



CABINET

TUESDAY, 19 APRIL 2022

10.00 AM COUNTY HALL, LEWES

MEMBERSHIP - Councillor Keith Glazier (Chair)
Councillors Nick Bennett (Vice Chair), Bob Bowdler, Claire Dowling,
Carl Maynard, Rupert Simmons and Bob Standley

A G E N D A

1. Minutes of the meeting held on 1 March 2022 (*Pages 3 - 4*)
2. Apologies for absence
3. Disclosures of interests
Disclosures by all members present of personal interests in matters on the agenda, the nature of any interest and whether the member regards the interest as prejudicial under the terms of the Code of Conduct.
4. Urgent items
Notification of items which the Chair considers to be urgent and proposes to take at the appropriate part of the agenda. Any members who wish to raise urgent items are asked, wherever possible, to notify the Chair before the start of the meeting. In so doing, they must state the special circumstances which they consider justify the matter being considered urgent.
5. Health and Care Bill Implementation (*Pages 5 - 22*)
Report by Director of Adult Social Care
6. Ukraine situation (to follow)
Report by Chief Executive
7. Auditor's Annual (VFM) Report on East Sussex County Council 2020/21 (*Pages 23 - 60*)
Report by Chief Finance Officer
8. External Audit Plan 2021/22 (*Pages 61 - 86*)
Report by the Chief Operating Officer
9. Internal Audit Strategy and Plan 2022/23 (*Pages 87 - 104*)
Report by the Chief Operating Officer
10. Any other items considered urgent by the Chair
11. To agree which items are to be reported to the County Council

PHILIP BAKER
Assistant Chief Executive
County Hall, St Anne's Crescent
LEWES BN7 1UE

7 April 2022

Contact Andy Cottell, 01273 481955,
Email: andy.cottell@eastsussex.gov.uk

NOTE: *As part of the County Council's drive to increase accessibility to its public meetings, this meeting will be broadcast live on its website and the record archived. The live broadcast is accessible at: www.eastsussex.gov.uk/yourcouncil/webcasts/default.htm*

CABINET

MINUTES of a meeting of the Cabinet held on 1 March 2022 at Council Chamber, County Hall, Lewes

PRESENT Councillors Keith Glazier (Chair)

Councillors Nick Bennett (Vice Chair), Bob Bowdler, Claire Dowling, Carl Maynard, Rupert Simmons and Bob Standley

Members spoke on the items indicated

Councillor Bennett	- items 5 and 6 (minutes 45 and 46)
Councillor Bowdler	- item 5 (minute 45)
Councillor Simmons	- item 5 (minute 45)
Councillor Standley	- item 5 (minute 45)
Councillor Georgia Taylor	- item 6 (minute 46)
Councillor Tutt	- item 5 (minute 45)
Councillor Webb	- item 5 (minute 45)

41. CHAIR'S ANNOUNCEMENTS

41.1 At the suggestion of the Leader of the Council, it was agreed by all Group Leaders, that a cross party letter be sent to the Prime Minister and the Ukrainian Ambassador expressing condemnation of Russia's action in Ukraine and expressing the County Council's support for the Government and people of Ukraine and welcoming the announcements of the UK Government with regard to refugees.

41.2 The Leader of the Council announced that it was proposed that the Ukrainian flag be flown at County Hall on the day of the next County Council meeting

42. MINUTES OF THE MEETING HELD ON 25 JANUARY 2022

42.1 The minutes of the Cabinet meeting held on 25 January 2022 were agreed as a correct record.

43. REPORTS

43.1 Copies of the reports referred to below are included in the minute book

44. DISCLOSURES OF INTERESTS

44.1 Councillor Holt declared a personal, non prejudicial interest in item 5 as an organisation he worked for had provided the ice rink visited by East Sussex foster care leavers.

45. COUNCIL MONITORING: QUARTER 3 2021/22

45.1 The Cabinet considered a report by the Chief Executive.

45.2 It was RESOLVED to:

- 1) note the latest monitoring position for the Council; and
- 2) approve the proposed amendment to the performance measure set out in paragraph 2.2 of the report.

Reason

45.3 The report sets out the Council's position and year end projections for the Council Plan targets, Revenue Budget, Capital Programme, Savings Plan together with Risks for 2021/22 quarter 3.

46. CONSERVATORS OF ASHDOWN FOREST – BUDGET FOR 2022/23

46.1 The Cabinet considered a report by the Chief Operating Officer.

46.2 It was RESOLVED to:

1. approve the Conservators' Core budget for 2022/23 and the potential contribution of up to a maximum of £122,980; and

2. approve the annual grant for 2022/23 from the Ashdown Forest Trust Fund.

Reason

46.3 The amended budget for 2022/23 presents a deficit of £122,980 including the impact of the decision to implement car parking charges being approved by the Board of Conservators on 31 January 2022. There remain uncertainties and opportunities for income generation in excess of modelled car parking income and from the Ashdown Forest Foundation, which together with management action during the year, could have a positive impact on the overall budget. The Board and Chief Executive Officer are working with Council officers and are committed to delivering an improved financial position for 2022/23, providing quarterly update reports, including updated budgets that support a sustainable Medium-Term Financial Plan by Summer 2022, that will support the strategic objectives of the Conservators of Ashdown Forest.

47. ITEMS TO BE REPORTED TO THE COUNTY COUNCIL

47.1 It was agreed that items 5 and 6 should be reported to the County Council.

[Note: The items being reported to the County Council refer to minute numbers 45 and 46]

Report to: Cabinet

Date of meeting: 19 April 2022

By: Director of Adult Social Care

Title: Health and Care Bill implementation

Purpose: To update Cabinet on progress with the Sussex Integrated Care System (ICS), and confirm Cabinet's agreement to the recommended arrangements for Council participation, in accordance with the national proposals to put ICSs on a statutory footing in England by July 2022

RECOMMENDATIONS

Cabinet is recommended to:

1. Note that the proposed legislation requires the Council to be a member of the statutory Sussex Integrated Care System (ICS) from 1 July 2022 and the plans to operate the ICS in shadow form.
2. Note the Council's ongoing commitment, accountability and lead role in integrating care and improving population health in East Sussex
3. Agree:
 - a) the Chair of the Health and Wellbeing Board to attend the shadow Sussex Health and Care Assembly (as previously agreed by the Cabinet on 29 June 2021);
 - b) the three upper tier Councils in Sussex being represented on the shadow NHS Sussex Integrated Care Board (ICB) by a Director of Adult Services, a Director of Children's Services and a Director of Public Health drawn from across the councils, to be agreed by the Chief Executives; and
 - c) the Sussex Health and Care Assembly being established as a joint committee between the future NHS Sussex ICB, East Sussex County Council (ESCC) West Sussex County Council (WSCC) and Brighton and Hove City Council (BHCC) with power to make the appropriate arrangements delegated to the Assistant Chief Executive.
4. Agree the principles set out in paragraph 2.17 that underpin how the NHS Sussex ICB will work with and in East Sussex to support close working with the NHS.
5. Agree to receive a further report on plans to progress local working with the NHS later in the year.

1. Background

1.1 Previous reports to Cabinet in April 2019, January 2020 and June 2021, have set out the County Council's commitment to integrated working with the local NHS, as this provides the opportunity to deliver the best possible outcomes for local residents and achieves the best use of collective public funding in East Sussex. This has been delivered through the Council working

closely with the local NHS to improve population health and commission and deliver more integrated care.

1.2 Cabinet agreed on 29th June 2021 the Council's ongoing lead role and commitment to integrating care and improving population health in East Sussex. A key part of this is continuing to strengthen our community-based health and social care for children and adults of all ages and to build on the progress made to date across a range of integrated services, including for example Health and Social Care Connect and Joint Community Reablement in Adult Social Care and Integrated Health Assessments across Health Visiting and Children's Services.

1.3 That report also set out the detail of the proposals now published in the Health and Care Bill. This includes putting Integrated Care Systems (ICSs) on a statutory footing in England in 2022 and a new Duty to Collaborate.

1.4 As a result, the Council is required to participate in two new statutory bodies that make up our Sussex ICS: the proposed new Sussex NHS Integrated Care Board (ICB) and the wider Sussex Health and Care Assembly partnership arrangement. Initial Council representation was agreed by Cabinet in June 2021.

1.5 The Health and Care Bill replaces the current model of competition between providers of healthcare services with a new approach that encourages collaboration to meet the needs of the population. To build on this the Government also published a new Integration White Paper '*Joining up care for people, places and populations*', which focusses on the way the NHS and Local Government should work together in "Places" (ie East Sussex level) to deliver shared objectives.

1.6 Aside from the new Duty to Collaborate there are no other changes to the County Council's statutory role and responsibilities for services and budgets, or the role of Health and Wellbeing Boards and Health Overview and Scrutiny Committees. The County Council will remain responsible for setting the Authority's priorities and budgets through the Reconciling Policy Performance and Resources (RPPR) process.

1.7 This report provides a further update on progress with the reforms and the implications for partnership working with the local NHS. It revisits the earlier recommendations for the Council's participation and representation in the statutory Sussex ICS, and the proposed governance and accountability arrangements brought in by the Bill.

2. Supporting information

Health and Care Bill

2.1 The Health and Care Bill 2021 is currently at the committee stage of the Parliamentary process. The formal start of statutory ICSs in England has now been delayed from 1st April until 1st July 2022 due to the focus on urgent priorities and pressures over winter, and to allow more time to get the Bill through the parliamentary process.

2.2 Part of the NHS Long Term Plan, in England an ICS brings together the organisations planning, buying and providing publicly-funded healthcare – including mental health and community care services – to the population of a geographical area. As well as the NHS this includes Local Authorities and other partners. In summary all forty-two ICSs covering England will be made up of two elements:

- A statutory NHS Integrated Care Board (ICB) will be responsible for strategic planning, resource allocation and performance of NHS organisations in the ICS. This will involve merging some existing ICS and Clinical Commissioning Group functions, as well as some functions from NHS England. In Sussex this will be called the NHS Sussex ICB.

- A partnership involving a wider range of partners. The proposed legislation will require that this is set up as a formal joint committee between the NHS Sussex ICB and the responsible authorities that fall within its area. It will be responsible for agreeing the strategic direction which meets the broader health, public health and social care needs of the population in the ICS footprint. In Sussex this will be called the Sussex Health and Care Assembly and it will need to be established as a joint committee by the NHS Sussex ICB and ESCC, WSCC and BHCC once the Bill is passed into legislation.

2.3 The NHS Sussex ICB will be responsible for a health budget of over £2bn and will absorb the current role and function of the three Clinical Commissioning Groups in Sussex. The intention is to start operating the new Board in shadow form, ahead of transitioning to the new governance and accountability structures formally on 1 July. Both the NHS ICB and the Assembly will have duties to consider Health and Wellbeing Board plans. The diagrams in Appendix 1 provide a guide to the suggested framework for partnership working within the Sussex ICS.

2.4 Upper tier and unitary Local Authorities are required to be members of ICSs as key partners. In the Sussex ICS, East Sussex County Council, West Sussex County Council and Brighton and Hove City Council each have one seat on both the NHS Sussex ICB and the Sussex Health and Care Assembly.

2.5 To provide professional knowledge and perspective it is suggested that Local Authority representation on the NHS Sussex ICB from the three Councils is made up of one Director of Adult Social Services, one Director of Children's Services and one Director of Public Health. The representatives would each be on the ICB as partner members and would not act in a delegated capacity either for their organisations/sector or their specialist area.

2.6 It is suggested that the Chairs of each of the three Health and Wellbeing Boards will be the Local Authority representatives on the Sussex Health and Care Assembly, supported by Officers where this is helpful.

2.7 In summary, in order for the County Council to meet new the requirements and the Duty to Collaborate the following arrangements are proposed for agreement:

- One Director of Adult Social Services, one Director of Children's Services and one Director of Public Health to represent the three Councils as a partner members on the shadow NHS Sussex ICB.
- The Chair of the Health and Wellbeing Board is nominated to represent East Sussex County Council at the meetings of the shadow Sussex Health and Care Assembly

2.8 A national process was undertaken by NHS England to simultaneously appoint Chair Designates and Chief Executive Designates to all forty-two future NHS ICBs. Stephen Lightfoot was appointed as the new Chair Designate for the future NHS Sussex ICB, and Adam Doyle the new Chief Executive Officer Designate. Recruitment of the Executive Director and Non-Executive Director appointments to the NHS Sussex ICB has also taken place.

2.9 The current focus for our Sussex ICS in this transitional period is on setting out the arrangements between local NHS organisations, Local Authorities and wider partners in Sussex. This will include:

- The ICS vision, principles and governance arrangements that will support oversight and assurance of the NHS parts of the system, and mutual accountability between all ICS partners
- How the three Place Partnerships in East Sussex, West Sussex and Brighton and Hove can support delivery of our shared objectives.

Integration White Paper and the role of Place

2.10 On 9 February the Government published a new White Paper on health and social care integration called '*Joining up care for people, places and populations*'. This forms part of wider plans to reform the health and social care system building on the Health and Care Bill and the Social Care Reform White Paper *People at the Heart of Care* (December 2021), which sets out the Government's ten-year vision for adult social care.

2.11 The new White Paper sets out a vision for integrated health and care services. It focusses on the way the NHS and Local Government can be enabled to work together at 'Place' to deliver co-ordinated, joined up and seamless services, that support people to live healthy, independent and dignified lives, and which also improve outcomes for the population as a whole. A key tier within the ICS, East Sussex, West Sussex and Brighton and Hove will be the three "Places" forming the Sussex ICS and are the "engines of delivery and reform".

2.12 There are no changes to the County Council's existing accountability for budgets and services. A brief overview of the White Paper is contained in Appendix 2 and proposals are designed to support organisations working at Place to plan commission and deploy resources jointly. The main developments are:

- A new national shared outcomes framework, with space for local Place priorities, and a resourced plan to support delivery
- A lead officer for delivery agreed by, and accountable to, both the Local Authority and the NHS ICB
- A proposed model for formally pooling resources, making decisions and planning jointly
- The current legal framework for s75 Agreements will be reviewed to support increased financial flexibility
- A series of proposed action for workforce and carers including joint roles, career progression and workforce planning
- Continuation of plans for digital maturity to support seamless data flow across all care settings (including social care providers), and person-centred and proactive care at place level, and reporting outcomes.

2.13 The Government has been keen to underline the continuing flexibility available to local ICSs and Places in taking the White Paper forward in ways that are appropriate to local circumstances. The next step will be to review our local plans, including our Health and Wellbeing Strategy, shared strategic Outcomes Framework and next steps for integration, in light of the detail in the White Paper.

Place and Place-based Partnerships

2.14 The new integration White Paper complements our existing direction of travel as an Integrated Care System (ICS) in Sussex and at the local level in East Sussex. The importance of 'Place' within our ICS has already been recognised by our Sussex ICS to ensure a strong focus on local population health and care needs, integrated care and reducing health inequalities.

2.15 There are three Places in the Sussex ICS based on the upper tier Local Authorities and Health and Wellbeing Board boundaries in Sussex – Brighton and Hove, East Sussex and West Sussex – each with informal health and care partnerships that enable joint working across organisations working at Place. In summary it has been agreed that the focus of Place and Place-based partnership plans is on the coordination and delivery of the following:

- Population health management using public health principles
- Addressing health inequalities
- Transformation of clinical pathways and health and care service models
- Primary care – accelerate the development of Primary Care Networks (PCNs) and neighbourhood working

- Priorities for social care and housing, and other services related to delivering outcomes for our community
- Operational issues and pressures

2.17 The following high level principles have been produced to underpin how the NHS Sussex ICB will work with and at Place, to support close working between the three Local Authorities and the NHS in the ICS:

- The three Place-based Health and Care Partnerships in Sussex are collaborative and non-statutory arrangements where all the organisations responsible for planning commissioning and delivering health and care services for the populations in that geographical area work together.
- In collaborating at Place, individual statutory organisations are responsible for agreeing decisions relating to their budgets and services according to their existing practice and processes.
- The **Joint Strategic Needs Assessments** and the **Health and Wellbeing Strategies** agreed through the three Health and Wellbeing Boards set the evidence base and strategic framework within which priorities at Place are identified.
- Place-based planning, commissioning and delivery will be focussed on a clear scope of services aimed at integrating care, improving health and reducing health inequalities. Wider partners in the voluntary, community, social enterprise (VCSE) and independent care sector, and Borough and District Councils (where applicable), will be engaged to mobilise and support the best use of the resources collectively available.
- At a pan-ICS level, the Sussex Health and Care Assembly will be responsible for producing the **Integrated Care Strategy** for the system. This high level strategy will reflect the priorities in, and be built from, the three Health and Wellbeing Strategies.
- NHS Sussex is required to develop and implement a **Delivery Plan** that delivers the Assembly's Integrated Care Strategy. The principle of subsidiarity is paramount – NHS Sussex's Delivery Plan will be implemented through the three place-based Health and Care Partnerships, unless there is collective agreement that it makes more sense to deliver an element at the pan-Sussex level. NHS Sussex will align resources and management capacity to support the three place-based Health and Care Partnerships to implement the Delivery Plan
- Effective delivery at place therefore requires the full involvement of local authority partners in the development of NHS Sussex's Delivery Plan and other key related decisions before those decisions are taken by the NHS Sussex Board or its executive.

2.18 There is system partnership governance fully embedded in East Sussex to support delivering this approach, which reports into the Health and Wellbeing Board. The East Sussex Health and Care Partnership currently brings together the County Council, NHS East Sussex Clinical Commissioning Group, East Sussex Healthcare NHS Trust, Sussex Community NHS Foundation Trust and Sussex Partnership NHS Foundation Trust, and our wider system partners including Primary Care Networks, the East Sussex Voluntary, Community and Social Enterprise (VCSE) Alliance, Healthwatch and our Borough and District Councils. Appendix 3 includes a diagram of this partnership governance structure.

2.19 Our shared priorities and joint work is set out in our East Sussex Health and Care Partnership Plan and is delivered through our integration programme. Update reports are provided to our Health and Wellbeing Board.

Planning for 2022/23

2.20 Our recent system working has been focussed on supporting a strong and effective response to the pandemic emergency. This was driven by both increased needs for services and workforce pressures compounded by some Covid-19 outbreaks. This aimed to ensure that individual needs are best served through the most appropriate care in the right setting at the right time, and included for example:

- Increased commissioning of Discharge to Assess (Pathway 3) Care Home beds including beds to support specific needs and Home Care capacity
- Continued support of hospital discharge arrangements and case management to improve patient experience and flow through the system
- Development of improved front-door models to ensure people access the right services for same day needs and Emergency Departments
- Focussed work to support individuals of all ages needing access to mental health services and supporting timely discharge from hospital
- Maximising access to additional national resources as this became available to support local systems
- Joint action on workforce to aid recruitment into the care sector.

2.21 The focus of our integration programme has been on the areas where changing care models can both help us build on the developments that have been accelerated by the pandemic, and have the most impact in supporting restoration and recovery of our system in a sustainable way. Our shared priorities for transforming care models are being reviewed and finalised for 2022/23, to ensure there is a clear focus on reducing health inequalities and delivering more integrated care for our population, for reporting to our HWB.

2.22 To help accelerate the development of the role and function of Place, East Sussex has been chosen by our ICS to participate in the national ICS Population Health and Place Development Programme set up by NHS England and Improvement (NHSEI) and the Local Government Association (LGA). This is aimed at supporting the implementation of the Health and Care Bill and specifically the role of Place within ICSs. The national Programme is set out around four elements:

- Ambition, vision and leadership
- Governance, function and finance
- Population Health Management and integrated transformation capability
- Digital, data and analytics (to be led at a pan-ICS level)

2.23 With strong resource backing from NHSEI and the LGA and combined with the new integration White Paper, this represents a valuable opportunity to inform and shape the next steps for how our Place Partnership in East Sussex develops as part of our ICS. Local priorities have been reviewed by senior leaders across our ICS and Place to ensure the Programme can be tailored to reflect and build on our strong progress to date. In line with national policy objectives and our longstanding local commitment to integrate care and improve the health of our population, our critical focus will be:

- Identifying our future strategic roadmap and the next steps for delivering increased integration and shared accountability for outcomes
- Developing our practical approach to using data and insight to better understand needs, profiles and resources in local areas, and support our teams to work together to deliver preventative, proactive and coordinated care and reduce health inequalities.

3. Conclusion and reasons for recommendations

3.1 Establishing ICSs on a statutory footing represents a significant change to the way the Council works in partnership with the NHS, to plan and commission services to meet health and care needs of the population of East Sussex, and improve health and reduce health inequalities. The key changes are summarised in Appendix 4. The new Duty to Collaborate requires the County Council to participate in the statutory NHS Sussex ICB and set up the Sussex Health and Care Assembly as a joint committee. Appropriate governance and accountability arrangements will be critical to enabling the Council to continue to jointly plan and commission services effectively, to secure the best possible outcomes for our population and meet the new Duty.

3.2 There is agreement to shared principles within the Sussex ICS to the planning and deployment of resources focussed on population needs at Place level (East Sussex). This is aimed at ensuring people have access to a joined up offer of health and social care and support in their community, or near to where they live. This will also enable the Council to continue to contribute effectively to the shared agenda for maintaining strong performance on D2A and patients who are medically ready for discharge from hospital, and supporting the recovery and delivery of NHS services as a result of the pandemic.

3.3 In this context, developing robust plans to transform care models and deliver integrated care, as well as working with the NHS across the wide range of services at Place level to improve population health, remains our strong priority. It is proposed that a further report about our future shared plans to strengthen our capability to deliver this is brought to Cabinet at a later date.

MARK STANTON

Director of Adult Social Care

Contact Officer: Vicky Smith

Email: Vicky.smith@eastsussex.gov.uk

LOCAL MEMBERS

All Members

Appendices

Appendix 1 Draft Sussex ICS Structure Diagrams

Appendix 2 Brief Overview of the Integration White Paper

Appendix 3 East Sussex health and care partnership governance structure

Appendix 4 Summary of the key changes under the Health and Care Bill (integration)

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What are we going to do?

VISION 2025

System Imperatives

Strategic Goals

By 2025...our improvements in health outcomes will measure in the top quartile of all ICSs in England

Priority Enablers

Better Health and Care For All

Better & Equal Outcomes

Financial Sustainability

Social & Economic Growth

Starting Well

Children will have the best start in life

- ▼ We will delay the onset of illness in the most deprived 20% of the population
- ▼ We will reduce the rates of hospital stays for self harm amongst young people

Living Well

People will stay healthy for longer, with a reduction in inequalities

- ▼ We will delay the onset of cancer, respiratory and cardiovascular diseases
- ▼ We will improve the health of those with a Serious Mental Illness or Learning Disability

Ageing Well

People will be supported in their homes and communities by integrated services

- ▼ We will improve the health and care for those with cancer, respiratory & cardiovascular diseases
- ▼ We will reduce the years spent in ill health

Waiting Less

People will wait less to access the services they need

- ▼ Same day appointments in primary care will be available to those in need
- ▼ No one will wait more than 18 weeks for a hospital appointment and all emergency care access standards will be met

System Leadership and Change

Digital, Data and Analytics

Workforce Transformation

Research and Innovation

Public Involvement and Communication

Working together across Sussex

How are we going to organise ourselves?

Core Purpose

Public Engagement

Patients, Public and Communities of Sussex

Strategic Direction & Public Accountability

Sussex Health & Care Assembly

Stakeholder Engagement

Sussex Health & Care Conferences (at place and across Sussex)

Service Design & Development

Brighton & Hove Health & Care Partnership

East Sussex Health & Care Partnership

West Sussex Health & Care Partnership

Local Government Accountability

Brighton & Hove HWB and HOSC

East Sussex HWB and HOSC

West Sussex HWB and HASC

Strategic Priorities & Resource Allocation

NHS Sussex Integrated Care Board

Board Assurance Committees

Health Outcomes

System Productivity

Patient Experience

Workforce & Remuneration

Audit & Risk Management

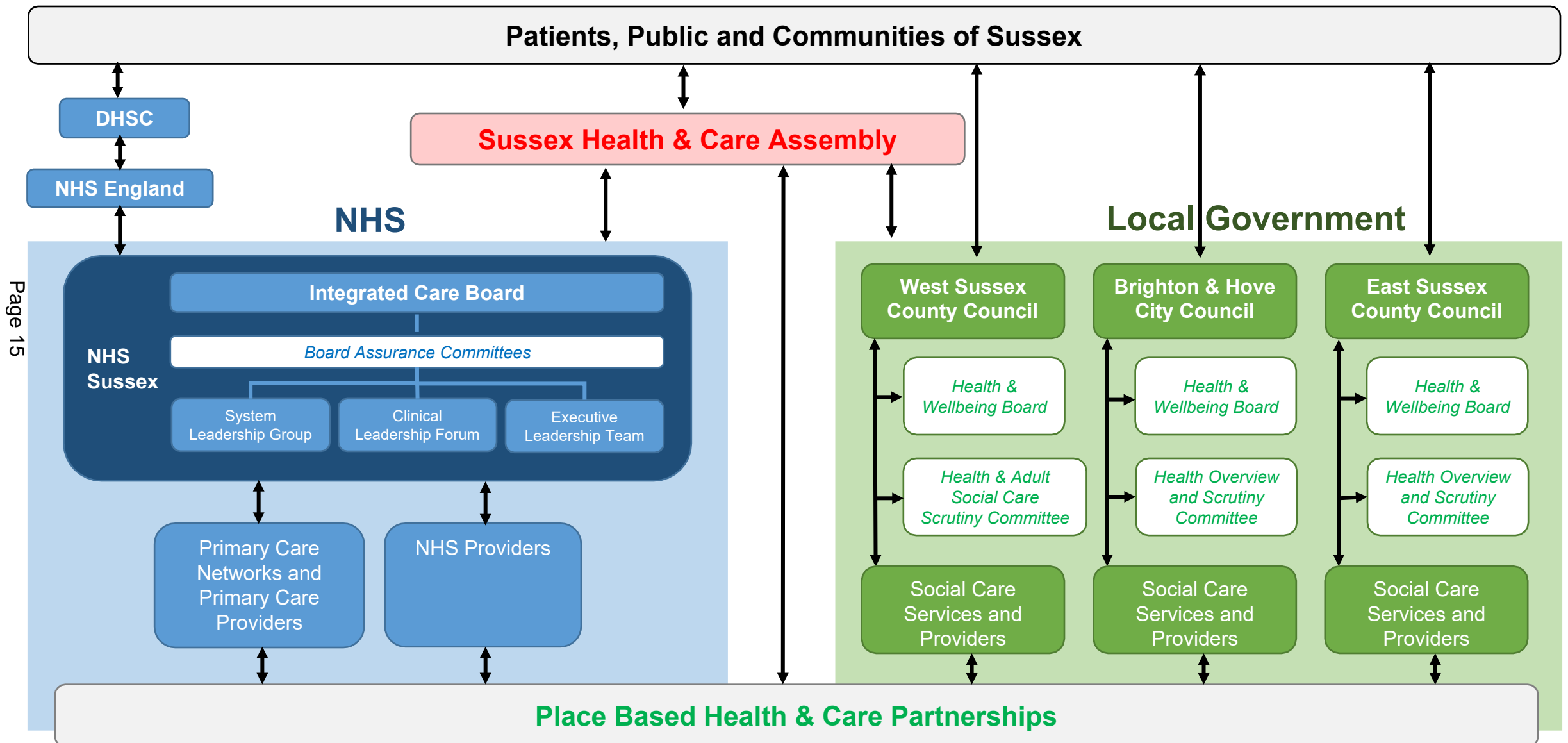
System Delivery

System Leadership Group

Clinical Leadership Forum

NHS Sussex Executive Leadership Team

How will accountability flow?



Who is going to be involved in providing strategic direction and oversight?

Sussex Health & Care Assembly

NHS Sussex Members	1. NHS Sussex Chair
	2. NHS Sussex CEO
Local Government Members	3. BHCC HWB Chair [#]
	4. ESCC HWB Chair [#]
	5. WSCC HWB Chair [#]
Place Health & Care Partnership (HCP) Members	6. B&H HCP Executive
	7. B&H HCP Clinician
	8. ES HCP Executive
	9. ES HCP Clinician
	10. WS HCP Executive
	11. WS HCP Clinician
Patient Representative Members	12. Healthwatch B&H CEO
	13. Healthwatch ES CEO
	14. Healthwatch WS CEO
Specialist Members	15. VSCE Member
	16. Education Member

[#] Elected members may bring an officer to support them

NHS Sussex Integrated Care Board

Chair and Independent Non-Executive Members ^{**}	1. NHS Sussex Chair
	2. Independent NED (Health Outcomes)
	3. Independent NED (System Productivity)
	4. Independent NED (Patient Experience)
	5. Independent NED (Workforce & Remuneration)
	6. Independent NED (Audit & Risk Management)
Executive Members	7. NHS Sussex Chief Executive Officer
	8. NHS Sussex Chief Finance Officer
	9. NHS Sussex Chief Medical Officer
	10. NHS Sussex Chief Nursing Officer
	11. NHS Sussex Chief Primary Care Officer
Partner Members ^{**}	12. Primary Care Member ^{***}
	13. NHS Provider Member
	14. Brighton & Hove City Council Director [*]
	15. East Sussex County Council Director [*]
	16. West Sussex County Council Director [*]

^{*} Local Authorities to determine membership to achieve mix of skills and expertise

^{**} Chair, non-executive and partner roles are appointed for a fixed term of office

^{***} Sussex PCNs to determine one leader to provide primary care perspective

Brief Overview of the Integration White Paper: *Joining up care for people, places and populations*

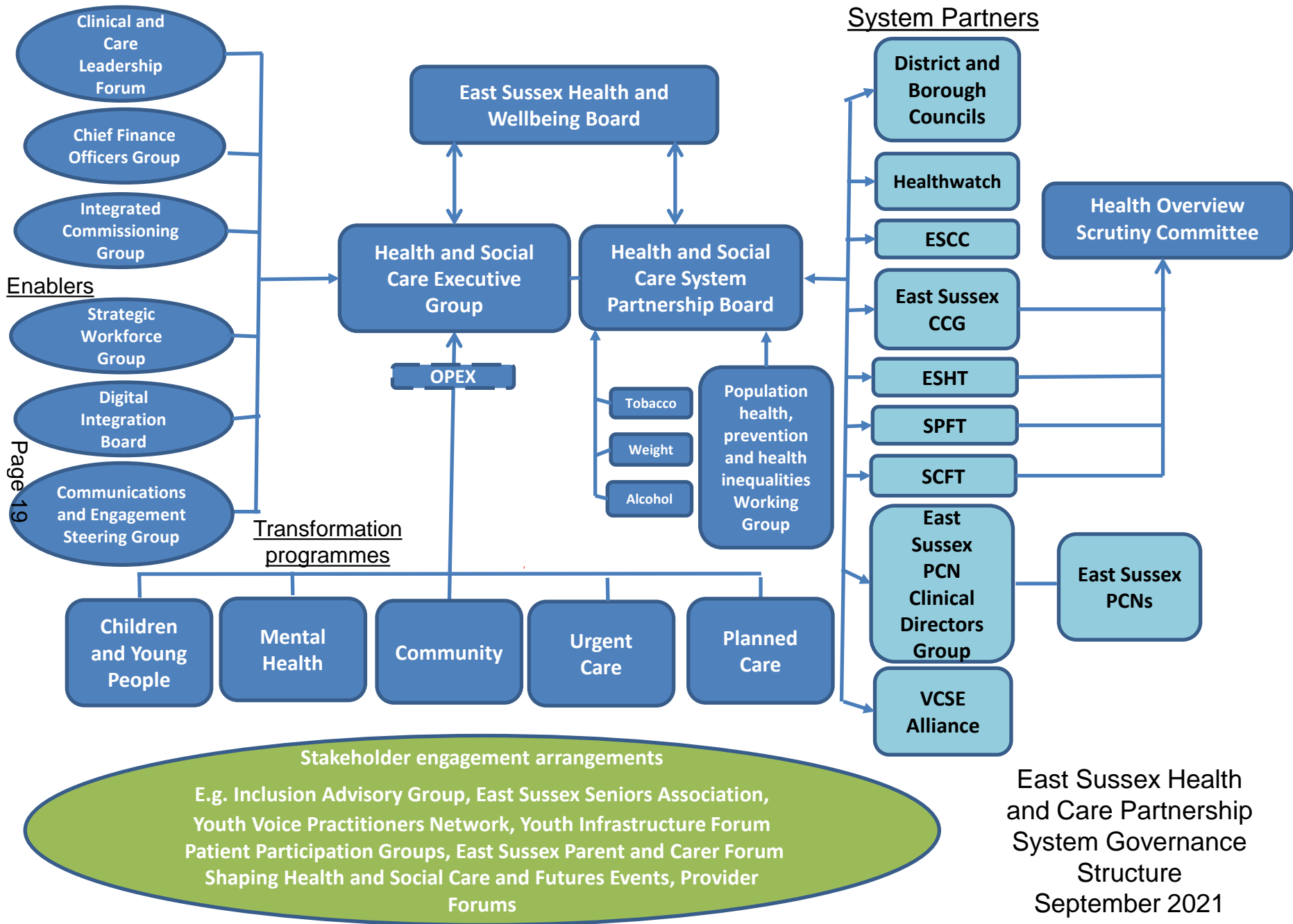
On 9 February the government published a White Paper on health and social care integration called *Joining up care for people, places and populations*. This forms part of the Government's wider plans to reform the health and social care system, and builds on the Health and Care Bill and the Social Care Reform White Paper *People at the Heart of Care* (December 2021), which set out the Government's ten year vision for adult social care.

The Integration White Paper sets out a vision for integrated health and care services, and describes successful integration as the "planning, commissioning and delivery of co-ordinated, joined up and seamless services that support people to live healthy, independent and dignified lives and which improves outcomes for the population as a whole". There is an intentional focus on the role of Place which is seen as the "engine for delivery and reform" within the Integrated Care Systems

The Government has been keen to underline the continuing flexibility available to local ICSs and Places in taking the White Paper forward in ways that are appropriate to local circumstances, and it is also inviting views in response to a series of questions to support effective implementation of the proposals by 7th April. Topics include outcomes, finance, accountability, workforce, and digital and data. The following summary provides a brief overview of the White Paper, and a next step will be to review our local integration plans in light of the details:

- Joining up care
 - Better Place level integration across primary care, community health, adult social care, acute, mental health, public health and housing services which relate to health and social care
 - Primary and secondary care to improve access to specialist support and advice,
 - Closer working between mental health and social care services to reduce crisis admissions and improve quality of life for those living with mental illness;
 - Integrating data across the board to inform new and innovative services to tackle specific problems facing communities, public health and the NHS joining up to get the most health gain at every opportunity
 - Children's social care is not directly within the scope of this White Paper, as this is currently subject to other national reviews, but ICSs are invited to "consider the integration between and within children and adult health and social care services wherever possible"
- New national shared outcomes framework
 - A firm commitment to developing a new set of "shared outcomes" that will help better incentivise collaborative working across the NHS, social care, public health and also reflecting wider existing outcome objectives for local government.
 - This will include space for prioritising shared outcomes at the local level for individuals and populations alongside national commitments, which Places will be able to choose based on local priorities and what matters to local people
 - The CQC will consider shared outcomes agreed at Place level as part of its new duty (under the Health and Care Bill) to review ICSs as a whole, as well as when assessing local authorities' delivery of their adult social care services.
 - Implementation of national priorities and a broader framework for local outcome prioritisation to go live from **April 2023**
- Clear Leadership and accountability across Local Government and the NHS:
 - A single person accountable for the delivery of the shared plan and outcomes working with local partners, agreed by the relevant Local Authority and ICB. NB This does not change Accountable Officer duties within local authorities or the ICB.

- Criteria and a suggested 'Place Board' model for formal place-level arrangements for organisations to pool resources, make decisions and plan jointly for delivery of shared outcomes, including effective commissioning and delivery of health and care services.
- Places can design their own equivalent models that meet the criteria for adoption by **Spring 2023**. As starting point arrangements should make use of existing structures and processes including the Health and Wellbeing Board and Better Care Fund.
- Where able Places should go further by putting in place extensive inclusion of services and spend to be overseen by place-based arrangements. All local areas should work towards this by 2026.
- Finance and integration
 - Local leaders to have the flexibility to deploy resources to meet population needs through more aligned and pooled budgets across NHS and Local Government, to better use resources to meet immediate needs as well as support long term investment in population health and wellbeing
 - Guidance will be developed to enable Local Authorities (LAs) and the NHS to go further and faster; simplifying the current pooling mechanisms such as section 75 of the NHS Act 2006.
 - Fair and appropriate contributions will still be determined by NHS and LAs locally to support overall accountability for services and spend overseen by place-based arrangements.
 - Guidance on the scope of pooled budgets will be published by **Spring 2023**
 - Pooled or aligned budgets to become the routine to support more integrated models of service delivery, eventually covering much of funding for health and care services at Place level, linked clearly to shared objectives and delivery to improve outcomes.
- Workforce and carers
 - Staff numbers and skills planning based on the needs of their populations and places, supporting the skills agenda in their local economy
 - Career progression across the health and social care family
 - ICSs to support joint health and care workforce planning at place level working with both national and local organisations
 - The DHSC will improve initial training and ongoing learning and development opportunities for staff, create joint continuous development and joint roles across health and social care and increase the number of clinical placements in ASC for health undergraduates
- Digital and data
 - There is a commitment to better digital integration between health and social care, including the intention for all providers within an Integrated Care System (ICS) to be connected to a 'shared care record' for each citizen by **2024**.
 - The paper also highlights some of the challenges that social care providers face with digital transformation and the importance of supporting them to become part of a shared future on data sharing and digital services with health
 - ICSs to develop digital investment plans to bring all organisations to the same level of digital maturity to support seamless data flow across all care settings and use tech to transform care to be person-centred and proactive at place level.
 - Supporting transparency: mandatory reporting of outcomes for local places



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Appendix 4

Summary of key changes under the Health and Care Bill (integration elements)

	Current position	From 1 st July 2022
1	Informal voluntary partnership arrangements exist at a pan-Sussex level (Sussex Health and Care Partnership) to support joint planning, commissioning and delivery of health and broader care services on a pan-Sussex footprint	<ul style="list-style-type: none"> Sussex Health and Care Partnership becomes the 'Sussex Health and Care System', which is the Integrated Care System for the population of Sussex. The Duty to Collaborate comes into being, ESCC will be a statutory partner member of two bodies that make up the ICS: <ul style="list-style-type: none"> The NHS Sussex Integrated Care Board (ICB) The Sussex Health and Care Assembly – to be convened as a new formal joint committee by ESCC, WSCC, BHCC and NHS Sussex ICB
2	East Sussex Clinical Commissioning Group (CCG) is responsible for commissioning the majority of healthcare services for the population of East Sussex (555,000 people)	<ul style="list-style-type: none"> NHS Sussex Integrated Care Board is responsible for commissioning the majority of healthcare services for the population of Sussex (1.7million people) The 106 Clinical Commissioning Groups in England will no longer exist and will be replaced by 42 ICBs covering England NHS England continues to commission some specialist services
3	East Sussex Health and Care Partnership exists as an informal voluntary partnership arrangement to support and enable planning, commissioning and delivery of health, social care and public health service at a Place level	<ul style="list-style-type: none"> East Sussex Health and Care Partnership continues to operate as an informal voluntary partnership arrangement from 1st July 2022 In line with the new White Paper Place partnerships will need to consider and adopt by Spring 2023 more formal arrangements to support joint accountability for delivering outcomes. This will subject to agreement by Cabinet and the decision-making bodies of the other statutory partners.
4	East Sussex Health and Wellbeing Board (HWB) has a statutory role to provide whole system leadership for the health and wellbeing of the people of East Sussex and the development of sustainable and integrated health and care services	<ul style="list-style-type: none"> No change to the statutory role of the HWB The membership will be reviewed to reflect the transition of East Sussex CCG to the NHS Sussex Integrated Care Board
5	East Sussex Health Overview and Scrutiny Committee (HOSC) has a statutory role looking at health issues and suggests ways that health services might be improved in East Sussex. The Committee does this by scrutinising the work of NHS Clinical Commissioning Groups (CCGs), NHS Trusts, and other independent providers of healthcare. This covers: <ul style="list-style-type: none"> major changes to health services select reviews of health issues local health services in need of improvement 	<ul style="list-style-type: none"> No change to the statutory role of HOSC The Terms of Reference of HOSC will be reviewed to ensure they reflect the transition of East Sussex CCG to the NHS Sussex Integrated Care Board The membership of HOSC will be reviewed to reflect the transition of East Sussex CCG to the NHS Sussex Integrated Care Board The Secretary of State will be able to intervene earlier in decisions about changes to local services.

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Report to: Cabinet

Date of meeting: 19 April 2022

By: Chief Finance Officer

Title: Auditor's Annual (VFM) Report on East Sussex County Council 2020/21

Purpose: To provide the Cabinet with Grant Thornton's Annual (Value for Money) Report for 2020/21

RECOMMENDATION:

Cabinet is asked to consider and note the Auditor's Annual Report on East Sussex County Council 2020/21

1. Background

- 1.1 The Code of Audit Practice issued by the National Audit Office (NAO) requires the authority's external auditor (Grant Thornton (GT)) to provide a separate Value for Money (VfM) assessment from the main audit of the statement of accounts. This is a new requirement for 2020/21 onwards, in which GT are required to consider whether the authority has in place proper arrangements to ensure economy, efficiency and effectiveness in the use of its resources. There is no longer a requirement to provide a binary qualified/unqualified VfM conclusion. Instead GT are reporting in more detail on the authority's arrangements, together with any key recommendations on any significant weaknesses in arrangements identified during the audit.

2. Annual Report 2020/21

- 2.1 The Annual Report 2020/21 (Appendix 1) sets out the work that GT has undertaken to assess the arrangements the Council has in place to secure economy, efficiency and effectiveness in the use of its resources; with particular focus on risks in respect of financial sustainability, governance arrangements and improving economy, efficiency and effectiveness.
- 2.2 It is pleasing to be able to report that no significant weaknesses in the Council's arrangements have been identified. In reporting this outcome, GT has made 9 improvement recommendations (these are advisory and not mandated) which are summarised below:

Financial Sustainability	Management Response
1. Consider expanding the detail of reporting on the capital programme within the regular quarterly outturn budget reporting, to clearly report the reasons for slippage, whether the slippage is within the control/oversight of the Council, and what mitigating actions are in place to address the slippage	We will consider how we can improve the level of detail provided; if not within the covering report to the quarterly monitoring, then within the more detailed service appendices. Consideration will also be given to the level of reporting by the Capital Asset Strategy Board.

<p>2. Consider including in the Annual Budget/MTFP further information as to what the Core Offer is, how it was reached and how this is defined so that the reader is able to understand what the real impact of going “below the Core Offer” would be in the circumstances that the Council did need to close a funding gap. It would also be useful to enhance documentation of how discretionary spend is prioritised within the funding envelope.</p>	<p>The Annual Report relates to the 2020/21 financial year. As we approach the start of 2022/23, the relevance to refer to Core Offer has passed; and no management actions will be taken to address the issue raised here.</p>
<p>3. Consider improving how the Capital Programme is linked to the Council’s Corporate Priorities and Priority and Delivery outcomes so that readers are able to understand more clearly how the Programme is aligned to the overarching strategy.</p>	<p>This is already done via the principles of the Capital Strategy, in that investments are made to support service delivery. We will consider how we can include a section in the next version of the Capital Strategy that adds transparency as to how the Basic Need principles align to the corporate priorities.</p>
<p>Governance</p>	<p>Management Response</p>
<p>4. Consider whether the Strategic Risk Register reporting to Cabinet could be presented more concisely for ease of oversight by Members, and could potentially include some further “at a glance” summary of escalation/de-escalation and scoring.</p>	<p>We purposefully do not detail the scoring of risk in the reports to Cabinet as this potentially distracts from the message around the risk and the mitigations. In reporting to the Audit Committee we have developed a quarterly tracker – see Agenda Item 12 Appendix A on the link - (Public Pack)Agenda Document for Audit Committee, 17/09/2021 10:00 (eastsussex.gov.uk). During 2021/22, all Service Risk Managers have had external training on how to report risk.</p>
<p>5. Consider whether mapping of strategic risks against the Council’s strategic priorities would be useful for management in monitoring and reporting on the risks.</p>	<p>We will consider the recommendation and whether it adds clarity to the understanding of the overall risk register and, in particular, actions and mitigations taken.</p>
<p>6. Consider whether the Audit Committee would benefit by carrying out a self-assessment of the effectiveness of the Committee, as per guidance issued by the National Audit Office (NAO).</p>	<p>In light of the national improvement agenda for audit, including Audit Committees, it would be sensible to consider this recommendation alongside other considerations, including training and development of Audit Committee members, that are brought forward during 2022.</p>

Improving Economy, Efficiency and Effectiveness	Management Response
7. The Council should consider agreeing an entity-level Procurement Strategy	Procurement will take into consideration this recommendation as it moves to complete Phase 1 of its modernisation programme over the summer of 2022.
8. We would recommend that given the complexity of contract management, that the Council reviews the effectiveness of the training given and continues to keep under review the need to deliver further training in contract management and procurement as necessary.	This recommendation will be considered, as Procurement respond to recommendations arising from an internal audit report on Contract Management.
9. The Council should consider additional reporting of the progress/risks/milestones in the MBOS project to Cabinet.	The Audit Committee has established an MBOS Sub Group, comprising 3 members of the Audit Committee, to have an assurance oversight of the programme. Regular engagement with the Lead Member Resources and Climate Change, including their attendance at Audit Committees, provides a sound basis for Cabinet assurance.

2.3 In addition, GT considered how the Council had responded to the challenges and risks of COVID-19. Again, it is pleasing to report that no significant weaknesses in the Council's VfM arrangements for responding to the pandemic were identified.

3. Conclusion and Recommendation

3.1 The Annual (Value for Money) Report for 2020/21 has identified no significant weaknesses in the Council's VfM arrangements. Whilst putting forward 9 improvement recommendations, these are only advisory and management will responded appropriately.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Ian Gutsell, Chief Finance Officer
Tel. No: 01273 481399
Email: ian.gutsell@eastsussex.gov.uk

Local Member(s): All
Background Documents
None

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Auditor's Annual Report on East Sussex County Council

2020-21

February 2022



Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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Appendices

A – The responsibilities of the Council

B – An explanatory note on recommendations

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Executive summary



Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements which were in place during 2020/21. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We are required to consider risks in respect of:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness

Criteria	Risk assessment	Conclusion
Financial sustainability	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Governance	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Improving economy, efficiency and effectiveness	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made



Financial sustainability

In our work we have not identified any significant weaknesses in arrangements to secure financial stability at the Authority.

We identified 3 potential areas of improvement.

Further details can be seen on pages 10-12 of this report.



Governance

In our work we have not identified any significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks.

We identified 3 potential areas of improvement.

Further details can be seen on pages 17-19 of this report.



Improving economy, efficiency and effectiveness

In our work we have not identified any significant weaknesses in the Council's arrangements for ensuring that it manages risks to and oversight of the economy, efficiency and effectiveness of its use of resources.

We identified 3 potential areas of improvement.

Further details can be seen on pages 23-25 of this report.



Opinion on the financial statements

We have completed our audit of the Council's financial statements and we issued an unqualified audit opinion on 19 October 2021.

Our findings are set out in further detail on page 4.

Opinion on the financial statements



Audit opinion on the financial statements

We gave unqualified audit reports on the Pension Fund and Council financial statements on 19 October 2021.

Other opinion/key findings

We have not identified any significant unadjusted findings in relation to the other information produced by the Council, including the Narrative Report, Annual Governance Statement or the Pension Fund financial statements or Annual Report.

Audit Findings Report

More detailed findings can be found in our Audit Findings Report (AFR), which was published and reported to the Council's Audit Committee on 17 September 2021.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

We will complete our work on the Whole of Government Accounts consolidation pack in line with national deadlines published by HM Treasury. Note that HM Treasury has indicated that the audit deadline for 2020-21 component returns will not be before 31 July 2022.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

Issues arising from the accounts:

All adjusted and unadjusted misstatements identified for the Council's 2020/21 financial statements were disclosed in the 20/21 Audit Findings Reports for the Council and Pension Fund.

No control recommendations were made as a result of the external audit work completed in the County Council audit.

3 control recommendations (2 high priority, 1 medium priority) were made as a result of the external audit work completed in the Pension Fund audit.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.



Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 6-25. Further detail on how we approached our work is included in Appendix B.



Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Identifies all the significant financial pressures it is facing and builds these into its plans

2020/21 and ongoing financial pressures

On 11 February 2020, a balanced budget for 2020/21 was approved at Full Council. However, by March and April 2020, the impact of COVID-19 was being felt across all service areas. One of the key challenges of the 2020/21 financial year was to continue to effectively manage a breakeven budget which had been set and agreed in February 2020, whilst dealing with unpredictable expenditure and income impacts caused by the arrival of the Covid-19 pandemic. The Council received significant levels of additional one-off funding in the 2020/21 year, totalling £99.7m. There have been increased costs due to the pandemic, but the Council's outturn after managing these pressures was a total revenue underspend of £26.9m. It should be noted that £15m was general funding for Covid-19 which the Council has yet to spend and is therefore carried forward into the next financial year earmarked to meet ongoing additional Covid-19 costs. This leaves a £11.8m underspend relating to non-Covid-19 business-as-usual Council spending.

The Council set a capital expenditure budget of £81.3m. Actual capital expenditure for the year totalled £72.3m, with a number of project slippages having occurred. £2.4m of this slippage total was considered to be Covid-19 related.

The Council was not heavily reliant on savings within the original 2020/21 budget and these had been set at £3.5m. During the 2020/21 year, although some savings plans had been changed due to changes in operations from Covid-19, meaning less savings were achieved in Children's Services than anticipated, savings were achieved sooner in other areas, and the Council delivered £3.531m of savings overall in line with the budget.

The Council has reported regularly to members on the impact of Covid-19 on the budget. In line with good practice, financial reporting has been split into business as usual (non-Covid) and Covid related items to the full extent possible.

The Annual funding settlement from Central Government for 2021/22 provided additional funding for the Council and was welcomed as reasonably positive settlement for the Council given the expectations of flat or reduced funding. The key points in the settlement were the ongoing social care grant of £14.6m (in the base budget for the life of the parliament, a small increase to the New Homes Bonus and confirmation of ongoing one-off Covid-19 funding (£11m funding for increased expenditure during the pandemic, ongoing compensation for lost sales/fees/charges revenues through to June 2021, and £4.7m support for Council Tax losses). The funding settlement provided some additional certainty on revenues for 2021/22, but heading into the year there was unprecedented uncertainty over the ongoing impact of Covid-19 after late government decisions on Winter 2020 and worries of new variants leading to longer lockdowns and further economic damage.

The Council set a balanced budget for 2021/22 without reliance on any use of reserves or significant levels of savings. The budget included a 1.99% increase in Council Tax, the maximum which was allowed in that year, plus a 1.5% increase in the ASC precept (1.5% lower than the maximum allowed for by the Government). The Council Tax increase is a rolling one, and this is anticipated to provide the headroom required to deal with the expected pressures of increasing adult social care and looked after children costs. The Council has applied a rationale that by applying a lower increase at 50% of the maximum allowed this is anticipated to spread/delay the pain of tax increases for local taxpayers over a longer period, thereby reducing strain on household budgets at a time of high economic uncertainty. A General Contingency is included in the budget at 1% of net budget less treasury management costs.

As at Month 9 in the 2021/22 year the Council was reporting a forecast underspend of £3.3m on the revenue budget. There is a forecast £3.5m underspend on the planned Capital Programme of £84.6m. Capital underspends in the 2020/21 and 2021/22 year are in the region of 10%. In the context of the Covid-19 pandemic, slippage is expected due to national lockdowns, restrictions, new site operating procedures, contractor/sub-contractors furloughing staff and shortages/delays of deliver of materials. The slippage at approximately 10% is not considered high compared to other counties, although the programme at East Sussex is relatively modest. We reviewed the capital outturn reporting within the quarterly monitoring reports to Cabinet. as noted below in the Governance section, our view overall is that the budget quarterly monitoring reports are of a good quality. Our view however, was that comments on some relatively large capital variances were quite high level as to slippage, whether the Council has oversight/control over that slippage, and any mitigating actions taking place. Understanding that the revenue position is more pivotal for overall financial sustainability, for taxpayers capital investment is likely to be as high a priority often representing tangible long-term improvements **(Recommendation 1.1)**

Plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council has seen a steady decline in its funding from the local government funding settlement over the last ten years, and the Council's Medium Term Financial Plan (MTFP) assumes a continuation of this declining trend despite the short-term support provided within the recent one-year settlement from government.

During the pandemic, a number of scenarios based on the potential for further funding announcements have been prepared based on the most likely outcomes, but with further sensitivity applied to also forecast better and worse case scenarios so that these can also be considered. In our view, the Council has made reasonable assumptions around the impact of Covid-19 on the medium-term financial position and has mitigated the high level of uncertainty by developing a range of scenarios, which have been summarised and presented to members. The MTFP was given a mid-year update in October 2020 for the 2021/22 to 2023/24 years to integrate changes to the underlying estimates and assumptions due to the change in the Covid-19 environment and to include known changes to revenues and costs as at that mid-year point.

Ongoing known impacts of Covid-19 from 2021/22 were carried forward into the full annual refresh of the MTFP which was approved by Cabinet in February 2021 and runs through to 2023/24. However, with the ongoing short-term settlements from government, planning beyond the next year over the medium term remains inherently very uncertain. Particularly ongoing increases in adult and children's social care demand and associated costs continue to cause pressure on the financial sustainability of all county councils including East Sussex. These pressures are currently forecast to be bridged in part by Council Tax increases. After known and anticipated changes to the Council's revenues and costs of providing services are extrapolated over the MTFP period there remained a cumulative funding gap of £14.4m through to 2023/24.

Scenario planning across most likely outcome assumptions and less likely outcome assumptions is undertaken in developing the MTFP. These scenarios and the expected impacts on funding/reserves is also transparently communicated as part of the budgetary reports where it is relevant to members/users understanding of the uncertainties in the forecasting. The plan also assumes ongoing increased demand for adult social care and children's services as we would expect, and an ongoing increase in the local population is also factored into forecasts. This demonstrates a realistic and pragmatic approach to developing the MTFP, and that the level of consideration given to expenditure drivers and demographic pressures is as we would expect for a local authority of this size.

The MTFP is a rolling document linked to the budget processes and subject to the same level of regular review as the budget. This is considered to be good practice as it is not treated as a static document and it reflects the current environment in which the Council is operating.

Plans to bridge its funding gaps and identify achievable savings

The Council relies on its Reconciling Policy, Performance and Resources (RPPR) process to ensure that it clearly outlines to taxpayers the services the Council is able to provide within the available funding as a Core Offer. The Council's Core Offer is defined as the realistic level of service the Council must provide, to both fulfil its statutory duties, and meet local need. The Council does always seek savings in the form of service efficiencies as part of the budget setting RPPR process, and the Council has a good track record of recognising savings and managing any slippage effectively so that service areas continue to be held to account on agreed savings. Under current savings plans the Council anticipates reaching the minimum service Core Offer by 2023/24. We understand that while the Core Offer was considered relevant to the RPPR process up to 2021/22, the current government settlement position for the Council means that no new savings are required and the Core Offer is not considered to be the key underlying concept for RPPR.

However, with the funding gaps forecast in the medium term to 2023/24, the Council is not immediately seeking to identify further savings to close the gaps as any further savings would take the Council below its agreed Core Offer. The Council will continue to update the MTFP based on further government announcements and local developments and if

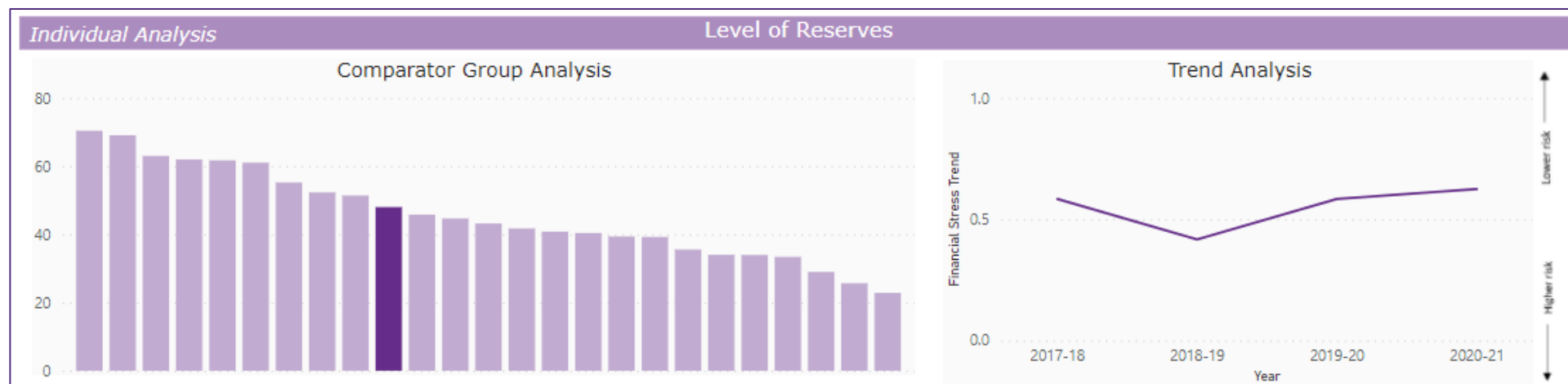
there is a deficit remaining on the budgets as the periods become closer and more certain, the Council intends to either use reserves or identify further efficiencies to mitigate this position until the medium-to-longer term funding position is clarified there is a deficit remaining on the budgets as the periods become closer and more certain, the Council intends to either use reserves or identify further efficiencies to mitigate this position until the medium-to-longer term funding position is clarified.

We note that more widely in the sector that the distinction between statutory services and discretionary areas of spend is becoming ever more important as increasingly difficult decisions need to be considered to close challenging budget gaps. East Sussex County Council effectively grappled with some of these distinctions in the detailed consideration, public discussion and then consultation upon the Core Offer. This process asked some of the difficult and challenging questions as to what constituted a minimum but decent level of service for taxpayers – noting that the Core Offer still includes those discretionary services which are considered to be the priority for taxpayers. We note that the Annual Budget 2021/22 as approved in February 2021, and the accompanying MTFP do not make extensive reference to the Core Offer, and the Core Offer is not defined or explained in these key documents and what the meaning of going “below the Core Offer” is in the context of statutory and discretionary spend. A user of the Annual Budget/MTFP would need to carry out their own research/review of historic documents in order to understand how the budget/MTFP link to the Core Offer and Priority and Delivery Outcomes.

In budgetary processes underlying the Annual Budget and MTFP we were satisfied that there is a clear understanding of statutory and discretionary spend in the underlying documents. While we note that the current anticipated funding gap over the MTFP period at the end of the 2020/21 year of £14.4m was relatively modest and does not indicate an immediate need to flag risk to discretionary spend areas, and we note that the Core Offer is no longer considered the key concept underlying the RPPR. However the Core Offer is still mentioned at key points in the RPPR and on the main Strategy website page; our view was there could be value in either redefining what the Core Offer is with respect to the RPPR process or if it no longer relevant ensuring this is consistent, as readers of the Annual Budget/MTFP could be left unclear as to how discretionary spend is prioritised within the funding envelope (**Recommendation 1.2**).

Reserves position/analysis

As at the 2020/21 year end the Council’s useable reserves stood at £136m, including a Financial Management reserve of £50.1m and a Priority Outcomes and Transformation reserve of £8m. The 2021/22 budget set out expectations that useable reserves would grow to £156m by the year-end, including contributing an additional £2.6m to the Financial Management reserve and an additional £9m to the Priority Outcomes and Transformation reserve. The below graph compares the Council’s useable reserves (excluding schools balances) as a percentage of total revenue expenditure to other county councils up to the 2020/21 financial year end. East Sussex’s useable reserves stand at 48%: above the average level within a group that ranges from a minimum level of 22.8% to a maximum of 70.4%. The graph on the right also demonstrates that the Council has grown its useable reserves level since 2017/18, which is a good position to be in when many local authorities have begun to make use of reserves to bridge funding gaps in the last 5 years.



Each year alongside the Annual Budget and MTFP the Council publishes a statement from the S151 officer on the robustness of reserves. The statement published at February 2021 states clearly the underlying rationale that the Chief Finance Officer considers that reserves are held at a reasonable level. We reviewed this statement and we were satisfied that this

rationale was reasonable. Our own review and benchmarking of the level of reserves supported by the CIPFA data shown above also leads us to conclude that the Council holds a reasonable level of reserves as a buffer against future uncertainties and risk. In particular the Financial Management reserve standing at £50.1m gives a generous buffer, this reserve being set aside to manage and mitigate risk in the MTFP and investment strategy, including the MBOS Programme to replace the SAP accounting, HR and Procurement systems.

Ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning

The Council's Corporate Priorities are defined and articulated in the Council Plan 2021/22 which sets out what the Council plans to achieve by 2024. The Council's priorities are; Driving sustainable economic growth, Keeping vulnerable people safe, Helping people help themselves and Making best use of resources in the short and long term. These Priorities are referenced in the Council's Annual Budget and MTFP documents for 2021-22. The budget and MTFS have been designed to be integrated with and clear evidence of the delivery of the Core Offer.

The Capital Strategy 2020-41 also clearly refers to the Corporate Priorities, and sets out to prioritise assets which support the objectives of the Council Plan. Sitting under the long-term Capital Strategy, the Council has published a Capital Programme which sets out plans for capital expenditure of £570m over the 10-year period 2020 to 2030. Whilst the Capital Programme clearly set out how this expenditure was split by year, service area and specific projects/programmes, it was less clear how the Capital Programme was clearly aligned to the Council's 4 Corporate Priorities and Priority and Delivery Outcomes. To strengthen the link between strategic priorities and the Capital Programme, the Capital Programme could be categorised by outcomes identified within the Council plan. This would demonstrate clearly how the Council is delivering their Council Plan outcomes through the capital programme (**Recommendation 1.3**).

The financing of the Capital Programme is outlined clearly in the MTFP and supported by the Treasury Management Strategy 2021/22. This Strategy clearly sets out the Council's approach to the use of cash and borrowing to fund the Capital Programme going forwards, with reference to the Prudential Code and indicators. We reviewed the Treasury Management Strategy, as well as discussing with officers the approach to forecasting cash and borrowing requirements, and reviewing supporting documents in the process. We were satisfied that the Council has in place a robust process for treasury forecasting, including assessing risk, and the Strategy clearly sets out this approach and judgements made by the Council to allow members to understand this sufficiently to exercise oversight.

The Council also has a People Strategy 2020-23 which we noted is also clearly linked to the overarching Council Plan and other key strategies.

Managing risks to financial resilience

Risks are considered within the budget and MTFP and the monthly reporting to Cabinet highlights these risks. Particularly within the Reserves and Budget Robustness statements the risks that could have a significant impact on the Council's forecast are set out along with clear information on the potential impact. These include the risks of the growth in demand outstripping the increases which are estimated within the MTFP, and also inflation in costs similarly outstripping the estimated increases factored into the Council's plans. We were satisfied that this demonstrates and supports the Council's work on sensitivity of the key estimates and assumptions within the budget/MTFP, and this is a useful, clear and transparent way to communicate to members and other readers the intrinsic uncertainty of budgeting in the current unstable economic environment.

Conclusion

Overall, we found no evidence of significant weaknesses in the Authority's arrangements for securing financial sustainability. We have found the Authority to be financially well managed and there is a high level of understanding of its budgetary position, budgetary pressures and how the Authority plans to manage those pressures in the medium term future. There is an established process by which the budget and MTFP are reviewed regularly, and issues are reported on a timely basis to those charged with governance.

The budgetary framework and associated procedures are clear and evidence reviewed showed the framework had operated effectively during the 2020/21 year.

We have identified three opportunities for improvement, as set out overleaf.

Improvement recommendations



Financial sustainability

1.1 Recommendation	Consider expanding the detail of reporting on the capital programme within the regular quarterly outturn budget reporting, to clearly report the reasons for slippage, whether the slippage is within the control/oversight of the Council, and what mitigating actions are in place to address the slippage.
Why/impact	We reviewed the capital outturn reporting within the quarterly monitoring reports to Cabinet. as noted below in the Governance section, our view overall is that the budget quarterly monitoring reports are of a good quality. Our view however, was that comments on some relatively large capital variances were quite high level as to slippage, whether the Council has oversight/control over that slippage, and any mitigating actions taking place.
Auditor judgement	This would mean members and users would have a limited understanding of capital slippage at the Cabinet reporting level. We do understand that within the governance structure that there is a Capital Strategic Asset Board (CSAB) and sub-boards which oversee delivery of the programme, and there are other avenues of communication with members on capital slippage, but our judgement was that the current reporting does not clearly communicate the reasons for slippage in a way that would allow adequate member oversight/scrutiny.
Summary findings	We reviewed the capital outturn reporting within the quarterly monitoring reports to Cabinet. as noted below in the Governance section, our view overall is that the budget quarterly monitoring reports are of a good quality. Our view however, was that comments on some relatively large capital variances were quite high level as to slippage, whether the Council has oversight/control over that slippage, and any mitigating actions taking place.
Management comment	We will consider how we can improve the level of detail provided; if not within the covering report to the quarterly monitor, then within the more detailed service appendices. Consideration will also be given to the level of report by the Capital Asset Strategy Board.



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Financial sustainability

1.2 Recommendation Consider either redefining what the Core Offer is with respect to the RPPR process, or if it no longer relevant ensuring this is consistent, as readers of the Annual Budget/MTFP could be left unclear as to how discretionary spend is prioritised within the funding envelope. Overall in the MTFP/Budget, it would also be useful for readers to enhance documentation of how discretionary spend is prioritised within the funding envelope.

Why/impact While we note that the Core Offer is no longer considered the key concept underlying the RPPR going forwards, the Core Offer is still mentioned at key points in the RPPR and on the main Strategy website page. Our view was that users could be left unclear as to what the Core Offer is, how key it is to decisions made in the MTFP/Budget and how this interplays with decisions on discretionary spending.

Auditor judgement We understand that while the Core Offer was considered relevant to the RPPR process up to 2021/22, the current government settlement position for the Council means that no new savings are required and the Core Offer is not considered to be the key underlying concept for RPPR. However, this is not very clear to readers of the MTFP/Annual Budget and key strategy documentation on the website, which still all make some reference (to different extents) to the Core Offer concept.

Summary findings While we note that the Core Offer is no longer considered the key concept underlying the RPPR going forwards, the Core Offer is still mentioned at key points in the RPPR and on the main Strategy website page. Our view was that users could be left unclear as to what the Core Offer is, how key it is to decisions made in the MTFP/Budget and how this interplays with decisions on discretionary spending.

Management comment This report relates primarily to the 2020/21 financial year. As we approach the start of 2022/23, the relevance of referring to the Core Offer has passed; and no management actions will be taken to address the issue raised here.



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations



Financial sustainability

1.3 Recommendation Consider improving how the Capital Programme is linked back to the Council's Corporate Priorities and Priority and Delivery outcomes so that readers are able to understand more clearly how the Programme is aligned to the overarching strategy.

Why/impact Whilst the Capital Programme clearly set out how this expenditure was split by year, service area and specific projects/programmes, it was less clear how the Capital Programme was clearly aligned to the Council's 4 Corporate Priorities and Priority and Delivery Outcomes.

Auditor judgement Unlike other key documents/strategies the link back to the overarching Council Strategy is therefore more difficult to follow. To strengthen the link between strategic priorities and the Capital Programme, the Capital Programme could be categorised by outcomes identified within the Council plan. This would demonstrate clearly how the Council is delivering their Council Plan outcomes through the capital programme

Summary findings Whilst the Capital Programme clearly set out how this expenditure was split by year, service area and specific projects/programmes, it was less clear how the Capital Programme was clearly aligned to the Council's 4 Corporate Priorities and Priority and Delivery Outcomes.

Management comment This is already done via the principles of the Capital Strategy, in that investments are made to support service delivery. We will consider how we can include a section in the next version of the Capital Strategy that adds transparency as to how the Basic Need principles align to the corporate priorities.



The range of recommendations that external auditors can make is explained in Appendix B.

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Monitoring and assessing risk

The Council has an established risk management framework in place. The arrangements are documented in the Risk Management Framework May 2021. The Council maintains a Strategic Risk Register (SRR) which details risks with the potential to adversely impact the delivery of the Council's objectives. The SRR is collectively owned and reviewed by Corporate Management Team (CMT). The SRR is formally reviewed by Departmental Management Teams (DMT's) and the CMT on a quarterly basis.

The SRR risks are assessed and given a risk score via a matrix calculation of likelihood and impact. The score is translated into a RAG rating for each risk to enable teams to rank risks allowing for prioritisation of actions and direction of resources towards the most significant risks. Below the SRR, each Department has its own Departmental Risk Register (DRR) containing those risks which impact specifically on the Department. The DRR is owned and maintained by Departmental Management Teams (DMTs) with risks assigned to risk owning officers. There is a network of Departmental risk coordinators who in conjunction with the Corporate Risk Manager carry out risk reviews/updates. Risk escalation and de-escalation between the SRR and DRR can occur but only by agreement of the CMT.

The SRR is reported to CMT and Cabinet quarterly and to the Audit Committee at each meeting (effectively quarterly). Strategic risks are reported with a description of the nature of the risk and then the risk control/response is then described in detailed commentary, and the RAG rating for the risk is shown. We noted that the SRR as reported to Cabinet does not detail the scoring of risks and does not focus on movement of scores to demonstrate how work on risk mitigation is progressing. We discussed this with management who explained that they preferred the SRR to focus on clearly describing the actions taken/progress since the last report, and did not want the monitoring oversight to be too focussed on simple scoring. Our view was that for a high level strategic risk document the SRR was very reliant on long-form commentary descriptions which would be quite difficult to take in concisely and also may make it difficult to understand what is different/changed since the last report of the register given such strategic risks would tend to stay on the SRR for some time. We have made an improvement recommendation that the SRR could be presented more concisely for ease of oversight by members, and could potentially include some further "at a glance" summary of escalation/de-escalation and scoring. We also noted that while quarters 1, 3 and 4 SRRs were reported to Audit Committee as per the framework, the Q2 SRR was not reported to Audit Committee leaving a short period during the year where that committee did not have as close oversight over the SRR as is intended (**Recommendation 2.1**).

We acknowledge that while risk scoring is not presented in the SRR report to Cabinet and Audit Committee, the underlying risk register as maintained by CMT does clearly contain the scoring and is demonstrably regularly reviewed by CMT, and reporting to Audit Committee does include further detail on the movement of risks and escalation.

In the full SRR each risk is appropriately assigned a risk owner and Chief Officer, there is clear pre and post mitigation scoring to document how effective officers consider the mitigations to be and there is a date of last review and history of when risk controls/responses were updated. We noted that a minor improvement could be made by mapping risks against the Council's strategic priorities (**Recommendation 2.2**).

The impact of the pandemic has been updated as we would expect within the SRR, and from review of the SRR we were satisfied that the Council's highest rated strategic risks are in line with our expectations for a county council of this size, and consistent with other similar local authorities.

Governance

Assurance over the effective operation of internal controls

In developing its 2020/21 Annual Governance Statement (AGS), the Council formally reviewed its corporate governance arrangements against its Local Code of Corporate Governance. This did not highlight any weaknesses/deficiencies in governance arrangements.

The Council has appropriate Internal audit arrangements in place. Internal Audit is provided as part of the Orbis service across three councils. The annual audit plan was revised mid year in the wake of the Covid-19 pandemic, which caused the suspension of the original annual Audit Plan. This enabled the Internal Audit service to be deployed in other ways to support the Council during the initial phases of the pandemic. This included seconding staff to support front line delivery. Despite the impact of Covid-19, sufficient Internal Audit work was still completed with 24 reports being completed across the Council and the Pension Fund during the year.

The Internal Audit annual report contains the opinion of the Chief Internal Auditor and provides “reasonable assurance” there is “an adequate and effective framework of governance, risk management and internal control” for the 2020/21 year. The Head of Internal Audit’s annual opinion was produced in line with mandatory Public Sector Internal Audit Standards (PSIAS). The Internal Audit function self-assesses against the PSIAS standards annually, and a five year external PSIAS assessment is also carried out with the last assessment being completed in 2018 and scoring the function highly. 19 out of the 24 Internal Audit reports concluded in reasonable/substantial assurance. For those reports with lower levels of assurance, we reviewed the summaries of these reports along with the weaknesses identified and recommendations. We were satisfied that appropriate recommendations were being put in place to address weaknesses in the controls identified in these audits. None were considered to be indicative of pervasive/significant weaknesses in internal controls.

In addition, Counter Fraud Specialists undertake a programme of work, including a mix of proactive and investigatory work. Findings are reported appropriately. There have been only minor instances of fraud identified as being perpetrated in 2020/21. The Council has established a Anti-Fraud and Corruption Strategy which runs through to 2024; we reviewed this Strategy and we were satisfied that it is adequate for an Authority of this size.

During the external audit of the financial statements we did not identify any significant control deficiencies for the County Council.

For the Pension Fund we did identify two recommendations for improvement where internal controls around investment valuations and contributions reconciliations had not been operating effectively during the year. These recommendations have been communicated to the Audit Committee and the Pensions Committee through our Audit Findings Report 2020/21 and we have not reissued these recommendations in this report. We note that Internal Audit also completed a review of Pension Fund Administration in quarter 4 of the 2019/20 financial year which concluded in minimal assurance and issued a number of recommendations. The Pension Fund implemented a substantial response to this with the in-housing of pensions administration in order to improve management and oversight of processes, and strengthening of controls during the 2020/21 financial year. Internal Audit carried out a follow-up review in this area in quarter 2 and positively concluded on reasonable assurance and noted that management had taken effective action to address the most significant findings in the previous report.

Budget Setting Process

The overall process for budget setting at the Council is encompassed within the Reconciling Policy, Performance and Resources (RPPR) processes which are very well embedded within the financial annual, monthly and quarterly processes. The starting point for the budget setting process is service level/department level budgetary actuals for the year, alongside additional Pressures Protocol submissions at department level. The Pressures Protocol is the means to gain detailed service level/department level information about known/proposed financial pressures. The department must submit an application with details of the pressure an essentially bid for funding of that pressure; submissions are reviewed and approved by CMT including the Chief Finance Officer. This Pressures Protocol process relates to future periods, with any current year pressures being managed through the quarterly budget monitoring process.

Service level/department level budgets are consolidated into Budget Setting Spreadsheet prior to input into the overall budget. The budget and MTFP are very closely aligned, in that they are effectively produced in a single, rolling document. Approved pressures from Pressures Protocol are updated into the budget, population, cost inflation, service demand and income assumptions are then also layered into the budget. The budget book figures are reviewed by Heads of Finance, CMT and the Chief Finance Officer to sign off the figures ahead of reporting to Cabinet for formal consideration and approval, which takes place in January of each year.

Governance

Budgetary control

Monthly budget monitoring takes place through DLTs, and quarterly budget monitoring takes place through CMT and Cabinet. Budget monitoring is reported to Cabinet in the Council Monitoring Report and is integrated with reporting on performance and risk so that members are able to interpret and understand the financial performance in the context of how each department is performing against Priority and Delivery Outcomes. The report sets out and explain variances, together with the actions being taken or required. The report sets out outturn information by department, and the accompanying commentary explains what the key drivers behind these figures are. As the report is arranged by department, Cabinet members can focus on their own portfolio, as well as get a sense of the overall performance of the Council. Costs and funding which are considered to be specifically Covid-19 related are reported for each department as separate lines so that it can be clearly understood what related to “business as usual” and what relates to Covid-19 activities of the Council. Treasury management is also reported on within this Council Monitoring Report.

Prior to 2020/21 the finance and accounting functions of the Council had been part of the Orbis shared service operating alongside the Orbis centres of expertise. Though we note that in practice the ESCC team within Orbis still operated largeley as a sovereign team/function. As of 2020/21 the finance team for ESCC was taken out of the Orbis team and sits as a dedicated authority team.

The governance around the Capital Programme is led by the Capital Strategic Asset Board (CSAB) which oversees delivery of the programme. The Capital Programme is refreshed as part of the annual Reconciling Policy, Performance and Resources, and monitoring of the capital programme against budget is reported within the Council Monitoring Report. The Council’s financial regulations set out a clear process for approval of schemes into the Capital Programme; split into projects requiring a business case and basic needs schemes.

Leadership and committee effectiveness/decision making

Appropriate leadership is in place. The Council operates a Leader and Cabinet form of executive arrangement. In addition, there are three scrutiny committees which hold the Cabinet to account.

The work of the Council’s committees is governed by the constitution. This constitution is

regularly reviewed and updated. The constitution is shared with all staff members on joining and is openly available on the Council’s website. The Annual Governance Statement needs to be read alongside the Council’s constitution, which sets out how the Council operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent and accountable to local people.

Our attendance at Audit Committee and review of other committee minutes indicates that key strategic decisions are subject to healthy challenge and are supported by detailed papers. Senior officers are open to challenge and discussion during committee meetings, and where appropriate attend to present items in their own business area and field questions. The Audit Committee provides appropriate challenge of financial and non-financial items, and the members of the Committee have a good mix of experience and expertise. There have recently been new members joining the Audit Committee and this has been accompanied with training given. The National Audit Office (NAO) has issued guidance on how Audit Committees can carry out a self-assessment of the effectiveness of the Committee. Once the Committee is comfortable that members are embedded, we recommend that the Committee carry out this review to gain comfort over the ongoing effectiveness of challenge and discussion (**Recommendation 2.3**).

The Council was able to demonstrate strong scrutiny of decision-making, including a commitment to scrutiny reviews which fed into/were in advance of the decision/assent; for example the Scrutiny Board reviewed savings and budgets in draft ahead of them being given assent in the RPPR process. The Council was also able to demonstrate a high level of communication, training and transparency in communications with members.

There is a good suite of policies in place, covering anti-fraud and corruption, and the Council has an established antifraud culture.

The Council’s policies on declaration of interests, gifts and hospitality are published in the Code of Conduct and Conflicts of Interest Policy. All declarations of interest by officers are recorded on the Register of Interests. Members declarations of interest are recorded on a Register of Interests of Members and this register is published on the website. Officers are required to review their declaration of interest forms annually. Members are reminded every 6 months of the need to notify the Monitoring Officer of any changes. A Register of Gifts and Hospitality is also maintained by the Monitoring Officer.

Governance

Monitoring and ensuring appropriate standards

The annual governance statement is compliant with the CIPFA code. An appropriate level of care is taken to ensure the Council's policies and procedures comply with all relevant codes and legislative frameworks.

All decisions referred to members are set out using a template. That template includes legal and regulatory implications. This requires legal advice to be obtained or confirmed before all decisions are taken, to ensure decisions are appropriate.

Conclusion

Overall, we found no evidence of significant weaknesses in the Authority's arrangements for ensuring that it makes informed decisions and properly manages its risks. However, we have identified three opportunities for improvement, as set out overleaf.

Improvement recommendations



Governance

2.1 Recommendation	Consider whether the SRR reporting at Cabinet could be presented more concisely for ease of oversight by members, and could potentially include some further “at a glance” summary of escalation/de-escalation and scoring.
Why/impact	<p>We reviewed the reporting of the SRR to Cabinet and noted that the reporting:</p> <ol style="list-style-type: none"> 1. does not detail the scoring of risks and does not focus on movement of scores to demonstrate how work on risk mitigation is progressing; 2. was very reliant on long-form commentary descriptions which would be quite difficult to take in concisely and also may make it difficult to understand what is different/changed in the mitigation description since the last report. <p>We also noted that the Q3 SRR was not reported to Audit Committee.</p>
Auditor judgement	This could mean that Members are not able to review the SRR quickly/“at a glance” in a way that would make it straightforward to understand changes/escalation/de-escalation of risk, and they may not quickly be able to understand what has changed in the mitigation of the risks since the last report as the commentary is very long-form and some does not change from quarter to quarter.
Summary findings	<p>We reviewed the reporting of the SRR to Cabinet and noted that the reporting:</p> <ol style="list-style-type: none"> 1. does not detail the scoring of risks and does not focus on movement of scores to demonstrate how work on risk mitigation is progressing; 2. was very reliant on long-form commentary descriptions which would be quite difficult to take in concisely and also may make it difficult to understand what is different/changed since the last report. <p>We also noted that the Q3 SRR was not reported to Audit Committee.</p>
Management comment	<p>We purposefully do not detail the scoring of risk in the reports to Cabinet as this potentially distracts from the message around the risk and the mitigations. In reporting to the Audit Committee we have developed a quarterly tracker – see Agenda Item 12 Appendix A on the link - (Public Pack)Agenda Document for Audit Committee, 17/09/2021 10:00 (eastsussex.gov.uk).</p> <p>During 2021/22, all Service Risk Managers have had external training on how to report risk.</p>



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations



Governance

2.1 Recommendation Consider whether mapping of strategic risks against the Council's strategic priorities would be useful for management in monitoring and reporting on the risks.

Why/impact We reviewed the detailed SRR, and we noted that strategic risks are not mapped against strategic priorities as we would expect within a Strategic Risk Register.

Auditor judgement A Strategic Risk Register should be a summary of those areas which pose a risk to the Council's overall strategic priorities. Therefore risks in the SRR would be more clear in how management view the issue, if they were mapped to the strategic priorities of the Council.

Summary findings We reviewed the detailed SRR, and we noted that strategic risks are not mapped against strategic priorities as we would expect within a Strategic Risk Register.

Management comment We will consider the recommendation and whether it adds clarity to the understanding of the overall risk register and, in particular, actions and mitigations taken.



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations



2.3 Recommendation Consider whether the Audit Committee would benefit by carrying out a self-assessment of the effectiveness of the Committee as per guidance issued by the National Audit Office (NAO).

Why/impact We reviewed the operation of Committees including the Audit Committee, and we noted that the Audit Committee (while having a number of new members and recent training having been carried out), had not yet carried out a self-effectiveness review as per guidance issued by the NAO.

Auditor judgement The NAO has issued guidance on how Audit Committees can carry out a self-assessment of the effectiveness of the Committee. This can be very useful in allowing Audit Committees to assess the effectiveness of previous training, and how robust discussion/challenge is at the Committee.

Summary findings We reviewed the operation of Committees including the Audit Committee, and we noted that the Audit Committee (while having a number of new members and recent training having been carried out), had not yet carried out a self-effectiveness review as per guidance issued by the NAO.

Management comment In light of the national improvement agenda for audit, including Audit Committees, it would be sensible to consider this recommendation alongside other considerations, including training and development of Audit Committee members, that are brought forward during 2022.



The range of recommendations that external auditors can make is explained in Appendix B.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Performance review, monitoring and assessment

The Council Plan is set out and agreed in January each year for the financial year ahead. The Council's 4 overarching Priority Outcomes are:

1. Making best use of resources in the short and long term;
2. Driving sustainable economic growth;
3. Keeping vulnerable people safe;
4. Helping people help themselves.

These four objectives are high profile and referred to throughout most of the key strategic documents and reports presented to members, including the budget and MTFP. As part of the planning process the Council reviews data around local populations and need, and also reviews the outturn on performance on the Priority Outcomes from the prior period. This information is then used to set out performance measures and targets under each of the 4 Priority Outcomes. The performance measures and targets are clearly defined within the Plan each year, and are presented with prior year outturn where the target is continuous, and anticipated future targets through to 2024. The targets have a quantified element where possible, and others (for example capital schemes which are considered to be a key target) are given set milestones to achieve during the year alongside how the project is monitored. The performance measures and targets are presented in this overall annual plan alongside a summary of the revenue and capital budgets, therefore clearly setting out the detail of what the Council aims to achieve under each of the 4 Priority Outcomes, and stating what the anticipated cost to the taxpayer will be. From our review of the Council Plan and discussion with officers of the process to bring this plan together, we were satisfied that this demonstrates the good practice underlying the Council's detailed annual planning process. The annual plan is clearly aligned with the overall strategy.

The performance measures and targets are then taken forward and reported on during the year. Internal reporting within the Authority is of a high standard; monthly performance reports are considered by the CMT. These present operational performance management using local performance metrics developed at a service/department level. Performance is reported to Cabinet quarterly in the Council Monitoring Report which presents performance information for each department alongside budget outturn reporting for the quarter. A high level summary of progress against each of the Priority Outcomes is presented up front in the report along with RAG rated summary tables for all performance measures/targets aligned under the Priority Outcomes. Our assessment was that performance review, monitoring and assessment at the Council is a mature process which demonstrates the Council is using current, up-to-date performance data alongside a high level of management input to produce detailed, informative management information reports to CMT and members. Although Internal Audit have not recently carried out a specific review of data quality, this is part of the underlying work carried out in each operational review they carried out during the year and we were informed that they had not identified any significant issues with the quality of data used by management in producing performance reports.

Benchmarking and evaluation

Each financial year, in advance of producing the Council Plan, budget, MTFP and Capital Strategy, the Council produces and reports their State of the County report. This document is reported to members and available to the public on the website – it acts as a summary of the Council's progress against its Strategic Priorities, but also as a report of demographic and socio-economic information about changes/forecasts relevant to the County, thereby giving context to the forthcoming plans and budgets. There is a detailed process which collates national and county level information to feed into this report, including obtaining information about the comparative performance/information in other counties.

Within the Council Plan, the Council then list the benchmarking and comparative data which they have utilised in setting out performance measures and targets under the strategic priorities. These set out the Council data alongside the national averages, and make clear for users how the Council is ensuring that they are looking and benchmarking their performance nationally in order to set out their measures/targets for the year, and to ensure these are adequately challenging.

Benchmarking is also carried out at a more detailed granular level on performance as part of Directorate Portfolio Plans as part of target setting and service-level benchmarking. For Adult Social Care and Children's Services benchmarking is carried out as Directorate level. We noted also that Adult Social Care has a separate Performance Board to oversee the ongoing operational performance and scrutinise this portfolio against targets.

There were many other examples of benchmarking provided to us during this review, and it was clear to us that benchmarking/comparison of performance with peers is an integral part of the Council's performance management framework.

Partnership working and engaging with stakeholders

Ensuring delivery through strong and sustained partnerships is one of the delivery outcomes for the Council defined in their Council Strategy. During this review we were provided with and within our document review picked up reporting of progress on many examples of the Council working with other local government, health, voluntary and community organisations, working in partnership to either increase efficiency or to improve the service quality for users within the funding envelopes available to the partners. Key partnership activities include the Council's role in the Health and Care Partnership, South East Local Enterprise Partnerships, Strategic Property Asset Collaboration in East Sussex (SPACES), partnership with West Sussex County Council and roles in safeguarding partnerships, among many others. In regular monitoring to Cabinet and other Committees there is detailed reporting on partnership work progress, and how this is benefiting the Council and taxpayers. We note that where the Council is proposing entering into or expanding the role of partnership work, there is detailed reporting of this to allow oversight by members of the decision. An example of this was the decision during the year to expand/continue partnership working with West Sussex County Council which was reported to the Governance Committee in detailed papers to provide them with sufficient information to scrutinise and approve the decision.

The public reporting within the Council's State of the County, Council Plan and subsequent monitoring during the year is detailed and informative with respect to what work the Council is undertaking with partners and would enable users/stakeholders to understand the scale of partnership work. Within the Council's own governance structures, there are a number of Committees overseeing areas of joint working with other partners: for example the East Sussex Health and Wellbeing Board overseeing work with health and social care partners; the Police and Crime Panel; the Joint Waste and Recycling Committee; and the Orbis Joint Committee.

Orbis

In 2018-19, the Council entered into an operational agreement with Brighton and Hove City Council and Surrey County Council to share a joint service for Finance, Human Resources, IT & Digital, and Internal Audit. The joint working arrangement is known as "Orbis". Staff working on Orbis services remained the employees of their sovereign councils, meaning set-up costs were very low but the councils could share expertise and capacity. The intention was to make savings through collaboration, an objective which was recognised. However, some of the benefits of savings were considered to be outweighed by the loss of capacity and local expertise, and as a result during the 2020/21 years steps were taken to localise certain services out of Orbis, particularly where envisaged savings had not been recognised due to their being separate systems at each of the authorities with few partnership benefits, and where the investment to further align systems was considered too high when considered alongside the benefits it would recognise. HR and Finance services were scoped out of the agreement on 1 April 2021 and Business Operations will be scoped out from 1 July 2022. Co-operation under Orbis will continue for Internal Audit, Procurement, IT & Digital and Treasury & Insurance services for the foreseeable future. In this regard, Brighton and Hove City Council and Surrey County Council will remain important administration "partners" for East Sussex in the near term.

We noted that there was a detailed external review of the Orbis operation by a consultancy, alongside an assessment of potential options for actions to take, and this was presented to the Joint Management Board in order to clearly inform the decision where services were scoped out of the agreement.

Procurement

Procurement is jointly run with Surrey County Council and Brighton and Hove City Councils through the Orbis inter-authority agreement. Procurement teams are employed by their individual councils, but cover work for one another and sometimes jointly procure, to make best use of skills and expertise; resource capacity; and buying power. The Council is currently undertaking a Procurement Modernisation Programme alongside the Orbis partners. This programme aims to ensure that as procurement and contract management become more complex and higher risk for councils that East Sussex have fit-for-purpose processes and systems going forward, along with appropriate training for officers and central expertise where required.

This modernisation programme is a complex work in progress currently and will progress alongside the implementation of a new tendering and programme management system which are part of the Modernising Back Office Systems project.

We note that there is currently no Procurement Strategy for the Council, with the last such Strategy having expired in 2018, although Annual Governance Statement does still state there is an active Corporate Procurement Strategy. Annual Procurement Forward Plans are being used to chart progress against objectives for the East Sussex procurement function in the absence of a written Strategy document to perform against. There is also only one performance indicator for Procurement reported on within the regular performance reporting to Cabinet. An overarching Procurement Strategy would support direction and governance of the procurement function, and the Council may wish to consider agreeing an entity-level Strategy of its own **[Recommendation 3.1]**.

Internal Audit are programmed to carry out work on Contract Management in the 21/22 financial year, and there is training being rolled out to support the contract management framework in response to improvement needs identified by Internal Audit in the 2020/21 financial year. We would recommend that given the complexity of contract management, that the Council reviews the effectiveness of the training given and continues to keep under review the need to deliver further training in contract management and procurement as necessary **[Recommendation 3.2]**.

Modernising Back Office Systems (MBOS)

As mentioned above, the Council is currently undertaking a large scale project to replace back office systems – this is a multi-million capital project over several years and involving a large procurement exercise. This is supported by Internal Audit who carried out a review of Programme Governance and Risk Management for MBOS during stage 1 and stage 2 of the project, coming to reasonable assurance for stage 1 and partial assurance for stage 2. We noted that although the MBOS programme has its own Programme Board which reports regularly to the Corporate Management Team (as an Executive Board), there has not been a great deal of detailed reporting of progress/risks/mitigations at the Cabinet level despite the high profile and size of the project. Our view was that the operational risk could justify additional progress reporting to Cabinet to demonstrate oversight of the programme by Members **[Recommendation 3.3]**.

Conclusion

Overall, we found no evidence of significant weaknesses in the Authority's arrangements for ensuring it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources. However, we have identified three opportunities for improvement, as set out overleaf.

Improvement recommendations



Improving economy, efficiency and effectiveness

3.1 Recommendation The Council should consider agreeing an entity-level Procurement Strategy.

Why/impact	An overarching Procurement Strategy would support direction and governance of the procurement function.
Auditor judgement	A Procurement Strategy at Council level would provide the framework for managing and monitoring the effectiveness of the Council's procurement tools.
Summary findings	Scope for enhancing procurement processes through the development of an agreed Strategy, which could provide the underpinning framework for other procurement tools.
Management comment	Procurement will take into consideration this recommendation as it moves to complete Phase 1 of its modernisation programme over the summer of 2022.



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations



Improving economy, efficiency and effectiveness

3.2 Recommendation We would recommend that given the complexity of contract management, that the Council reviews the effectiveness of the training given and continues to keep under review the need to deliver further training in contract management and procurement as necessary.

Why/impact Internal Audit are programmed to carry out work on Contract Management in the 21/22 financial year, and there is training being rolled out to support the contract management framework in response to improvement needs identified by Internal Audit in the 2020/21 financial year.

Auditor judgement As Internal Audit have identified a need for contract management training to be rolled out, and this training is newly prepared/delivered, a review of effectiveness would highlight any learnings and potential improvements to be made for subsequent training or gaps in officers knowledge.

Summary findings Internal Audit are programmed to carry out work on Contract Management in the 21/22 financial year, and there is training being rolled out to support the contract management framework in response to improvement needs identified by Internal Audit in the 2020/21 financial year.

Management comment This recommendation will be considered, as Procurement, respond to recommendations arising from an internal audit report on Contract Management.



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations



Improving economy, efficiency and effectiveness

3.3 Recommendation The Council should consider additional reporting of the progress/risks/milestones in the MBOS project to Cabinet.

Why/impact We noted that although the MBOS programme has its own Programme Board which reports regularly to the Corporate Management Team (as an Executive Board), there has not been a great deal of detailed reporting of progress/risks/mitigations at the Cabinet level despite the high profile and size of the project.

Auditor judgement Our view was that the operational risk could justify additional progress reporting at Cabinet level to demonstrate oversight of this key programme by members.

Summary findings We noted that although the MBOS programme has its own Programme Board which reports regularly to the Corporate Management Team (as an Executive Board), there has not been a great deal of detailed reporting of progress/risks/mitigations at the Cabinet level despite the high profile and size of the project.

Management comment The Audit Committee has established an MBOS Sub Group, comprising 3 members of the Audit Committee, to have an assurance oversight of the programme. Regular engagement with the Lead Member Resources and Climate Change, including their attendance at Audit Committees, provides a sound basis for Cabinet assurance.



The range of recommendations that external auditors can make is explained in Appendix B.

COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how Council services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

Financial sustainability

The impact of Covid-19 has cut across the Council, impacting both its income in the collection rates of Council Tax and Business Rates, and expenditure which has seen additional pressures, most notably on adult social care.

The Council has maintained a good oversight of its COVID-19 related costs pressures and income losses. These were identified early on and subject to detailed monitoring and scrutiny. The MTFP was reviewed and updated during the year, and quarterly reporting against the budget to Cabinet continued as normal except the Council clearly split the 2020/21 budget monitoring into Covid-19 specific expenditure and income items and “business as usual” budget monitoring. The Council received significant levels of additional one-off funding in the 2020/21 year, totalling £99m. The final outturn position after managing Covid-19 cost/lost income pressures was a total revenue underspend of £26.9m.

£15m of the COVID-19 funding (combination of ring-fenced and non-ringfenced) received has been transferred to earmarked reserves to continue to meet ongoing additional costs of COVID-19 in 2021/22. This leaves a £11.8m underspend relating to non-Covid-19 business-as-usual Council spending.

Despite this ‘cushion’, the Council expects these financial pressures to be ongoing. Whilst it has set a balanced budget for 2021/22, the Council will undoubtedly need to maintain a high level of monitoring and scrutiny over its finances in order to achieve this budget. Our view was that the Council had demonstrated sound management of financial sustainability risks related to Covid-19. In October 2020, the Council used the information and forecasts of the forward impact of Covid-19 to report an updated MTFP and Capital Programme to Cabinet to keep them informed of the likely impact on the position.

Governance

While the Council generally maintained a business-as-usual approach to its governance arrangements during the pandemic, some adjustments were required. As a result of the lockdown restrictions announced in March 2020, the Council adjusted some of its internal control processes to support effective governance throughout the pandemic. As soon as these were lawful, the Council started holding members’ meetings online.

All committees have maintained a keen interest in the Council’s response to the pandemic.

Internal Audit have acted in an advisory capacity throughout, where processes and systems have had to adapt to changed circumstances. Internal audit also demonstrated it can offer a responsive service, adapting its annual plan to accommodate new reviews as required as a result of changed circumstances. Despite this, Internal Audit were still able to complete a significant programme of work to deliver their annual opinion, and this included a suite of work to provide the Audit Committee with specific assurance and new and/or amended areas of operations and risk related to the pandemic.

All office-based staff were provided with the necessary equipment to work from home, enabling a smooth transition to remote working where this was possible. Home-based working has continued throughout the pandemic and there has been a good level of continuity of service. Enabling staff to work from home also supported the Council in protecting its frontline staff and residents by reducing the risk of virus transmission. PPE was also sourced and provided to all Council staff where this was deemed necessary.

COVID-19 arrangements

Improving economy, efficiency and effectiveness

The Council's performance management framework has continued to operate as per "business as usual" during the pandemic. Where necessary due to changes of operations/services, national requirements, or the needs of the Council, the Council has identified specific areas/data that it monitors in relation to the pandemic impact on the County and this has been regularly reported to Cabinet and other Committees so that they can fully understand the impacts and the Council's response.

The Council has continued throughout to work closely with health, voluntary and community sector partners in addressing the impacts of the pandemic and continuing to deliver services.

In October 2020, alongside the updated MTFP and Capital Programme, the Council reported an updated Core Offer and and Priority and Delivery Outcomes to Cabinet. This added specific outcomes in relation to the impact of the pandemic and Council response. The definition of the Core Offer was also updated for the Council's view on how demand might now change in the light of the pandemic and the resulting impact on resources.

Conclusion

Our review has not identified any significant weaknesses in the Authority's VFM arrangements for responding to the Covid-19 pandemic.

Follow-up of previous recommendations

Recommendation	Year raised	Progress to date	Addressed?	Further action?
While the available strategic reserves and budgeted contingency provide some financial security, once the government funding settlement is finalised, the Council will need to review the need to make further savings and protect reserves when setting the forthcoming 2021/22 budget. This may include the need for further consideration of the ability to deliver services in line with the Core Offer.	2020	The ongoing financial settlement from government for 2021/22 was considered to be reasonable positive for the County, and after detailed budgeting and medium term financial forecasting processes the Council was able to set a breakeven budget for 2021/22 without reliance on use of reserves and with only manageable levels of savings which were already planned and agreed. Although there remain uncertainties in the medium term position going forward the Council has been transparent in reporting on how this might impact services if additional savings are required to be made and continues to assess the sensitivity impact of this on the medium term position.	Yes	No
The Council should continue to closely monitor and mitigate the underlying pressures in Children's Services, making a distinction between this and short term COVID related pressures. The current analysis of in year pressures for 2020/21, excluding COVID impact, indicate that further overspends are forecast, accepting that they are significantly lower than in 2019/20 (as at Quarter 1).	2020	The Council through its RPPR process and quarterly reporting to Cabinet, continues to have oversight of the pressures faced by Children's Services. The Medium Term Financial Plan provides for appropriate additional funding to support the impact of growth and demographic changes and pressures within services including Looked After Children and Home to School Transport. Even with significant investment, the demand for services places a financial burden, which means that 2021/22 has shown an overspend for the year of £3m since Qtr1.	Yes	No
It is noted that financial monitoring reports are shared with Full Cabinet on a broadly quarterly basis, in line with previous decisions and cost reductions around the level of resource required by the finance team and a cost effective finance process. Given the present high level of financial uncertainty and the unusual circumstances presented by COVID-19, including the potential need to make decisions quickly, the Council should consider the cost-benefit of more regular financial reporting to Cabinet on a temporary basis.	2020	The Council did consider this recommendation to increase the regularity of financial reporting to Cabinet. It was concluded, that although there was a high level of uncertainty, this was not such that the frequency of reporting to Cabinet needed to be increased. Communications and transparency with members around the Council's ongoing assessment and monitoring of the financial position during Covid-19 was considered sufficient.	We are satisfied that the Council's reporting of the response and financial monitoring of the impacts of Covid-19 was sufficient. See commentary above in the Financial Sustainability and Covid-19 Arrangements sections.	No

Appendices

Appendix A - Responsibilities of the Council



Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	N/a
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/a
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Pages: 10-12 17-19 23-25

Use of formal auditor's powers

We bring the following matters to your attention:

<p>Statutory recommendations</p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly</p>	<p>We did not issue any statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.</p>
<p>Public interest report</p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.</p>	<p>We did not issue a public interest report under Schedule 7 of the Local Audit and Accountability Act 2014.</p>
<p>Application to the Court</p> <p>Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.</p>	<p>We did not apply to the court under Schedule 28 of the Local Audit and Accountability Act 2014.</p>
<p>Advisory notice</p> <p>Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:</p> <ul style="list-style-type: none">• is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,• is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or• is about to enter an item of account, the entry of which is unlawful.	<p>We did not issue an advisory notice under Section 31 of the Local Audit and Accountability Act 2014.</p>
<p>Judicial review</p> <p>Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.</p>	<p>We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.</p>



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Report to: Cabinet

Date of meeting: 19 April 2022

By: Chief Operating Officer

Title: External Audit Plan 2021/22

Purpose: To inform the Cabinet of the content of the Council's External Audit Plan for 2021/22

RECOMMENDATION:

The Cabinet is recommended to approve the External Audit Plan for 2021/22

1. Background

- 1.1 The External Audit Plan provides an overview of the planned scope and timing of the statutory audit of the Council's accounts and identifies any significant risks. Grant Thornton (GT), as the Council's external auditors, must form and express an opinion on the financial statements for the Council. The plan also outlines the work that GT will undertake as part of the assessment of whether the Council has proper arrangements in place to secure Value for Money (VfM).

2. 2021/22 Financial Statements

- 2.1 The External Audit Plan for 2021/22 (Appendix 1) identifies a number of risks that require audit consideration as they could potentially cause a material error in the financial statements. These are:
- ISA240: Fraudulent revenue recognition (this presumed risk has been rebutted);
 - Fraudulent expenditure recognition (this presumed risk has been rebutted);
 - Management override of controls (journals, estimates and transactions);
 - Valuation of land and buildings (including investment properties);
 - Valuation of Pension Fund net liability;
 - Accuracy and accounting for Public Finance Initiative (PFI) liabilities;
 - Accounting for grant revenue and expenditure correctly;
 - Existence/accuracy of infrastructure asset balances and associated accumulated depreciation charged.
- 2.2 The Code of Audit Practice provides for the separate reporting of the audit of VfM, with key criteria covering financial sustainability, governance and efficiency & effectiveness. No significant VfM weaknesses have been identified during GT's initial planning work.
- 2.3 The Audit Committee considered the draft plan at its meeting on 29 March 2022, where it also received a presentation from GT. No specific issues are required to be brought to the attention of Cabinet. Since the Audit Committee meeting, GT have updated the audit plan to provide the final version. The only change has been to include a new area of risk regarding the accuracy of infrastructure asset balances. GT are responding to a national issue where some auditors have highlighted that some authorities may not have appropriate systems and

processes in place to identify assets which are being replaced and to write these out of the fixed asset register at an appropriate timing.

- 2.4 One of the measures announced to improve the timeliness of external audits is to extend the deadline for the publication of audited local government accounts for 2021/22 from 30 September 2022 to 30 November 2022. It is proposed then to move back to 30 September for 6 years from 2022/23 onwards. This announcement is on the back of the Public Sector Audit Appointments (PSAA) stating that only 9% of all audits met the 30 September 2021 deadline for the 2020/21 accounts. For East Sussex, the accounts were signed off on 19 October 2021.
- 2.5 For East Sussex, we are working with GT to ensure that the audit is completed as close to the original 30 September 2022 deadline. The MBOS (accounting system replacement) project will require a significant amount of officer involvement as its moves into data migration, User Acceptance Testing and parallel running phases. It would be unwelcomed if the audit was to take valuable resources away from the project.
- 2.6 The planned audit fees for 2021/22 are yet to be confirmed by the Public Sector Audit Appointments (PSAA), the audit plan includes a proposed fee of £121,350, compared to £119,350 in 2020/21.

3. Conclusion and Recommendation

- 3.1 The External Audit Plan provides an overview of the planned scope and timing of the statutory audit of the Council's 2021/22 statement of accounts and identifies any significant risks. The Cabinet is asked to approve the external audit plan for 2021/22.

ROS PARKER
Chief Operating Officer

Contact Officer: Ian Gutsell, Chief Finance Officer
Tel. No: 01273 481399
Email: ian.gutsell@eastsussex.gov.uk

Local Member(s): All
Background Documents
None

East Sussex County Council audit plan

Year ending 31 March 2022

East Sussex County Council
29 March 2022





Your key Grant Thornton team members are:

Darren Wells

Key Audit Partner

T 01293 554120

E darren.j.wells@uk.gt.com

Andy Conlan

Audit Senior Manager

T 02077 282492

E andy.n.conlan@uk.gt.com

Thomas Pattison

Audit In-Charge

E thomas.pattison@uk.gt.com

Muneeb Khan

Audit In-Charge

E muneeb.a.khan@uk.gt.com

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Key matters

Factors

Council developments

As for all county councils the financial outlook is challenging and uncertain in the medium term. The Council has recently worked through its 2022/23 Reconciling Policy, Performance and Resources (RPPR) process in order to set the Annual Budget and Medium Term Financial Plan. Although the government financial settlement has been reasonably positive for the Council and the Council has continued to receive additional Covid-19 grant funding, setting a balanced budget remained challenging, and looking forwards there are anticipated budget gaps which could require additional savings to be made and impact the level of services the Council can offer.

The delayed reforms to Adult Social Care nationally will also mean managing demand in this area within the level of funding available will continue to present an ongoing risk to financial sustainability. The Council continues to lobby Central Government pressing for clarity on Adult Social Care reform and how this will impact Council financial sustainability. Increasing pressures in Children's Services also present an ongoing challenge to achieving the budget with £3m pressures forecast for the 2021/22 year end. This pressure is being carefully monitored by management.

The Council has pledged to reach net zero emissions by 2050 as part of declaring a climate emergency in 2019. In June 2020 a Climate Emergency Action Plan was established. The apparent impact of climate change in more extreme (and costly) weather events and increasing concern generally, is driving an increased demand for Authorities and businesses to accelerate net zero plans and to flesh these plans out with what investment and changes to operations may be required to make such targets a reality. This is also increasingly becoming an area of concern for Audit Committees in terms of how they oversee this risk.

The Council is continuing to implement the large scale Modernising Back Office Systems (MBOS) project. Continuing to keep this project on track will be key to the efficiency of systems/services going forwards.

Recovery from Covid 19 pandemic

The Council continues to work with partners through the 'East Sussex Reset'; and evolving plan to support the economic recovery in the County. The pandemic will continue to drive increased demands for services in the short term, and some of the long term impacts on children and particularly mental health will only become clear in time and then the impact on required services will need to be worked through with partners in the health system. The 'Living with Covid' is occurring quickly in real time, and the economic impact on the Council will be closely tied in with how quickly the County economy is able to recover and return to growth. The County Capital Programme is currently set out to provide only minimum basic need provision, and essential budgets for school places and highways infrastructure, and the Council will need to balance this strategy looking forward with what investment the County may need to support economic recovery.

Infrastructure Assets

Recent sector developments have highlighted an increased risk of material misstatement of infrastructure assets where some auditors have highlighted that authorities may not have appropriate systems and processes in place to identify assets which are being replaced and to write these out of the fixed asset register at an appropriate timing. As the gross and net balance for infrastructure assets is several times our materiality level we have included this as a risk for the audit. We are carrying out further discussions and work with your finance team to obtain further information about the specific systems and controls in place and we will continue to keep this risk under review in light of that further information and inform the Audit Committee if our view of the level of risk changes.

IFRS16

Implementation of IFRS16 is currently set to be from 1 April 2022 – but possible deferral is under discussion. Unless deferred, Authorities will need to disclose the estimated financial reporting impact of this implementation in the 2021/22 financial statements.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee is set out further on page 17.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- We will continue to provide you with sector updates via our Audit Committee updates.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We have identified a significant risk in regards to management override of control – refer to page 6.
- The Council's valuer reported a material uncertainty in regards to the valuation of leisure properties in 2020/21 due to the Covid 19 pandemic. It is possible some uncertainty will continue in 2021/22. We identified a significant risk in regards to the valuation of properties – refer to page 6.
- We will consider the Council's planned response to the climate emergency and potential impacts on financial reporting in the current year.
- We have identified a audit risk in regards of the accuracy and existence of infrastructure assets and understatement of associated accumulated depreciation/write out charges – refer to page 8.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of East Sussex County Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Council. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council [and group]'s financial statements that have been prepared by management with the oversight of those charged with governance (the Audit Committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based. The results of the Financial Reporting Councils (FRC's) inspections of the 2020/21 audits are shown in Appendix A.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management over-ride of controls
- Valuation of land and buildings
- Valuation of the pension fund net liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £14.950m (PY £13.450m) for the Council, which equates to 1.45% of your prior year gross expenditure on services for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.748m (PY £0.673m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not initially identified any risks of significant weakness. See page 15.

Audit logistics

Our audit planning visit has taken place during March 2022 and our final visit will take place between July and September 2022. Nationally, the audit completion target has been set as 30 November 2022. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report. Our audit logistics and planned timings are on page 19. Noting that this plan was produced very early in the audit planning visit, we highlight that the audit risk assessment is always a live and continuous process during the audit; if our risk assessment changes we will communicate those changes immediately to those charged with governance.

Our fee for the audit is still being assessed. Since appointment as your auditor, there have been a number of developments, particularly in relation to the revised Code and updated ISAs which are relevant for the 2020/21 and subsequent audits. Discussions with PSAA are currently ongoing and we will update you in the near future with the proposed planned fee for 2021/22. Our fee will be set on the assumption that the Council delivers a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
ISA240 fraudulent revenue recognition	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. We have considered all revenue streams of the Council and we have rebutted this risk for all revenue streams.</p> <p>For revenue streams that are derived from Council Tax, Business Rates and Grants we have rebutted this risk on the basis that they are income streams primarily derived from grants or formula based income from central government and tax payers and that opportunities to manipulate the recognition of these income streams is very limited.</p> <p>For other revenue streams, we have determined from our experience as your auditor from the previous 2 years, and through our documentation and walkthrough of your business processes around revenue recognition that the risk of fraud arising from revenue recognition could be rebutted, because:</p> <ul style="list-style-type: none"> - there is little incentive to manipulate revenue recognition; - opportunities to manipulate revenue recognition are very limited; - the culture and ethical frameworks of local authorities, including East Sussex County Council, mean that all forms of fraud are seen as unacceptable. 	Significant risk rebutted.
Fraudulent expenditure recognition	<p>We have also considered the risk of material misstatement due to the fraudulent recognition of expenditure. We have considered each material expenditure area, and the control environment for accounting recognition. We were satisfied that this did not present a significant risk of material misstatement in the 2021/22 accounts as:</p> <ul style="list-style-type: none"> - The control environment around expenditure recognition (understood through our documented risk assessment understanding of your business processes) is considered to be strong; - We have not found significant issues, errors or fraud in expenditure recognition in the prior 2 years audits; - Our view is that, similarly to revenues, there is little incentive to manipulate expenditure recognition. 	Significant risk rebutted.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> Evaluate the design effectiveness of management controls over journals; Analyse the journals listing and determine the criteria for selecting high risk unusual journals; Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Valuation of land and buildings (including investment properties)	<p>You revalue your operational land and buildings on a rolling three yearly basis and your investment properties every year. The valuation of these assets represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of land and buildings as a significant risk, particularly focused on the valuers' key assumptions and inputs to the valuations.</p> <p>For assets not revalued in the year management will need to ensure the carrying value in the Authority's financial statements is not materially different from the current value or the fair value (for investment properties and surplus assets) at the financial statements date.</p>	<p>We will:</p> <ul style="list-style-type: none"> Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; Evaluate the competence, capabilities and objectivity of the valuation expert; Write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met and discuss this basis where there are any departures from the Code; Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; Assess how management have challenged the valuations produced by the professional valuer to assure themselves that these represent the materially correct current value; Test revaluations made during the year to see if they are input correctly into the Authority's asset register; Evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value; and Engage an auditor's expert professional valuer to supplement our own auditor knowledge and expertise with qualified valuer expert insight and challenge into the valuation process, methods and assumptions used.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability - assumptions applied by the professional actuary in their calculation	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (approximately £559 million in the Authority's balance sheet at the 31 March 2021) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement. We have pinpointed this significant risk to the assumptions applied by the professional actuary in their calculation of the net liability.</p> <p>We have concluded that there is not a significant risk of material misstatement due to the source data used by the actuary in their calculation (we would reconsider this if it becomes apparent at the year-end that there significant special events relating to the source data (such as bulk transfers, redundancies or other significant movements of staff) which would need to be given special consideration during the audit. Despite not being considered a significant risk we still carry out testing and consideration of the source data to obtain sufficient and appropriate audit evidence that there is no material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and obtain assurances from the auditor of East Sussex Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Other audit risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Accuracy and accounting for Private Finance Initiative (PFI) liability	<p>You have assets financed through PFI schemes (Peacehaven Schools and waste management services).</p> <p>PFI schemes are complex and involve a degree of subjectivity in the measurement of financial information.</p> <p>We therefore identified the accuracy and presentation of your PFI schemes as a risk for the audit.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review your PFI models and assumptions contained therein; Obtain an understanding of any changes to PFI contracts made since the prior year; Compare your PFI models to the prior year to identify any changes; Review and test the output produced by your PFI models to generate the financial balances within the financial statements; and Review the disclosures relating to your PFI schemes for compliance with the Code and the International Accountancy Standard IFRIC 12.
Accounting for grant revenues and expenditure correctly	<p>The Council (similar to all other Local Authorities) has been the recipient of significant increased grant revenues during the 2021/22 year relating to Covid-19. In common with all grant revenues, the Council will need to consider for each type of grant whether it is acting as agent or principal, and depending on the decision how the grant income and amounts paid out should be accounted for.</p>	<p>We will:</p> <ul style="list-style-type: none"> Discuss with management and understand the different types of material grants received during 2021/22 and what the conditions are in the grant agreements; Understand the conditions for payment out to other entities, businesses and individuals; Therefore understand whether the Council should be acting as agent or principal for accounting purposes; and We will test material grant revenues to see whether the Council has accounted for these correctly.
Existence/accuracy of infrastructure asset balances and associated accumulated depreciation charged	<p>Recent sector developments have highlighted an increased risk of material misstatement of infrastructure assets where some auditors have highlighted that authorities may not have appropriate systems and processes in place to identify assets which are being replaced and write these out of the fixed asset register at an appropriate timing. As the gross and net balance for infrastructure assets is several times our materiality level we have included this as a significant risk for the audit.</p>	<p>We will:</p> <ul style="list-style-type: none"> update our understanding of the processes and controls put in place by management to ensure that the useful economic lives for infrastructure are set at an appropriate length; update our understanding of the processes and controls put in place by management to ensure that infrastructure assets which have been replaced are identified and written out of the fixed asset register and financial statements as replacement additions are made; and Understand how management complies with the CIPFA Code of Practice in how it accounts for infrastructure assets. Once we have updated our understanding in these areas we may need to design further audit procedure to test the existence and accuracy of the infrastructure assets balances and the associated accumulated depreciation.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report.

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings and investment properties;
- Depreciation;
- Year end provisions and accruals, specifically for demand led services such as Adult's and Children's services;
- Credit loss and impairment allowances;
- Valuation of defined benefit net pension fund liabilities;
- Fair value estimates;
- PFI liability estimate.

The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- **What the assumptions and uncertainties are;**
- **How sensitive the assets and liabilities are to those assumptions, and why;**
- **The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and**
- **An explanation of any changes made to past assumptions if the uncertainty is unresolved.**

Planning enquiries

As part of our planning risk assessment procedures we have addressed additional written enquiries to management and to those charged with governance in order to obtain the expanded understanding of the entity's internal controls required under ISA (UK) 540. The responses to these enquiries are included as part of this paper reported to the 29 March 2022 Audit Committee meeting.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
 - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Materiality

The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

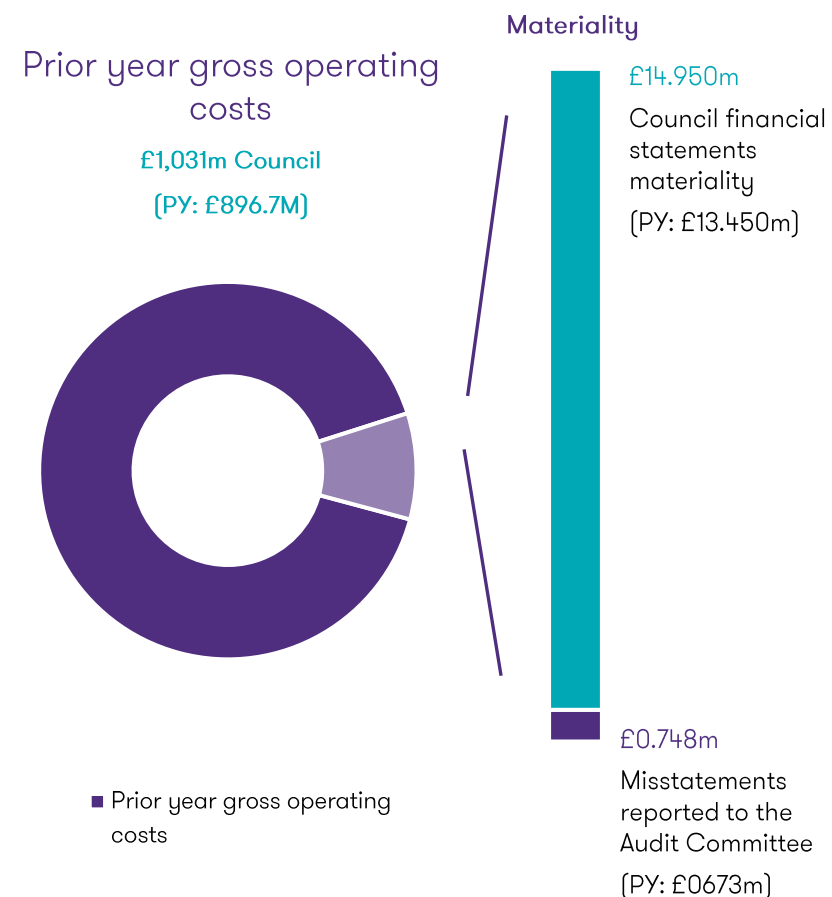
We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £14.950m (PY £13.450m) for the Council, which equates to 1.45% of your forecast gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £500k for cash and cash equivalents.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.748m (PY £0.673m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
SAP	Financial reporting, General Ledger, Accounts Payable, Accounts Receivable, Payroll	<ul style="list-style-type: none">Streamlined ITGC design assessment

Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office (NAO) issued updated guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.



Audit logistics and team



Darren Wells, Key Audit Partner



Darren will be the main point of contact for the Chair, the Chief Executive and Members. Darren will share his knowledge and experience across the sector providing challenge, sharing good practice, providing pragmatic solutions and acting as a sounding board with the Corporate Management Team and Audit Committee. Darren will ensure our audit is tailored specifically to you and is delivered efficiently. Darren will review all reports and the team's work focussing his time on the key risk areas to your audit.

Andy Conlan, Audit Manager



Andy will work with the senior members of the finance team ensuring early delivery of testing and agreement of accounting issues on a timely basis. Andy will attend Audit Committee, undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable to all. Andy will work with Internal Audit to secure efficiencies and avoid duplication.

Tom Pattison, Assistant Manager



June

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of items for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed on pages 11-13 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. We have engaged an audit expert to improve the level of assurance we require for property valuations estimates, which has been included in our proposed audit fee. Our proposed fee for 2021/22, as a result of the additional work above, and the impact of the Redmond Review, has been assessed below (changes to the fee from the 2020/21 fee are shown in Note 2 below the table). We are discussing the fee with your Chief Finance Officer and subsequently with the Audit Committee when this fee has been assessed. The fee is subject to approval by PSAA.

	Propose Fee 2020/21	Actual Fee 2020/21 Note 1	Proposed fee 2021/22 Note 2
Council Audit	£110,850	£119,350	£121,350
Total audit fees (excluding VAT)	£110,850	£119,350	£121,350

Note 1 – 2020/21 fee variances have been discussed with your Chief Finance Officer, and are subject to review and approval by PSAA.

Note 2 – the 2021/22 audit fee includes work for the following factors/additional work:

- an additional £5,000 for audit procedures which we expect and are currently planning around the risk identified with respect to infrastructure assets (see page 8)
- an additional £1,500 for audit procedures we will need to carry out with respect to the Council's accounts disclosures for IFRS16 (see page 3)
- An additional £1,500 related to additional senior staff level review which we as a firm have identified as being necessary to carry out on those audits which are within the scope of FRC review.

Additional fees of £6,000 relating to one-off items from 2020/21 have been removed as non-recurring items in the 2021/22 fee.

Also note that this 2021/22 fee assumes that any hybrid working/remote working element to the audit works smoothly and does not cause any delays in audit procedures. We are currently working through the hybrid/on-site working arrangements for the audit with your finance team. Should there be any delay/fee impact from remote working/hybrid working arrangements that are not anticipated we will discuss these with management and those charged with governance at a future date.

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of financial statements, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

The following other services provided by Grant Thornton were identified/ No other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

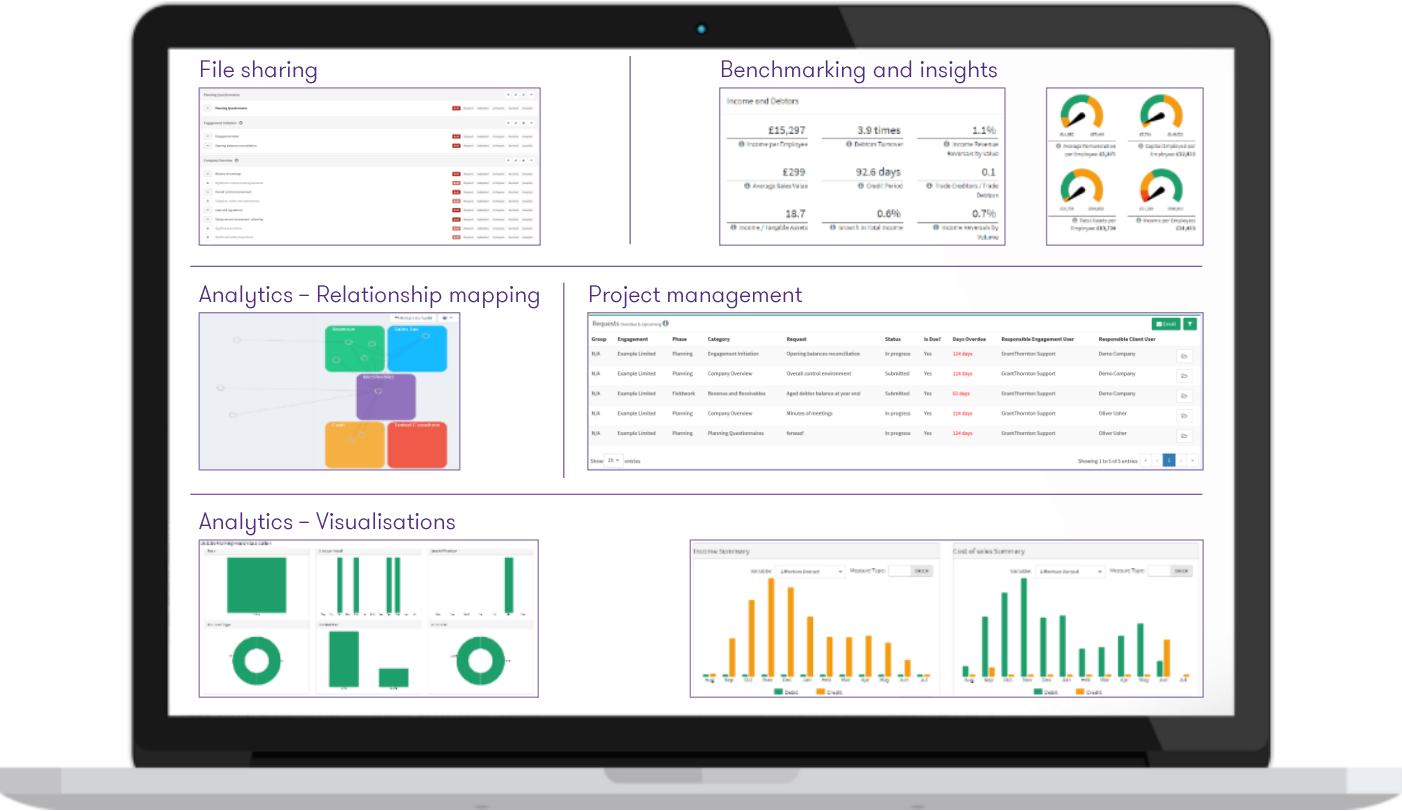
Service	Fees £	Threats	Safeguards
Audit related			
Certification of Teachers Pension Return	7,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,500 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Total	7,500		

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations

Page 81



Grant Thornton’s Analytics solution is supported by Inflo Software technology

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



Project management

- Facilitates oversight of requests
- Access to a live request list at all times



Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

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How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.

Appendix A. Significant improvements from the Financial Reporting Council's (FRC) quality inspection

On 29 October, the FRC published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here: [FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our results over the past three years are shown in the table below:

Grade	Number 2018/19	Number 2019/20	Number 2020/21
Good with limited improvements (Grade 1 or 2)	1	1	6
Improvements required (Grade 3)	2	5	3
Significant improvements required (Grade 4)	1	0	0
Total	4	6	9

Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Significant improvements from the Financial Reporting Council's (FRC) quality inspection (cont.)

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

Conclusion

Local audit plays a critical role in the way public sector audits an society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.



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Report to: **Cabinet**

Date: **19 April 2022**

By: **Chief Operating Officer**

Title of report: **Internal Audit Strategy and Annual Audit Plan 2022/23**

Purpose of report: **To present the Council's Internal Audit Strategy and Annual Plan 2022/23**

RECOMMENDATIONS

Cabinet is recommended to review and agree the Council's Internal Audit Strategy and Plan 2022/23

1. Background

1.1 The Council's Internal Audit Strategy and Annual Plan 2022/23 (Annex A and Appendix A) sets out how the Council will meet its statutory requirements for internal audit, as defined within the Accounts and Audit Regulations 2015. The plan focusses primarily on the core assurance areas (such as key financial systems), high priority areas across the Council including priority projects and programmes, and grant claims, with the remainder of the direct audit days earmarked as emerging risks/contingency.

1.2 A workshop was held with Members of the Audit Committee in January 2022 and comments made have been fed into the planning process.

Supporting Information

2.1 The Strategy and Plan will be delivered in line with proper internal audit practices as set out within Public Sector Internal Audit Standards (PSIAS).

2.2 The Internal Audit Charter sets out the scope and responsibility of internal audit.

3. Conclusions and Reasons for Recommendations

3.1 Cabinet is asked to review and agree the Internal Audit Strategy and Plan 2022/23 which was endorsed by the Audit Committee at its meeting on 29 March 2022.

Ros Parker, Chief Operating Officer

Contact Officers: Russell Banks Tel No. 07824 362739

BACKGROUND DOCUMENTS

Internal Audit Strategy and Annual Audit Plan 2022/23

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Internal Audit Strategy and Annual Audit Plan 2022-2023

1. Role of Internal Audit

1.1 The full role and scope of the Council's Internal Audit Service is set out within the Internal Audit Charter and Terms of Reference.

1.2 The mission of Internal Audit, as defined by the Chartered Institute of Internal Auditors (CIIA), is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. Internal Audit is defined 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."*

1.3 The organisation's response to internal audit activity should lead to a strengthening of the control environment, thus contributing to the overall achievement of organisational objectives.

2. Risk Assessment and Audit Planning

2.1 East Sussex County Council's Internal Audit Strategy and Annual Audit Plan is updated annually and is based on a number of factors, especially management's assessment of risk (including that set out within the strategic and departmental risk registers) and our own risk assessment of the Council's major systems and other auditable areas. This allows us to prioritise those areas to be included within the audit plan on the basis of risk.

2.2 With the gradual return to business as usual, tempered by residual measures to counter the ongoing Covid 19 pandemic, our 2022/23 plan focuses primarily on the core assurance areas (such as key financial systems), the highest priority service reviews, grant claims and known key priority projects/programmes across the council. The remainder of the direct audit days are earmarked as emerging risks/contingency. Appropriate provision has also been made for counter fraud activities, which will continue in 2022/23 as normal. By continuing this approach, we will deliver the planned work on core assurance areas as well as adding audit activities to our plan throughout the year as new risks and priorities emerge. All of our work will be regularly and comprehensively reported to both the Corporate Management Team (CMT) and the Audit Committee, and will enable us to maximise our responsiveness and focus our resources on the most relevant and priority areas.

2.3 It is important to note that this planning strategy for the year ahead will not result in any reduced internal audit coverage for the Council. The approach is simply intending to help ensure we remain as reactive as possible to the rapidly changing risk landscape across the Authority in continuing unprecedented times.

2.4 The annual planning process has once again involved consultation with a range of stakeholders, to ensure that their views on risks and current issues, within individual departments and corporately, are identified and considered. In order to ensure that the most effective use is made of available resources, to avoid duplication and to minimise service disruption, efforts will continue to be made to identify, and where possible, rely upon, other sources of assurance available. The following diagram sets out the various sources of information used to inform our 2022/23 audit planning process:



2.5 In order to ensure audit and assurance activity is properly focussed on supporting the delivery of the Council’s priorities, the audit plan has taken into account the key corporate priority outcomes of the Council as set out within the Council Plan. These are:

- Helping people help themselves;
- Keeping vulnerable people safe;
- Driving sustainable economic growth; and
- Making best use of resources.

2.6 In producing the audit plan (which is set out in Appendix A to this report) the following key principles continue to be applied:

- Key financial systems are subject to a cyclical programme of audits covering, as a minimum, compliance against key controls;
- Previous reviews which resulted in ‘minimal assurance’ or ‘partial assurance’ audit opinions will be subject to a specific follow-up review to assess the effective implementation by management of agreed actions; and
- Any reviews which we were unable to deliver during the previous financial year will be considered once again as part of our audit planning risk assessment, and prioritised as appropriate.

2.7 In addition, formal action tracking arrangements are in place to monitor the implementation by management of all individual high-priority agreed actions, with the results of this work reported to CMT and the Audit Committee on a quarterly basis.

2.8 Since 2018, East Sussex County Council, Surrey County Council and Brighton and Hove City Council have been working together to establish and develop the Orbis Internal Audit Partnership. In doing this, we are able to deliver high quality and cost effective assurance services to each partner, drawing upon the wide range of skills and experience from across the various teams. The size and scale of the partnership has also enabled us to invest in specialist IT Audit and Counter Fraud services, to the benefit of each partner council and external fee paying client.

3. Key Issues

3.1 In times of significant transformation, organisations must both manage change effectively and ensure that core controls remain in place. In order to respond to the continued reduction in financial resources and the increased demand for services, the Council needs to consider some radical changes to its service offer in many areas.

3.2 Internal Audit must therefore be in a position to give an opinion and assurance that covers the control environment in relation to both existing systems and these new developments. It is also essential that this work is undertaken in a flexible and supportive manner, in conjunction with management, to ensure that both risks and opportunities are properly considered. During 2022/23, a number of major organisational initiatives will feature within the audit plan, with the intention that Internal Audit is able to provide proactive advice, support and assurance as these programmes progress. These include:

- Modernising Back Office Systems (MBOS) programme (SAP replacement)
- Climate Change/Carbon Reduction
- Adult Social Care Reform
- Children's 'Edge of Care'
- Highways Contract Reprocurement
- UK Community Renewal Fund / UK Shared Prosperity Fund

3.3 As explained previously, in recognition of current uncertainties and that in some cases, sufficient information regarding the full extent of future changes and associated risks may not yet be known, the 2022/23 audit plan will, as in previous years, include a proportion of time classified as 'Emerging Risks'. This approach has been adopted to enable Internal Audit to react appropriately throughout the year as new risks materialise and to ensure that expertise in governance, risk and internal control can be utilised early in the change process.

3.4 In view of the above, Internal Audit will continue to work closely with senior management and Members throughout the year to identify any new risks and to agree how and where audit resources can be utilised to best effect.

3.5 Other priority areas identified for inclusion within the audit plan include:

- Contract Management
- Use of Consultants
- Health and Safety
- Home to School Transport
- Elective Home Education
- Waste Management
- External Funding, Grants and Loans

3.6 The results of all audit work undertaken will be summarised within quarterly update reports to CMT and the Audit Committee, along with any common themes and findings arising from our work.

4. Counter Fraud

4.1 Managing the risk of fraud and corruption is the responsibility of management. Internal Audit will, however, be alert in all its work to risks and exposures that could allow fraud or corruption and will investigate allegations of fraud and corruption in line with the Council's Anti-Fraud and Corruption Strategy.

4.2 The Chief Internal Auditor should be informed of all suspected or detected fraud, corruption or irregularity in order to consider the adequacy of the relevant controls and evaluate the implication for their opinion on the control environment.

4.3 In addition, Internal Audit will promote an anti-fraud and corruption culture within the Council to aid the prevention and detection of fraud. Through the work of the Counter Fraud Team, Internal Audit will maintain a fraud risk assessment and deliver a programme of proactive and reactive counter fraud services to help ensure that the Council continues to protect its services from fraud loss. This will include leading on the National Fraud Initiative data matching exercise on behalf of the Council.

5. Matching Audit Needs to Resources

5.1 The overall aim of the Internal Audit Strategy is to allocate available internal audit resources so as to focus on the highest risk areas and to enable an annual opinion to be given on the adequacy and effectiveness of the Council's governance, risk and control framework.

5.2 In addition to this, resources have been allocated to the external bodies for whom Orbis Internal Audit also provide internal audit services, at an appropriate charge. These include Horsham District Council, Elmbridge District Council, East Sussex Fire Authority and South Downs National Park.

5.3 Internal audit activities will be delivered by a range of staff from across the Orbis Internal Audit Service, maximising the value from a wide range of skills and experience available. In the small number of instances where sufficient expertise is not available from within the team, mainly in highly technical or specialist areas, the option of engaging externally provided specialist resources will continue to be considered.

5.4 The following table summarises the level of audit resources expected to be available for the Council in 2022/23 (expressed in days), compared to the equivalent number of planned days in previous years. As can be seen, the overall level of resource is comparable with the previous year but remains dependent on our continued ability to recruit and retain high calibre staff (see Section 7 below). This level of resource continues to be considered sufficient to allow Internal Audit to deliver its risk-based plan in accordance with professional standards¹ and to enable the Chief Internal Auditor to provide his annual audit opinion.

Table 1: Annual Internal Audit Plan – Plan Days

	2019/20	2020/21	2021/22	2022/23
Plan Days	1,400	1,450	1,595	1,595

¹ Public Sector Internal Audit Standards (PSIAS)
East Sussex County Council

6. Audit Approach

6.1 The approach of Internal Audit is to use risk-based reviews, supplemented in some areas by the use of compliance audits and themed reviews. All audits have regard to management's arrangements for:

- Achievement of the organisation's objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

6.2 In addition to these audits, and the advice on controls given on specific development areas which are separately identified within the plan, there are a number of generic areas where there are increasing demands upon Internal Audit, some of which cannot be planned in advance. For this reason, time is built into the plan to cover the following:

- Contingency – an allowance of days to provide capacity for unplanned work, including special audits and management investigations. This contingency also allows for the completion of work in progress from the 2021/22 plan;
- Advice, Management, Liaison and Planning - an allowance to cover provision of ad hoc advice on risk, audit and control issues, audit planning and annual reporting, ongoing liaison with service management and Members, and audit management time in support of the delivery of all audit work, planned and unplanned.

6.3 In delivering this strategy and plan, we will ensure that liaison has taken place with the Council's external auditors, Grant Thornton, to ensure that the use of audit resources is maximised, duplication of work is avoided, and statutory requirements are met.

7. Training and Development

7.1 The effectiveness of the Internal Audit Service depends significantly on the quality, training and experience of its staff. Training needs of individual staff members are identified through a formal performance and development process and are delivered and monitored through on-going management supervision.

7.2 The team is also committed to coaching and mentoring its staff, and to providing opportunities for appropriate professional development. This is reflected in the high proportion of staff holding a professional internal audit or accountancy qualification as well as numerous members of the team continuing with professional training during 2022/23.

8. Quality and Performance

8.1 With effect from 1 April 2013, all of the relevant internal audit standard setting bodies, including CIPFA, adopted a common set of Public Sector Internal Audit Standards (PSIAS). These are based on the Institute of Internal Auditors International Professional Practices Framework and replace the previous Code of Practice for Internal Audit in Local Government.

8.2 Included within the new Standards is the requirement for the organisation to define the terms 'Board' and 'senior management' in the context of audit activity. This has been set out within the Internal Audit Charter, which confirms the Audit Committee's role as the Board.

8.3 The PSIAS require each internal audit service to maintain an ongoing quality assurance and improvement programme based on an annual self-assessment against the Standards, supplemented at least every five years by a full independent external assessment. The outcomes from these assessments, including any improvement actions arising, will be reported to the Audit Committee, usually as part of the annual internal audit report. For clarity, the Standards specify that the following core principles underpin an effective internal audit service:

- Demonstrates integrity;
- Demonstrates competence and due professional care;
- Is objective and free from undue influence (independent);
- Aligns with the strategies, objectives, and risks of the organisation;
- Is appropriately positioned and adequately resourced;
- Demonstrates quality and continuous improvement;
- Communicates effectively;
- Provides risk-based assurance;
- Is insightful, proactive, and future-focused;
- Promotes organisational improvement.

8.4 In addition, the performance of Orbis Internal Audit continues to be measured against key service targets focussing on service quality, productivity and efficiency, compliance with professional standards, influence and our staff. These are all underpinned by appropriate key performance indicators as set out in Table 2 below.

8.5 At a detailed level, each audit assignment is monitored and customer feedback sought. There is also ongoing performance appraisals and supervision for all Internal Audit staff during the year to support them in achieving their personal targets.

8.6 In addition to the individual reports to management for each audit assignment, reports on key audit findings and the delivery of the audit plan are made to the Audit Committee on a quarterly basis. An Annual Internal Audit Opinion is also produced each year.

8.7 Whilst Orbis Internal Audit liaises closely with other internal audit services through the Sussex and Surrey audit and counter fraud groups, the Home Counties Chief Internal Auditors' Group and the Local Authority Chief Auditors' Network, we are continuing to develop joint working arrangements with other local authority audit teams to help improve resilience and make better use of our collective resources.

Table 2: Performance Indicators

Aspect of Service	Orbis IA Performance Indicators	Target
Quality	<ul style="list-style-type: none"> Annual Audit Plan agreed by Audit Committee Annual Audit Report and Opinion Satisfaction levels 	By end April To inform Annual Governance Statement (AGS) 90% satisfied
Productivity and Process Efficiency	<ul style="list-style-type: none"> Audit Plan – completion to draft report stage by 31 March 2023 	90%
Compliance with Professional Standards	<ul style="list-style-type: none"> Public Sector Internal Audit Standards Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act 	Conforms Conforms
Outcomes and degree of influence	<ul style="list-style-type: none"> Implementation of management actions agreed in response to audit findings 	95% for high priority
Our Staff	<ul style="list-style-type: none"> Professionally Qualified/Accredited 	80%

Russell Banks
Orbis Chief Internal Auditor

INTERNAL AUDIT PLAN

2022/23



Planned Audit Reviews

Review Name	Outline Objective
Accounts Payable (Procure to Pay)	To review the processes and key controls relating to the accounts payable system, including those in place for ordering, the creation and maintenance of vendor details, the payment of invoices, goods receipting and promptness of payments.
Accounts Receivable	To review the processes and key controls relating to the accounts receivable system, including those in place for ensuring the accuracy of customer details, completeness, accuracy and timeliness of invoicing, recording and matching payments to invoices, and debt recovery.
Payroll	To review controls in relation to the staff payment system, including those relating to starters, leavers, temporary and permanent payments, variations of pay, and pre-employment checks.
East Sussex Pension Fund	The following audits and activities will be completed in relation to the East Sussex Pension Fund in accordance with the Internal Audit Pension Fund Strategy and Plan: <ul style="list-style-type: none"> • Governance • Investments and Accounting • Cash Management • The Administration of Benefit Payments • I-Connect – Application Controls • Pension Fund Cyber Security • Pension Board/Committee Attendance and Advice • Pension Fund Strategy and Plan Preparation
Financial and Benefits Assessments (Adult Social Care)	To review the key controls in place for the financial and benefits assessment process (where new processes have recently been introduced) to ensure the correct calculation of contributions from care clients and that accurate payments are made.
Public Health Grant	To review the processes and structure set-up for financial management, including monitoring, of the ring-fenced public health grant.
Corporate Governance	To review the arrangements in place in relation to corporate governance within the Council.
MBOS Programme Support and Other Delivery	As part of our support to the MBOS programme, we will support the Programme Board with ad-hoc support and advice through attendance at the Programme Board meetings. To enhance our support, specific deliverable

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Review Name	Outline Objective
	work has been agreed with the Programme Board and will provide assurance over the following areas: Business processes (both on and off system); System Security; User access, authentication and authorisations; Testing Arrangement; Data Cleansing, Governance & Migration; Interfaces and reconciliation; Disaster Recovery & Business Continuity; Training. Additional areas may be added as identified and agreed with the Programme Board.
Use of Consultants	To review the arrangements in place over the use of consultants within the Council in order to provide assurance that consultancy is subject to appropriate controls, is transparent and justifiable, and effective in achieving value for money. To review the initial assessment of need and decision to procure consultancy services, the procurement of consultants, ongoing management arrangements of consultancy contracts and the termination and review of these.
Contract Management	To assess the adequacy and effectiveness of contract management arrangements within the Council, specifically focussing on compliance with the Council's contract management framework. A sample of high-risk, high-profile contracts will be selected for review in order to provide assurance over the management of these.
Climate Change	In 2019, the Council declared a climate emergency and set a target of achieving carbon neutrality from its activities by 2050 at the latest, in line with the target agreed by Parliament in 2019. We will review the project management arrangements in place within the Council to deliver this ambition.
Beacon/Grove Park Project – Project Management	The majority of SEND school capacity in East Sussex is under academy control. Grove Park School is an all-through (age 4-19) maintained SEND school; however, part of its capacity is located on the campus of the nearby Beacon Academy. The Beacon/Grove Park Project is a development of parts of the Beacon campus to increase SEND capacity for Grove Park. This review will provide assurance that the project is properly managed to increase the likelihood that it is delivered to time, cost and quality.

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Review Name	Outline Objective
Property Asset Management System Replacement	To provide pro-active support, advice and assistance to the property asset management system replacement programme.
Health and Safety	Following on from audit work in 2021/22 to review the health and safety framework and governance arrangements in place within the Council, this review will seek to ensure that health and safety policy and guidance is being complied with. A sample of Council establishments will be selected for this purpose.
Adult Social Care Reform	In September 2021, the government set out its new plan for adult social care reform in England. This included changes to how people will pay for their social care. To provide audit advice and support over the new processes that will be developed and implemented in order to meet the statutory requirements of the reform.
Adults' Safeguarding	To review the adult safeguarding process within the Council to ensure all safeguarding cases are appropriately investigated and any potential issues are addressed with corrective action being taken in a timely manner. In addition, the audit will specifically review the safeguarding framework in place in preparation for the 2021 Health and Care Bill's inspection programme by the Care Quality Commission.
Schools	We will continue our audit coverage in schools which will involve a range of assurance work, including key controls testing in individual schools and follow-ups of previous audit work where appropriate. We will also work with our Orbis partners to provide information bulletins and guidance for schools on risk, governance and internal control matters.
Edge of Care Programme	<p>The Children's Services Edge of Care programme's overall aim is to deliver a financially sustainable model which supports families to remain together and/or to retain lifelong links. The programme's goals are:</p> <ul style="list-style-type: none"> • to reduce the number of 11-17 years olds becoming looked after and/or a reduction in the length of time they are accommodated for, with a reduction in high cost, out-of-area placements; • to reduce demand across services through effective interventions and positive professional relationships with families (whilst ensuring safe, ambitious plans / outcomes for young people); and

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2022/23



Review Name	Outline Objective
	<ul style="list-style-type: none"> to have a skilled, proactive, resilient workforce with strong relationships across partner agencies. <p>We will work with programme management to identify and agree how we can best support the programme, through the provision of independent audit advice, support and assurance.</p>
Elective Home Education Processes	Elective home education is where parents decide to provide education for their children at home, or at home in some other way which they choose, instead of sending them to school full-time. Where this happens, the Council has a moral and social obligation to ensure such children are safe and suitably educated, where there is a risk of harm and/or a lack of proper education. This audit will review the effectiveness of the Council's monitoring arrangements in line with statutory guidance.
Home to School Transport	The Department for Education requires local authorities to provide home to school transport (HTST) for eligible children in order to facilitate attendance at school. This audit will assess the adequacy of controls within the HTST process, with specific areas of focus to be determined.
Highways Contract Reprocurement	To provide advice and support in relation to the arrangements for the re-procurement of a new highways' maintenance contract, advising on risk, governance and internal control matters as they arise.
UK Community Renewal Fund	The purpose of the UK Community Renewal Fund (UK CRF) is to support people and communities most in need across the UK to pilot programmes and new approaches to prepare for the UK Shared Prosperity Fund. In continuing our work in this area, we will review the monitoring arrangements devised within the Council to ensure that the projects selected to receive funding are complying with the terms and conditions of the agreements in place.
Waste Management	ESCC and Brighton and Hove City Council have held a Private Finance Initiative contract with Veolia South Downs Ltd since 2003 for the delivery and operation of waste facilities, along with recycling and disposal services for household waste across both authorities. We will work with management to identify key risks associated with the contract for audit review and assurance.

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2022/23



Review Name	Outline Objective
External Funding: Grants and Loans	The Council provides a number of different grants and loans to support businesses and other schemes with the county. This audit will assess the arrangements in place over the bidding and decision-making/approval processes, as well as the monitoring arrangements to ensure funds are being used in accordance with the grant/loan agreements.
Kofax IT Application Audit	Amongst other uses, the Kofax application is used across the Authority to redact personal and sensitive information prior to releasing information as part of Freedom of Information or Subject Access Requests. This audit will review the effectiveness of the application controls for the Kofax application, including all major input, processing and output controls. We will review the controls in place to interface with any other systems and ensure appropriate system ownership and responsibilities are known.
Techforge IT Application Audit	The Techforge application has been implemented as the Council's property asset management system. The system has a number of modules, from a financial perspective the highest risks relate to the repairs and payment modules. This audit will review the effectiveness of the application controls, including all major input, processing and output controls. We will review the controls in place to interface with other systems and ensure appropriate system ownership and responsibilities are known.
MetaCompliance IT Application Audit	The MetaCompliance application can be used to simulate phishing attacks, provide e-learning, manage policy and manage awareness and privacy management. This audit will review the effectiveness of the application controls for the MetaCompliance application, including all major input, processing and output controls. We will review the controls in place to interface with any other systems and ensure appropriate system ownership and responsibilities are known.
Proactis IT Application Audit	The Proactis system was implemented in April 2021 and is used to control and manage procurement and spend. The system allows suppliers to upload and manage their own details including bank account information. This audit will review the effectiveness of the application controls for the Proactis application, including all major input, processing and output controls. We will review the controls in place to interface with any other systems and ensure appropriate system ownership and responsibilities are known.

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Review Name	Outline Objective
Information Governance (Subject Access Request and Freedom of Information Reporting Arrangements)	The Freedom of Information Act 2000 (FOIA), which came into effect on 1 January 2005, governs and increases rights of access to information held by public authorities (other than personal information which continues to be governed by the Data Protection Act (DPA) 2018). Under the DPA 2018, an individual can submit a Subject Access Request (SAR) for the information which they are entitled to ask for under section 7 of the DPA 2018. This audit will look to provide assurance that controls are in place to allow the Authority to respond to all FOI and SAR requests in a timely manner and that there is sufficient reporting and governance processes in place to monitor and manage performance.
IT Asset Procurement (Value for Money)	<p>The COVID-19 pandemic has put significant demands on authorities to provide IT assets to its officers to enable them to work remotely. In many cases, these officers were office based prior to the COVID-19 global pandemic, so IT departments have had to respond by providing mobile devices (e.g. laptops and mobile phones) to a significant number of officers, as well as other peripheral items such as monitors and mice, to support Display Screen Equipment (DSE) requirements. With the expansion of remote working, IT Hardware is in greater demand than ever before.</p> <p>The objective of the audit is to provide assurance that controls are in place and are operating as expected to ensure value for money is achieved from the procurement of ICT hardware assets.</p>
Mobile Device Management	Mobile devices, such as smartphones and tablet computers, have the capability to store large amounts of data and can present a high risk of data leakage and loss. Devices are often valuable and are therefore attractive to theft and misuse. Mobile device management (MDM) involves monitoring, managing and securing mobile devices to ensure that the Council's information assets are not exposed. MDM is usually implemented through the use of third-party software. The Council's MDM solution is provided by InTune. This audit will consider the Council's approach to managing the risks associated with the security and control of the data contained on, and security of, smartphones and tablets.

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Review Name	Outline Objective
Procurement of IT Systems	The procurement of IT systems often forms part of major transformation projects. The emergence of cloud-based systems also means it's easier than ever for services and departments to procure systems which can store and process significant amounts of Council data without such corporate oversight. This audit, which complements our IT application audits, will seek to ensure that controls are in place to ensure that all systems procured are subject to appropriate IT oversight and that all Information Security and Information Governance risks are known, understood and appropriately managed.
Cyber Security	Review of the key controls operating for managing the significant risks in relation to Cyber Security.
Building Security Follow-Up	A follow-up of the previous audit completed which received an audit opinion of partial assurance.
Building Condition Asset Management Follow-Up	A follow-up of the previous audit completed which received an audit opinion of partial assurance.
Contract Management Group Cultural Compliance Follow-Up	A follow-up of the previous audit completed which received an audit opinion of partial assurance.
Vehicle Use Follow-Up	A follow-up of the previous audit completed which received an audit opinion of partial assurance.
Transport Capital Grant Certification	To check and certify the grant in accordance with the requirements of the Department for Transport.
Traffic Signals Maintenance Grant Award	To check and certify the grant in accordance with the requirements of the Department for Transport.
Supporting Families (Family Focus) Grant Certification	Certification of periodic grant claims returns in-year on behalf of Children's Services to enable the release of funds from the Department for Levelling Up, Housing and Communities.
Bus Subsidy Grant Certification	To check and certify the grants (including Covid 19 related grants) in accordance with the requirements of the Department for Transport.
Covid Test and Trace Grant Certification	To check and certify the grant in accordance with the requirements of Public Health England.
European Social Fund Transform Project	To check and certify the grant in accordance with the requirements of the European Social Fund.
Covid Outbreak Management Fund	To check and certify that the funding is used in accordance with the requirements of the Department of Health and Social Care.
Adult Weight Management Grant	To check and certify the grant in accordance with the requirements of the Department of Health and Social Care.

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2022/23



Service Management and Delivery	
Review Name	Outline Objective
Action Tracking	Ongoing action tracking and reporting of agreed, high risk actions.
Annual Internal Audit Report and Opinion	Creation of Annual Report and Opinion.
Audit and Fraud Management	Overall management of all audit and counter fraud activity, including work allocation, work scheduling and Orbis Audit Manager meetings.
Audit and Fraud Reporting	Production of periodic reports to management and Audit Committee covering results of all audit and anti-fraud activity.
Audit Committee and other Member Support	Ongoing liaison with Members on internal audit matters and attending Audit Committee meetings and associated pre-meetings.
Client Service Liaison	Liaison with clients and departmental management teams throughout the year.
Client Support and Advice	Ad hoc advice, guidance and support on risk, internal control and governance matters provided to clients and services throughout the year.
Orbis IA Developments	Audit and corporate fraud service developments, including quality improvement and ensuring compliance with Public Sector Internal Audit Standards.
Organisational Management Support	Attendance and ongoing support to organisational management meetings, e.g. Financial Management Team (FMT), Statutory Officers Group (SOG).
Strategy and Annual Audit Planning	Development and production of the Internal Audit Strategy and Annual Audit Plan, including consultation with management and Members.
System Development and Administration	Development and administration of Audit and Fraud Management systems.
Contingencies	
Anti-Fraud and Corruption	To cover the investigation of potential fraud and irregularity allegations as well as proactive counter fraud activities, including the National Fraud Initiative (NFI) data matching exercise.
Emerging Risks	A contingency budget to allow work to be undertaken on new risks and issues identified by Orbis IA and/or referred by management during the year.
Contingency	A contingency budget to allow for effective management of the annual programme of work as the year progresses.