabinet Member for Finance and Property and Leader.				
												Quarterly reporting through the PRR to all Scrutiny Committees and Cabinet	Director of Finance & Support Services	ongoing	Quarter 2 position discussed by scrutiny committees in November and Cabinet. Training session planned with Scrutiny in March on how best to utilise the scrutinise the information presented in the report.				
												Early planning for future budgets to ensure that any reductions needed are in a planned and structured manner, have robust delivery plans in place before building into budgets and full consultation is undertaken where required. This includes financial planning workshops with ELT and Cabinet.	Director of Finance & Support Services	ongoing	Workshop planned with ELT for 2025/26 planning Feb 2024.				
												Performance and Finance Scrutiny Committee to be supported to scrutinise for value for money principles in all reports.	Director of Finance & Support Services	ongoing	November Scrutiny meeting considered as part of Q2 PRR. On 24 Jan 2024, will be considered as part of the budget report.				
												ELT to monitor forthcoming inspections of services and identify any known financial implications, including additional capacity for inspection preparation and risk of any financial implications resulting from inspection outcome.	ELT	ongoing	ELT to identify timeline of inspections over the next two years.				

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CR39a	Cyber threat is an evolving, persistent and increasingly complex risk to the ongoing operation of County Council. There is a risk of a successful **cyber attack** directly from external threats; or indirectly as a consequence of members or staff falling prey to social engineering or phishing attacks. The potential outcome may lead to significant service disruption and possible data loss.	Director of Finance & Support Services	1. The Council suffers significant financial loss or cost.	Mar-17	4	5	20	Treat	4	4	16	Regular review, measurement and evaluation of corporate (technological/process) / organisational (behavioural) response to current and emerging cyber threats, where applicable to undertake pertinent actions to mitigate risks identified.	Head of IT	Ongoing		5	5	25	Apr-24
			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. Ad hoc 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	Ongoing works to ensure appropriate connectivity/accreditation for applicable public sector/government networks/system connectivity.				
			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	2023 testing schedule complete, preliminary plans for 2024 being drawn up.				
												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.				
CR39b	**Data protection responsibilities.** The Council is a Data Controller and has obligations and responsibilities arising from that role. Council needs resources, skills, knowledge, systems and procedures to ensure **obligations** are met.	Director of Law & Assurance	1. Individuals or groups come to harm.	Mar-17	4	5	20	Tolerate	3	3	9	Test the effectiveness of DPIA	Head of Data Protection	Ongoing	Annual business process review via DPIA to confirm compliance or to reflect update/risk assessment if business process elements have shifted since last review.	3	3	9	Mar-24
			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.									Secure additional capacity for data protection team to further reduce risk of non-compliance with statutory deadlines.	Director of Law & Assurance	Jan-24	Business case produced.				
			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.									Maintain and refresh systems of control to ensure that access to sensitive data and information is controlled.	Director of Law & Assurance	Ongoing	**To refresh training of officers and members and maintain controls over actions to prevent and deal with data breaches.**				
												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	Jun-24	Significant progress has been made to either migrate, rationalise or decommission systems, increasing demand on the service and resource constraints mean that actions for a small number of systems on plan remain outstanding. It is anticipated that final actions to complete this task will be concluded in Q1 2024.				

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CR50	WSCC are responsible for ensuring the HS&W of its employees and residents/customers. If WSCC staff/services and maintained schools fail to comply with H&S statutory duties, responsibilities and processes (in accordance with WSCC governance arrangements and legal obligations), there is a risk that it will lead to a **serious health, safety and wellbeing 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	Develop and deliver training session for Headteachers and Governors to ensure awareness of H&S responsibilities and accountabilities.	Health and Safety Manager	ongoing		3	4	12	May-24
			2. Increase number of civil claims for injuries sustained in workplace accidents and incidents, and insurance premiums.									Incorporate HS&W information/performance measure onto new online audit tool.	Health and Safety Manager	Apr-24	The online audit tool when introduced will facilitate a different H&S performance measure to the online accident and incident data. ANT needs to operate a period of time to generate data.				
			3. Adverse reputational impact to Council and maintained school.									Regular engagement with services and ELT to ensure H&S responsibilities continue to be fully understood and embedded in BAU activities.	Health and Safety Manager	Ongoing	The HSW Governance Board is no longer in operation. The HSW Representatives Committee meets quarterly, and operational H&S focus groups are now being set up for several services in Directorates supported by the H&S Team. ELT are presented with the annual report before its onward journey to P&FSC. Gavin also sights ELT on H&S matters that they need to be informed about, as and when necessary.				
			4. Increase in staff absence.									Regular engagement with other LA's on best practice and lessons learned.	Health and Safety Manager	Ongoing					
			5. Criminal prosecution, and interest from the enforcing authorities (HSE).									H&S Reps Committee to receive assurance quarterly on the management of directorate H&S risks.	Health and Safety Manager	Ongoing	H&S Reps Committee informed/updated for awareness only. Escalation of specific directorate/service H&S risks are to be in accordance with the WSCC Risk Management Strategy.				

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CR58	The care market, and in particular the Lifelong Services and Mental Health market is experiencing significant fragility. This is anticipated to be related to factors such as but not limited to cost pressures, changing requirements and expectations, and workforce challenges (amplified by impending changes to Health and Care Visa). There is a risk of **failure of social care provision** which will result in funded and self-funded residents of West Sussex being 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	Continue to risk assess services against CQC criteria/requirements to manage impact on pipeline activity.	Head of Commissioning - LLS and MH	ongoing		5	4	20	Apr-24
			2. CQC action against service provider which could lead to establishment closure at short notice									Provision of regular support and communication to market providers to monitor financial sustainability.	Head of Commissioning	ongoing	Regular meetings with partners focused on quality within the provider market. Regular communications to care homes through newsletters and forums. Face to face monitoring re-introduced. Contract rate annual uplifts published and communicated to all providers with message to contact the Council with concerns regarding financial stability in order that these can be managed with providers at an early stage to minimise impact.				
			3. Financial implication of cost of reprovision following closure of services.									Financial analysis of high risk provision - due diligence checks.	Service Manager - OP Contracts	ongoing	Working with strategic contracts to identify key providers for more regular financial checks.				
			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. Incident Management Team meetings in place to manage risks associated with Covid or other Infection Prevention incidences which are flexed according to need and incident prevalence.				
			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.	Head of Commissioning - Older People	ongoing	Use of the National Capacity tracker, and regular contact with registered residential care providers enquiring about vacancies. This enables information on capacity for the Combined Placement and Sourcing team to utilise to support placements. Reviewing the bed booking system to ensure robust information on vacancies in block contract provision. Information on numbers of packages and placements being sourced is updated regularly and issues with capacity which are escalated to the fortnightly Capacity Oversight Group meetings. In times of capacity shortages action plans are developed to support improvements. Ongoing partnership working with the Integrated Care Board regarding availability of capacity for people being discharged from hospital and development of plans to support hospital pressures.				
			6. Non-compliance with Care Act.									Annual review of fees paid to providers to support financial sustainability.	Heads of Commissioning - Older People and LLS/MH	ongoing	Fees paid to providers increased by an average of 9% for 2023/24. Fees sub-group has been established with provider reps to engage and support decision making for 24/25.				
			7. Reputational impact. Public perception of the council being willing to accept poor standards of care. Low public confidence in social care.																
			8. Adverse impact on Health and Social Care system.																
			9. Adverse impact on ability to recruit Care Workers internationally to fill vacancy gaps in the Adult Social Care market.																

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CR61	A 'serious incident' occurs resulting in the **death or serious injury of a child** where the Council is found to have failed in their duty to safeguard, prevent or protect the child from harm.	Director of Children, Young People and Learning	1. The Council would have let children down and as a result our reputation and credibility would be significantly damaged.	Jun-19	5	5	25	Tolerate	5	2	10	Implementation and monitoring of Continuous Practice Improvement Plan (CPIP).	Director of Children, Young People and Learning	ongoing	Undertook a 6 month post inspection review with the DfE. Positive feedback and final report from the DfE confirmed that the Council continues to improve at pace. A review of the CPIP has been undertaken and now focuses on all key service areas. The CPIP is reviewed monthly by DLT and wider oversight is completed by the CYPS Scrutiny Committee and the independently chaired Continuous Improvement Board.	5	2	10	May-24
			2. Subject to investigation and further legal action taken against the Council.									Provide proactive improvement support to services to assure effective safeguarding practices.	Director of Children, Young People and Learning	ongoing	Programme of improvement actions continues in areas of the service where performance is not strong. The 6 month post ILACS review by the DfE completed and confirmed effective improvement activity and monitoring arrangements are in place.				
			3. Immediate inspection and Government intervention.									The ILACS cycle has been completed and there are no further inspections planned for this year.	Director of Children, Young People and Learning		The social care service will have their annual conversation with Ofsted on 24/03/2024 and this will confirm future inspection arrangements.				
CR69	Children's Services have now been moved out of special measures as a result of the recent Ofsted inspection, however ILACS have outlined areas that require further development. If the council stall in their efforts to implement the planned improvements, there is a risk that the **service will fail to progress all areas to a 'good' rating within a suitable timeframe.**	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	1	5	Maintain robust performance management and quality assurance frameworks which include the delivery of the Children First Continuous Improvement Plan (CIP).	Senior Improvement Lead	ongoing	Strong performance monitoring and quality insurance in place and tracked by the Directorate Leadership Team and implemented through the framework cascaded. The CIP has been reviewed and refreshed based on ILACS feedback. Plan will regularly monitored and reviewed by DLT and relevant scrutiny committee.	5	2	10	May-24
			2. Significant reputational damage.									Ongoing monitoring through the independently chaired Continuous Improvement Board.	Director of Children, Young People and Learning	ongoing	Monthly Continuous Improvement Meetings held and evidence confirmed of trajectory of service improvement at pace.				
			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 now fully implemented and is meeting its milestones for implementation.				
			4. Legal implications through non-compliance or negligence.									Maintain quarterly self-evaluation process.	Assistant Director, Quality Assurance and Partnerships	ongoing	Q3 self-evaluation completed and provides evidence of sustained improvement across the service in line with the Ofsted inspection framework.				

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	
CR73a	Climate Change Mitigation - If there is a failure to adequately prioritise, finance, resource and embed into BAU our efforts to decarbonise in alignment with the commitments made in the Council's Climate Change Strategy, there is a risk that there will be **insufficient capacity and capability to fully deliver the necessary actions within the stated timeframes**. This will lead to additional resource strain, higher demand on capital programmes and threaten organisational reputation.	Director for Place Services	Loss of public confidence in stated Climate Change Strategy.	Jan-22	4	3	12	Treat	2	2	4	Clear prioritisation of CC Strategy delivery within Our Council Plan	Director for Place Services	ongoing	"Protecting the Environment" included as an overarching theme within the council plan. Climate Change Strategy in place and progress report published Autumn 23. Climate Action & Adaptation Plan (CAAP) in development to lay out delivery of CCS through 2027, which will be embedded within the Council Plan once adopted.	4	3	12	Aug-24
			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	Climate Change action included (as an appendix) within all service business plans for 24/25.				
			Punitive penalties are made on the Council, or be liable for higher future carbon pricing / taxation to achieve carbon neutrality.									SMART programme of actions based on clear definitions and metrics	Director for Place Services	ongoing	CAAP being developed for adoption by the council in summer 24. This will include SMART actions and targets.				
			Increased vulnerability to energy market volatility and high utility rates from failure to electrify and retrofit our assets (higher utility costs, higher uncertainty).									Align pipeline of projects for existing and future funding opportunities	Assistant Director (Environment and Public Protection)	ongoing	Relevant Funding Opportunities for decarbonisation of built assets considered by the Carbon Reduction Programme Board accountable to the Climate Change Board. Further work required to ensure all parts of the organisation are working collaboratively to maximise success of funding bids in all related areas of climate change, decarbonisation and natural capital. Additionally we are taking all opportunities to lobby Government (and support others making the same point) for sustained, targeted funding rather than piecemeal competitive bidding processes. Funding bid submitted for further Public Sector Decarbonisation Scheme funding to support further buildings decarbonisation. Energy Services team exploring additional funding models to support renewable energy generation on site (e.g., reinvestment scheme).				
			Additional strain on existing resources and officer capacity, without adequate planning there will be a lack of people trained with the right "green" skills to move this work forward (P&A team needs engineers to complete work, without adequate planning there won't be capacity).									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	Sustainability Team now fully staffed – Carbon Literacy Training now online for staff. Sustainability team liaising with HR &OD to embed climate change training across corporate training offer and to inform the Workforce Development Strategy. Goal is to highlight the need for long-term green workforce development, recruitment, and retention.				

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	
CR73b	<u>Climate Change Adaptation</u> -West Sussex faces the high risk of increasing impacts of climate change including extreme heat, severe storms, flooding and sea level rise, among others. Without proactive consideration of and preparation for these impacts, **WSCC assets, service delivery and West Sussex residents are at increased risk of damage, disruption and injury**. This will lead to protracted service disruptions, dangerous conditions and increased reliance on emergency services. In the longer term this could lead to displacement of residents and businesses in vulnerable, lower lying areas.	Director for Place Services	Negative impact on recruitment and retention of staff, and decline of productivity.	Jan-22	4	3	12	Treat	3	2	6	Clear prioritisation of CC Strategy delivery within Our Council Plan	Director for Place Services	ongoing	Climate Vulnerability Index developed to help identify climate related risks across the county and inform resilience strategy.	4	3	12	Aug-24
			Increased resource, capacity, officer expertise and capital demand on WSCC services to respond.									Existing assets and service delivery made climate change resilient & future developments designed to be as low carbon & climate change resilient	Director for Place Services	ongoing	Consultation with sustainability team during planning phase to ensure decisions are made when considering climate change and using live data. Sustainability team developed close working relationship with RET to ensure alignment between response and future climate planning. Sustainability team working with Property & Assets, via CRPB, to develop long-term estate plan and develop resilience plans for long-term holdings.				
			Impact on public health and increased community vulnerability due to projected changes in temperature, precipitation and weather patterns.									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	Sustainability Team now fully staffed – Carbon Literacy Training now online for staff. Climate Vulnerability Index endorsed by ELT and Cabinet for community use; engaging with D&B colleagues and other partners (SDNPA) to use data to inform community response, intervention, and forward planning.				
			Damage to, or accelerated deterioration of, infrastructure/assets due to increased temperatures, drought and wildfires (HEAT VULNERABILITY).									Regular review and application of the Community Risk Management Plan (CRMP).	Chief Fire Officer	ongoing	Climate change is a standing item on the WSFRS Horizon Scanning Group. Adaptation and resilience is discussed periodically at the Sussex Resilience Forum (SRF), which WSFRS is a standing member.				
			Damage to, or accelerated deterioration of infrastructure/assets Impact on public safety due to increased flooding, new precipitation patterns, storm intensity and sea level rise (FLOOD VULNERABILITY).																
			Negative disruptions on service delivery.																
CR76	Natural England issued a Position Statement on 14 September 2021 that affects all planning applications not granted before that date within the Sussex North Water Supply Zone. This has essentially halted all WSCC plans and projects in the water supply zone until water neutrality can be demonstrated. There are number of impacts on and, potentially, opportunities for WSCC arising. The principal corporate risk is that the **council will be unable to provide sufficient school places in the water neutrality area**.	Director of Place Services	1. Failing to deliver statutory duties where required modifications trigger water neutrality. (i.e. schools/educational settings)	Jun-23	4	3	12	Treat	4	1	4	Regular engagement with Local Planning Authorities.	Director of Place Services	ongoing	Work on the local authority-led water offsetting scheme for the areas affected by the Natural England water neutrality position statement has continued and it is expected to be launched later in 2024. The affected authorities were successful with the bid to the Planning Skills Delivery Fund, securing £250,000 in Dec 2023 to help accelerate the delivery and implementation of the water offsetting scheme in 2024. There has recently been a step change in central government's approach to the issues in Sussex North and to matters of water scarcity more generally.	4	3	12	Aug-24
			2. Negative reputational impact.									Produce centralised offsetting register that captures potential offsetting opportunities across WSCC estate.	Ass. Dir. (Property and Assets)	Ongoing	Business case to capture requirements of asset survey activity.				
			3. Service improvement efforts impeded.									Resource a robust set of centralised controls and initiatives to ensure identified offsetting opportunities are supported and secured in legal agreements.	Ass. Dir. (Property and Assets)	Ongoing					
			4. Potential legal action against the council in the event of non-compliance with The Conservation of Habitats and Species Regulations 2017 and associated case law.									Resources made available to support offsetting activities.	Director of Place Services	ongoing	Funding linked to governance arrangements and outputs/outcomes of offsetting register, and to include ongoing monitoring responsibility.				
			5. Excessive costs due to duplication of effort/technologies.									Direct instruction and ongoing regular engagement with all schools (including academies) regarding entering into off-setting negotiations independently of WSCC.	Ass. Dir. (Education and Skills)	Apr-24					
			6. Excessive/disproportionate costs of implementing offsetting opportunities.																

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Regulation, Audit and Accounts Committee – Work Programme 2024/25

Committee Date:- 8 July 2024

Item	Lead Officer	Objectives and comments
Quarterly Risk Management Report	Fraser Pake	• To receive quarterly update report on the effectiveness of risk management arrangements.
Annual review of the Risk Management Strategy	Fraser Pake	• To consider the Risk Management Strategy
Annual Internal Audit Report & Opinion	Neil Pitman	• To approve the internal annual report and opinion on the organisation of framework of risk, internal control and governance for 2023/24
Internal Audit Progress Report	Neil Pitman	• To receive a progress update against the audit plan, outstanding management actions, audit performance and any significant issues arising from internal audit reviews
Internal Audit & Fraud Plan (Q2)	Neil Pitman	To provide the Committee with an overview of the Internal Audit Plan 2024 – 2025 (Q2) and the Counter Fraud Plan 2024-25
Annual Governance Statement	Charles Gauntlett	• To provide an update on progress against the action plan • To consider the draft Annual Governance Statement for 2023/24
External Audit	External Auditor	• EY to present 2023/24 audit planning reports.
Standing Order Amendments – Procurement Act 2023	Tony Kershaw	• The Committee to be asked to endorse the proposed changes to Standing Orders on Procurement and Contracts required due to the change in legislation from Public Contract Regulations 2015 to the Procurement Act 2023.

Committee Date:- 25 September 2024

Item	**Lead Officer**	**Objectives and comments**
Financial Statements 2023/24	Vicky Chuter	• To approve the statement of accounts for the County Council and Pension Fund.
Annual Governance Statement	Charles Gauntlett	• To approve the Annual Governance Statement for 2023/24 and agree action plan.
Quarterly Risk Management Report	Fraser Pake	• To receive quarterly update report on the effectiveness of risk management arrangements.
Internal Audit Progress Report	Neil Pitman	• To receive a progress update against the audit plan, outstanding management actions, audit performance and any significant issues arising from internal audit reviews
Internal Audit Plan (Q3)	Neil Pitman	• To consider the Internal Audit Plan for 2024/25 (Q3)
Treasury Management Compliance Report - First Quarter 2024/25	Vicky Chuter	• The Committee to review and comment on the Treasury Management Compliance Report.
External Audit	External Auditor	• EY to present • 2023/24 West Sussex County Council Audit Results Report • 2023/24 West Sussex Pension Fund Audit Results Report • 2023/24 Draft West Sussex County Council Auditor's Annual Report

Committee Date:- 4 November 2024

Item
4 November meeting will be utilised if required under advisement from the Chairman.

Committee Date:- 22 November 2024

Item
22 November meeting will be utilised if required under advisement from the Chairman.

Committee Date:- 13 January 2025

Item	Lead Officer	Objectives and comments
Quarterly Risk Management Report	Fraser Pake	• To receive quarterly update report on the effectiveness of risk management arrangements.
Internal Audit Progress Report	Neil Pitman	• To receive a progress update against the audit plan, outstanding management actions, audit performance and any significant issues arising from internal audit reviews
Internal Audit Plan (Q4)	Neil Pitman	• To consider the Internal Audit Plan for 2024/25 (Q4)
External Audit Report	External Auditor	• Progress report
Treasury Management Compliance Report – Second Quarter 2024/25	Vicky Chuter	• The Committee to review and comment on the Treasury Management Compliance Report.

Committee Date:- 24 March 2025

Item	**Lead Officer**	**Objectives and comments**
Financial Statements 2024/25 - Plans and Progress	Vicky Chuter	• To update on progress to date for closing the 2024/25 accounts for West Sussex County Council and the West Sussex Pension Fund.
Quarterly Risk Management Report	Fraser Pake	• To receive quarterly update report on the effectiveness of risk management arrangements.
Internal Audit Progress Report	Neil Pitman	• To receive a progress update against the audit plan, outstanding management actions, audit performance and any significant issues arising from internal audit reviews
Internal Audit Plan 2025/26	Neil Pitman	• To consider the Internal Audit Plan 2025/26 (Q1) and Fraud Plan for 2024/25
Internal Audit Charter 2025/26	Neil Pitman	• To consider the Internal Audit Charter 2025/26
External Audit Report	External Auditor	• Progress report
Annual Governance Statement Update	Charles Gauntlett	• To provide an update on progress against the action plan and to consider the draft 2024/25 Statement.
Treasury Management Compliance Report – Third Quarter 2024/25	Vicky Chuter	• The Committee to review and comment on the Treasury Management Compliance Report.
Work Programme 2025/26	Adam Chisnall	• To agree the work programme for the following year.

By virtue of paragraph(s) 2, 3, 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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