



AUDIT COMMITTEE

FRIDAY, 7 JULY 2023

10.00 AM COUNCIL CHAMBER, COUNTY HALL, LEWES

MEMBERSHIP - Councillor Colin Swansborough (Chair)
Councillors Gerard Fox (Vice Chair), Matthew Beaver, Nuala Geary,
Stephen Holt, Matthew Milligan and Georgia Taylor

A G E N D A

1. Minutes of the previous meeting (*Pages 3 - 6*)
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. Assessment of the Corporate Governance Framework and Annual Governance Statement for 2022/23 (*Pages 7 - 54*)
Report by the Assistant Chief Executive
6. Internal Audit Services Annual Report and Opinion 2022/23 (*Pages 55 - 80*)
Report by the Chief Operating Officer
7. Response to Internal Audit Reports (*Pages 81 - 82*)
Report by the Director of Communities, Economy and Transport
8. Counter Fraud Annual Report 2022/23 (*Pages 83 - 90*)
Report by the Chief Operating Officer
9. External Audit Plan 2022/23 (*Pages 91 - 118*)
Report by the Chief Finance Officer
10. External Audit Plan for East Sussex Pension Fund 2022/23 (*Pages 119 - 142*)
Report by the Chief Finance Officer
11. Appointment of Independent Members to the Audit Committee (*Pages 143 - 152*)
Report by the Chief Finance Officer
12. Strategic Risk Monitoring - Quarter 4 2022/23 (*Pages 153 - 166*)
Report by the Chief Operating Officer

13. Work programme (*Pages 167 - 170*)
14. Any other items previously notified under agenda item 4

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

29 June 2023

Contact Sophie Webb, Governance and Democracy Officer,
01273 337495
Email: sophie.webb@eastsussex.gov.uk

AUDIT COMMITTEE

MINUTES of a meeting of the Audit Committee held at Council Chamber, County Hall, Lewes on 31 March 2023.

PRESENT Councillors Colin Swansborough (Chair), Gerard Fox (Vice Chair), Matthew Beaver, Nuala Geary, Stephen Holt and Georgia Taylor

LEAD MEMBERS Councillor Nick Bennett

ALSO PRESENT Ros Parker, Chief Operating Officer
Ian Gutsell, Chief Finance Officer
Russell Banks, Chief Internal Auditor
Nigel Chilcott, Audit Manager
Mark Winton, Audit Manager – Delivery

Andy Conlan, Grant Thornton UK LLP

34. MINUTES OF THE PREVIOUS MEETING

34.1 The Committee RESOLVED to agree the minutes as a correct record of the meeting held on 18 November 2022.

35. APOLOGIES FOR ABSENCE

35.1 Apologies were received from Councillor Matthew Milligan.

36. DISCLOSURES OF INTERESTS

36.1 There were none.

37. URGENT ITEMS

37.1 There were none.

38. REPORTS

38.1 Reports referred to in the minutes below are contained in the minute book.

39. AUDITOR'S ANNUAL (VFM) REPORT ON EAST SUSSEX COUNTY COUNCIL 2021/22

39.1 The Committee considered a report by the Chief Finance Officer which presented the External Auditor's report on the County Council's Value for Money arrangements.

39.2 The Committee discussed recommendation 1.1 in Auditor's Annual Report on East Sussex County Council and the challenges around implementing a longer term medium term financial plan (MTFP) horizon since national allocations of some funding streams are only known until 2024/25.

39.3 The Committee noted that detail around the self-assessment for the Audit Committee mentioned in recommendation 2.1 of the report will be presented to the Audit Committee for consideration at the next meeting in July 2023.

39.4 The Committee noted that 2023 is the second year that a separate value for money report had been presented to the Committee and the report will continue to evolve year on year to provide more detail regarding measures, benchmarking and a wider understanding regarding improving economy, efficiency and effectiveness.

39.5 The Committee RESOLVED to note the report.

40. EXTERNAL AUDIT PROGRESS UPDATE 2021/22

40.1 The Committee considered a report and supplementary report by the Chief Finance Officer which provided a progress update on the external auditor's (Grant Thornton UK LLP) 2021/22 audits.

40.2 The Committee discussed the national challenge of outstanding local authority audit opinions, the impact of the delays and the predicted timescale for final sign off of audit reports.

40.3 The Committee noted that due to the delays, the external audit plan for the East Sussex Pension Fund will be considered by the Pension Board and Pension Committee before the Audit Committee consider the report in July 2023 along with the external audit plan for 2022/23 and the annual audit letter 2020/21.

40.4 The Committee RESOLVED to note the update and supplementary report.

41. INTERNAL AUDIT PROGRESS REPORT - QUARTER 3 (01/07/22 - 31/12/22)

41.1 The Committee considered a report by the Chief Operating Officer which set out the Internal Audit team's work during Quarter 3.

41.2 The Committee discussed a follow-up audit regarding council vehicle use which was given an unchanged opinion of partial assurance following an initial opinion of partial assurance in 2020/21.

41.3 The Committee noted that a report into the council vehicle use audit and another audit within the same directorate with an unchanged opinion of partial assurance at the follow-up audit will be presented by the Director of Communities, Economy and Transport to the Audit Committee for consideration in July 2023.

41.4 The Committee RESOLVED to note the report.

42. INTERNAL AUDIT STRATEGY AND 2023/24 ANNUAL AUDIT PLAN

42.1 The Committee considered a report by the Chief Operating Officer which presented the Internal Audit Strategy and detailed Internal Audit Plan for 2023/24, together with the Internal Audit Charter.

42.2 The Committee discussed how Internal Audit could provide assurance during future major contract transitions.

42.3 The Committee RESOLVED to:

- 1) Endorse the Council's Internal Audit Strategy and 2023/24 Annual Audit Plan; and
- 2) Endorse the Internal Audit Charter.

43. ORBIS INTERNAL AUDIT - INDEPENDENT EXTERNAL ASSESSMENT REPORT

43.1 The Committee considered a report by the Chief Operating Officer which presented the report from the Chartered Institute of Internal Auditors following its independent external assessment of Orbis Internal Audit against the Public Sector Internal Audit Standards (PSIAS).

43.2 The Committee commended the Internal Audit team for achieving the highest level of conformance available against professional standards with no areas of non-compliance identified and therefore no formal recommendations for improvement arising.

43.3 The Committee RESOLVED to note the findings from the report, including those areas identified where opportunities for further improvement may exist for the future.

44. STRATEGIC RISK MONITORING QUARTER 3 2022/23

44.1 The Committee considered a report by the Chief Operating Officer which presented current strategic risks faced by the Council, their status and risk controls and responses together with the current Risk Management process.

44.2 The Committee noted the updates to risk definitions and risk ratings since quarter 1 and noted that Risk 14 (Post European Union (EU) Transition) has been removed from the Risk Register.

44.3 The Committee RESOLVED to:

- 1) Note the process of strategic risk management; and
- 2) Note the current strategic risks and the risk controls / responses being proposed and implemented by Chief Officers.

45. AUDIT COMMITTEE MBOS SUB GROUP UPDATE

45.1 The Committee considered a report by the Chief Operating Officer setting out a summary of the last meeting of the MBOS Sub-Group of the Audit Committee which took place in November 2022 and further updates from the MBOS programme following that meeting.

45.2 The Committee RESOLVED to note that the Committee's MBOS Sub-Group has regularly reviewed the Council's Modernising Back Office Systems (MBOS) programme.

46. AUDIT COMMITTEE - FUTURE WORK PROGRAMME

46.1 The Committee considered its current work programme of forthcoming items.

46.2 The Committee RESOLVED to note the programme.

The meeting ended at 11.56 am.

Chair

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Report to: **Audit Committee**

Date: **7 July 2023**

By: **Assistant Chief Executive**

Title of report: **Assessment of the Corporate Governance Framework and Annual Governance Statement for 2022/23**

Purpose of report: **To consider the draft report to the Governance Committee on the Annual Assessment of the Corporate Governance Framework and Annual Governance Statement.**

RECOMMENDATION:

The Committee is recommended to:

- 1. consider the draft report to the Governance Committee and its appendices (set out in Appendix A); and**
 - 2. confirm whether there are any changes to the Annual Governance Statement that the Committee wishes to recommend to the Governance Committee.**
-

1. Supporting Information

1.1 Under its terms of reference, it is the role of this Committee: "To review the Council's assurance statements, including the Annual Governance Statement, ensuring that they properly reflect the risk environment, and any actions required to improve it."

1.2 The Council publishes its Annual Governance Statement (AGS) in compliance with the requirements of the Accounts and Audit Regulations 2015. It is also reported separately to the Governance Committee as part of the Annual Assessment of the Corporate Governance Framework.

1.3 The draft Governance Committee report is attached as Appendix A, and the Annual Governance Statement is included as Appendix 1 to the draft report. Any comments the Committee wishes to make will be reported to the Governance Committee at its meeting on 18 July 2023. In reviewing the AGS report, Members should consider whether it properly reflects the Council's risk and internal control environment.

PHILIP BAKER

Assistant Chief Executive

Contact officers:

Russell Banks, Orbis Chief Internal Auditor, 07842 362739

Bekki Freeman, Solicitor, 07584 262522

Stuart McKeown, Member Services Manager, 01273 481583

Local Member: All

BACKGROUND DOCUMENTS

None

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Committee: **Governance Committee**
Date: **18 July 2023**
Title of report: **Assessment of the Corporate Governance Framework for 2022-23**
By: **Assistant Chief Executive**
Purpose of report: **To (i) provide information on compliance with the Council's code of corporate governance and any changes to it that may be necessary to maintain it and ensure its effectiveness in practice; and (ii) gain approval of the Council's Annual Governance Statement in compliance with the requirements of the Accounts and Audit Regulations 2015.**

RECOMMENDATIONS: The Governance Committee is recommended to:

- 1. approve the action plan for 2023/24 as set out in Annex E of Appendix 1;**
 - 2. note that actions identified to enhance governance arrangements are reflected in Business Plans and that implementation will be monitored throughout the year;**
 - 3. confirm that Members are satisfied with the level of assurance provided to them through this report and the Council's governance framework and processes;**
 - 4. consider any comments from the Audit Committee;**
 - 5. identify any significant governance issues that should be included in the Council's Annual Governance Statement;**
 - 6. approve the draft Annual Governance Statement for signature by the Leader and the Chief Executive and publication within the Statement of Accounts; and**
 - 7. approve the Local Code of Corporate Governance for 2023/24.**
-

1. Supporting Information

1.1 The corporate governance framework reflects both legislative and regulatory change and is based on revised guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Chief Executives and Senior Managers (SOLACE).

1.2 The Accounts and Audit Regulations 2015 require the Council to ensure that it has in place a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for risk management. The Council is required to conduct an annual review of the effectiveness of its system of internal control and to prepare an Annual Governance Statement (AGS) in accordance with proper practices in relation to internal control to accompany its Statement of Accounts.

1.3 The production of an AGS is the final stage of an ongoing process of review of our governance arrangements including risk management and internal control. In summary the process must involve an organisation reviewing the adequacy of its governance arrangements, developing an action plan for improving those arrangements and communicating the framework to users and stakeholders.

2. Assessment of the Corporate Governance Framework for 2022-23

2.1 The main policies and strategies that make up the Council's corporate governance framework are set out in the Local Code of Corporate Governance attached as Annex C to Appendix 1. The Local Code of Corporate Governance was updated to reflect the revised CIPFA/SOLACE Framework that was published during 2016 and was agreed by the Governance Committee in March 2017. The Council's Local Code of Corporate Governance sets out the main principles of good governance for the Council. The Code is based on existing good practice and the core principles of the CIPFA/SOLACE framework.

2.2 The CIPFA/SOLACE framework defines the principles that should underpin the governance of local councils. To achieve good governance the Council should be able to demonstrate that its governance structures comply with the core principles contained in the framework. It has therefore developed and maintained a Local Code of Governance including the core principles set out in the framework.

2.3 The seven principles included in the framework are:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- Ensuring openness and comprehensive stakeholder engagement;
- Defining outcomes in terms of sustainable economic, social and environmental benefits;
- Determining the interventions necessary to optimise the achievement of the intended outcomes;
- Developing the entity's capacity, including the capability of its leadership and the individuals within it;
- Managing risks and performance through robust internal control and strong public financial management; and
- Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

2.4 The Council's corporate governance framework is underpinned by a number of key documents and processes and the Local Code of Corporate Governance reflects the CIPFA/SOLACE Framework with the seven (7) core principles of the Framework being included as the Council's principles of good governance. The main policies and processes that underpin the Council's corporate governance framework have been reviewed against the seven core principles as set out in Annex A of Appendix 1.

2.5 Annually, the Chief Internal Auditor is required to provide an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement and this is provided in the Internal Audit Annual Report and Opinion. Based on the internal audit work completed, the Orbis Chief Internal Auditor has provided reasonable assurance that the Council had in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2022 to 31 March 2023. A review of the AGS (Directorate Assurance Statements and Policy Review) was undertaken by Internal Audit during 2022/23 and an opinion of Substantial Assurance was given.

2.6 A review of the Council's governance arrangements for 2022/23 has been undertaken. Each document or process in the framework has been assessed and named officers have been required to provide an assurance as to whether the document is being complied with, the level of awareness of the document amongst staff and stakeholders, whether it reflects Council policy and best practice, and arrangements for reviewing it. Where further improvements are identified these are set out within Annex E to Appendix 1 and form part of departmental business plans for the year ahead.

2.7 In addition, all Chief Officers have signed their own Directorate Assurance Statement confirming that proper governance arrangements, effective risk management and a sound system of internal control are in place within their department. They are also asked to identify any exceptions and any actions being taken to address them. These actions will also be monitored through the relevant business plans. The Chief Finance Officer has signed an Assurance Statement regarding the Council's governance arrangements.

2.8 The overall corporate governance assessment and review of effectiveness has also been informed by the sources of assurance set out in Annex A to Appendix 1. As part of the assurance gathering process, the CIPFA/SOLACE guidance on corporate governance was taken into account and is reflected in the Local Code.

3. Annual Governance Statement

3.1 A draft AGS from the Leader of the Council and the Chief Executive is attached at Appendix 1. It includes the mandatory disclosure of any significant governance issues identified through the Council's governance and internal control arrangements.

3.2 Sound corporate governance is crucial if the Council is to continue to provide leadership, direction and control. It is important that Members are aware of the documents and activities that work together to provide assurances about the Council's governance measures in place. The AGS provides an opportunity for the Council to assess and report transparently to the public how it ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

3.3 The Governance Committee is therefore recommended to:

- approve the action plan for 2023/24 as set out in Annex E of Appendix 1;
- note that actions identified to enhance governance arrangements are reflected in Business Plans and that implementation will be monitored throughout the year;
- confirm that Members are satisfied with the level of assurance provided to them through this report and the Council's governance framework and processes;
- consider any comments from the Audit Committee;
- identify any significant governance issues that should be included in the Council's Annual Governance Statement;
- approve the draft Annual Governance Statement for signature by the Leader and the Chief Executive and publication within the Statement of Accounts; and
- approve the Local Code of Corporate Governance for 2023/24.

PHILIP BAKER
Assistant Chief Executive

Contact officers:

Russell Banks, Orbis Chief Internal Auditor, 07842 362739

Bekki Freeman, Solicitor 07584 262522

Stuart McKeown, Member Services Manager, 01273 481583

Local Member: All

BACKGROUND DOCUMENTS: Pro formas returned by document "owners" setting out whether the various codes, policies and strategies are being complied with.

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East Sussex County Council Annual Governance Statement 2022/23

Executive Summary

The Annual Governance Statement (AGS) explains the processes and systems which give assurance for the effectiveness of the County Council's discharge of its responsibilities. It covers the period 1 April 2022 to 31 March 2023.

A summary of assurance is given for each of the seven principles on which the Statement is based.

The Purpose of the Governance Assurance Framework

1. East Sussex County Council (the 'Council') is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.
2. In discharging this overall responsibility, County Councillors ('Members') and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs, the effective exercise of its functions, the management of risk and the stewardship of the resources at its disposal. To this end, the Council has approved and adopted a Local Code of Corporate Governance (the 'Local Code'), which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA)/ Society of Local Authority Chief Executives and Senior Managers (SOLACE) Framework Delivering Good Governance in Local Government. A copy of the Local Code is on our website and is set out in Annex C. This Statement also sets out how the Council has complied with its Local Code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.
3. Good governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Our governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled. Through effective governance the Council is accountable to, engages with and, where appropriate, leads the community.
4. The Local Code can provide only reasonable and not absolute assurance that the Council achieves its aim of good governance. Equally, the Council's system of internal control is designed to identify and prioritise the risks to the achievement of our policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and to manage those risks efficiently, effectively and economically. It cannot eliminate all risk of failure; it can therefore only provide reasonable and not absolute assurance that our policies, aims and objectives are achieved.
5. The Local Code and the system of internal control have been in place at the Council for the year ended 31 March 2023 and up to the date of the approval of the statement of accounts.
6. The East Sussex County Council Framework for the Annual Governance Statement is set out at Annex D.

Review of effectiveness

7. The Council reviews the effectiveness of its governance arrangements, including its system of internal control, on an ongoing basis. This review of effectiveness is informed by:
 - the work of Members through the Cabinet, Committees (including Governance Committee, Standards Committee, Audit Committee, Scrutiny Committees) generally and the full Council;
 - the work of Chief Officers and managers within the Council, who have primary responsibility for the development and maintenance of the internal control environment;
 - the work of the Chief Executive, Monitoring Officer, Chief Finance Officer and the Statutory Officers Group (SOG);
 - the risk management arrangements, including the maintenance and regular review of strategic risks by Chief Officers and departmental risks by management teams;
 - the work of the internal audit service including their quarterly progress reports, ongoing action tracking arrangements and overall annual report and opinion;
 - the external auditors in their audit annual letter and annual governance report;
 - the judgements of a range of external inspection and other statutory bodies including the Local Government and Social Care Ombudsman, the Care Quality Commission and the Office for Standards in Education.

Key elements of the governance and internal control environments

8. The key elements that comprise the Council's governance arrangements are set out in the Local Code and they include:
 - a Council Plan that sets out our vision for the community and the outcomes we intend to achieve;
 - an established medium term planning process including the process for reconciling policy priorities with financial resources, which takes account of performance and the need to improve both customer focus and efficiency;
 - a business planning and performance management framework which includes setting clear objectives and targets, both financial and otherwise;
 - regular reporting of performance against the Council's key objectives, as set out in the Council Plan, to officers and Members;
 - established budgeting systems, clear budget management guidance and regular reporting of financial performance against budget forecasts to officers and Members;
 - financial management structures which promote ownership of financial issues within service departments;
 - compliance with CIPFA's Statement on the Role of the Chief Finance Officer;
 - the Council's constitution which sets out clear arrangements for decision-making, scrutiny, communication and the delegation of powers to officers and Members;
 - codes of conduct for Members and employees which set out clear expectations for standards of behaviour;
 - a clear framework for financial governance based on Procurement and Contract Standing Orders, Financial Regulations and Standard Financial Procedures;
 - a risk management framework, which takes account of both strategic and operational risks and ensures that they are appropriately managed and controlled;

- Member committees with clear responsibilities for governance, audit and standards;
- established arrangements for dealing with complaints and whistleblowing, and combating fraud and corruption;
- schemes for identifying the development needs of Members and officers, supported by appropriate training;
- strategies for communication and consultation with the people of East Sussex and our key stakeholders;
- clear guidance that promotes good governance in our partnership working;
- a range of policies and processes designed to ensure best practice and legal compliance for personnel matters, ICT security, access to information, data protection and project management.

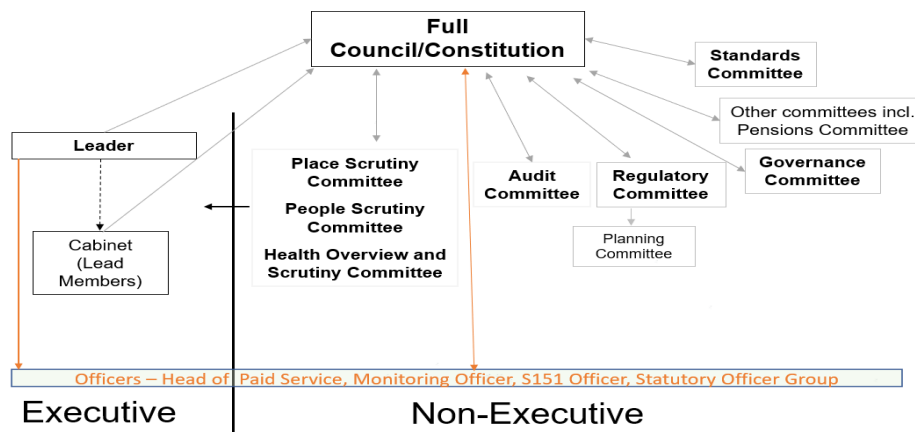
The Governance Assurance Framework Principles

9. There are seven principles and sub-principles of Corporate Governance adopted by the Council, as set out below. Assurance for how they are met is provided in the text below each principle in this Statement. Whilst descriptions of how the principles are met are included in each section, this Statement should be viewed in its entirety as there is overlap between the principles and how they are met. Further work to be done is highlighted and set out at Annex E.

| Principle | Description of Principle |
|------------------|--|
| A | Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law. |
| B | Ensuring openness and comprehensive stakeholder engagement. |
| C | Defining outcomes in terms of sustainable economic, social and environmental benefits. |
| D | Determining the interventions necessary to optimize the achievement of the intended outcomes. |
| E | Developing the entity's capacity including the capability of its leadership and the individuals within it. |
| F | Managing risks and performance through robust internal control and strong public financial management. |
| G | Implementing good practices in transparency, reporting and audit to deliver effective accountability. |

The County Council's Governance Framework

10. The governance framework covers the allocation of functions, the rules for how they are carried out and the mechanisms for tracking that this happens correctly. The relationship of responsibilities is shown here:



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

Assured

The Council has high standards for sound governance as set out in law and government guidance. It promotes a culture of compliance.

The Council's codes of conduct set out expectations and requirements for behaving with integrity for both Members and officers. Action was taken to promote these and provide assurance that they continue to be implemented fully and correctly.

11. The Governance Committee oversees the democratic arrangements of the Council and reviews and advises Full Council on the Constitution. The Responsibility for Functions (including the Scheme of Delegation) and Standing Orders require Members and officers to ensure that all decisions are compliant with internal policies and procedures, as well as with the law. These help ensure transparent decision-making, giving authority and certainty to the allocation of responsibilities as set out in the Constitution.
12. Part 5 of the Constitution contains the Code of Conduct for Members. A parallel Code of Conduct for officers sits in the suite of employee policies. The Council has also adopted policies relating to responsibilities for ethical behaviour including equality and sustainability, such as the Equality of Opportunity and Diversity Policy Statement. Decision-making is supported by advice from officers and internal guidance that should ensure compliance with these policies.
13. The statutory roles of the Chief Financial Officer (s.151 officer) and the Monitoring Officer are set out in the Constitution and in the scheme of delegation. They provide oversight of propriety and lawfulness. They have a direct reporting line to the Chief Executive and are involved in all major decision-making as part of the Corporate Management Team, as well as being signatories to all key and other significant decisions.
14. The codes of conduct define the standards of behaviour for Members and officers. All Members undertake training from the Monitoring Officer on the Member Code of

Conduct. Member conduct is monitored by the Standards Committee, which has a remit to deal with complaints of breaches of the Member Code of Conduct. All Members complete the register of interests and receive quarterly reminders on the subject of personal interest declarations, and it is a standing item on all formal meeting agendas for both officers and Members. In relation to the appointment of Members to outside bodies, the Council will avoid structural conflict of interests where possible.

15. The Council has a whistleblowing policy to offer a route for challenges to processes or actions within the Council where complainants need confidentiality. The use and effectiveness of the policy is overseen by the SOG made up of the Chief Executive, Monitoring Officer, Chief Finance Officer, Chief Internal Auditor, Assistant Director for HR, and the Chief Operating Officer.
16. A system for recording officer interests, including gifts and hospitality, is in place and kept under review. A review of the system was undertaken in 2020 and actions were identified to improve the current system. The system was purchased from an external company who developed the operating software which no longer supports the software. The Council is in the process of implementing a new Enterprise Resource Planning software system as part of the Modernising Back Office Systems (MBOS) programme and it is hoped that the new system will address the issues identified with the current system. The SOG receives regular reports on the system and the progress on implementing the actions identified.
17. The Council's Procurement and Contract Standing Orders and the Financial Regulations and Procedures provide rules for lawful and sound processes for contract and spending decisions. These are managed by the Chief Operating Officer, Monitoring Officer, and Chief Financial Officer in consultation with the Governance Committee. These Standing Orders help ensure transparency and a Governance framework in relation to how decisions are made.
18. The Officer Scheme of Delegation is held under regular review by the Chief Executive and the Monitoring Officer, with any new delegations needing the agreement of the Leader of the Council (for executive functions) or the Governance Committee (for non-executive functions).

Section B: Ensuring openness and comprehensive stakeholder engagement

Assured

The Council exists to serve its residents and is dependent on a wide range of stakeholders for working effectively in partnership.

Consultation and engagement mechanisms are in place and are used effectively.

The Council has clear decision-making processes and rules and procedures to enforce them which emphasise openness and transparency.

Decision-making and Scrutiny

19. The Council is the principal decision-making body and forum for political debate. All Council meetings take place in public and are webcast. The Council sets the strategic aims that form the Policy Framework and determines the Council's budget following a well-developed process of Member engagement and scrutiny.

20. The Executive (Cabinet) takes decisions on most matters of Council policy and service delivery. The non-executive responsibilities of the Council are discharged through its non-executive committees as described in the Constitution. The Council appoints Members to Scrutiny Committees, by which Cabinet is held to account through Member overview and scrutiny. Scrutiny Committees are politically proportionate. Chairs and Vice-Chairs are appointed by Full Council. Influential scrutiny is achieved by ensuring the Scrutiny Committee's involvement in the Reconciling Policy, Performance and Resources (RPPR) process and having significant decisions or proposals previewed. Proposals may also be called in for scrutiny after a decision has been proposed in final form. The Council has determined that all Scrutiny Committee meetings take place in public and be webcast. An overview and summary of the work of the Scrutiny Committees is reported to the Governance Committee on a 6 monthly basis.
21. The Forward Plan describes all significant (key) decisions planned to be taken in the following four months and is published and updated at least monthly. The Forward Plan is used by Scrutiny Committees to help plan business. As decisions become more significant in terms of service changes and savings proposals there is a greater need to ensure early awareness by, and engagement with, all Members.
22. Decision-making operates with a presumption of openness. Cabinet, Lead Member and committee meetings are held in public. Members of the public can subscribe to email updates on Council committee meetings in which they have expressed an interest. Agendas and reports for Cabinet and committee meetings, unless considered exempt from publication, are published at least five clear working days in advance - exceptions are explained in public documents.
23. Decisions and agendas are held on the Council's website. The content management system, Modern.Gov, is the principal method of publishing the Forward Plan, decisions, agendas, and minutes. Members and staff have portable devices which can easily access Modern.gov information. The Constitution also prescribes the rules and constraints around urgent decisions (including those not notified in the Forward Plan). Key decisions taken under special urgency provisions (as set out in the Constitution) are reported to the Council. The report to the Council includes a summary of the decisions taken under these provisions.
24. To retain the benefits identified through remote meetings, the Council has agreed the following measures, which are permitted under existing legislation:

Full Council - All Council Members must attend in person.

Cabinet - all Members of the Cabinet must attend in person. Officers and other Members (including opposition spokespersons and local Members), as well as petitioners are permitted (with the agreement of the Chair) to attend and speak remotely.

Planning Committee - All Members of the Committee must attend in person. Officers and members of the public or local Members making representations are permitted to attend remotely.

At the Council's **Panels and Committees** (including Governance Committee, Pension Committee, Scrutiny Committees, Audit Committee and Health and Wellbeing Board) - Committee and Panel Members must be present in person (unless legally permitted to attend remotely). Other participants, including officers and advisors, may attend remotely.

Pension Board - may be wholly remote or a hybrid meeting with some Members present physically and others remotely at the Chair's discretion.

Lead Member decisions are not subject to the same legislation that applies to the majority of Council and committee meetings (i.e., that requires the Members of those committees to meet in person). The Council agreed that Lead Member decisions can continue to be made remotely on an ongoing basis, subject to the discretion of the Lead Member to hold a physical meeting if preferred. Other Members, with the agreement of the Lead Member, are able to attend and speak virtually at Lead Member meetings, whether the meeting itself is a remote or a physical meeting. All Lead Member meetings held remotely are webcast to facilitate public access and provision is made at County Hall for those members of the public who may not have access to the webcast to be able to watch it.

25. These changes have, where appropriate, been reflected through updates to the Constitution approved by the Governance Committee. Currently no long-term changes have been included in Regulations from the government.
26. Communication to the public is via the Council's website, in public meetings, and through social media. The Council's corporate website has been updated with new page templates to ensure it is modern, easy to use, and meets new legal requirements to ensure content is accessible to as many people as possible. A transition to the new, accessible corporate pages was completed in May 2022. Work is also continuing to make all historical websites, microsites and applications meet accessibility requirements. Given the size of the Council's web estate, this is expected to take some time.

Stakeholders and Partnership

27. The Council works with a range of stakeholders. This includes a range of public bodies, local authorities, the NHS, and Sussex Police. Other tiers of local government are important partners in many areas of service delivery, strategic planning, and community development. There are both formal and informal forums in place for regular liaison with elected Members and senior officers in the district and borough councils, including regular meetings of all the leaders of the councils (East Sussex Joint Leaders Meetings), to discuss issues of common interest, and regular meetings of all chief executives, including the Chief Fire Officer, Chief Superintendent and the Chief Executive of East Sussex College Group (East Sussex Chief Executives Group). The Leader and Chief Executive of the Council are members of the East Sussex Strategic Partnership, which brings together public services, local businesses, community groups, and Voluntary, Community and Social Enterprise (VCSE) sector organisations to work together in a co-ordinated way to plan local services, tackle issues that matter to residents, and improve quality of life in East Sussex.
28. Regular meetings with other partners, most notably the NHS Clinical Commissioning Group and local NHS Providers, are held at various levels between officers to oversee operational, commissioning and service planning. For several years the Council has operated a joint service commissioning and pooled budget agreement with the NHS to cover a range of social care and NHS services, principally through the Better Care Fund.
29. Due to changes in NHS configuration, including the creation of a pan-Sussex Integrated Care System (ICS) to replace Clinical Commissioning Groups and the formation of an Integrated Care Partnership (ICP), revised member representation on these groups has been confirmed prior to commencing in July 2022. The Leader of the Council is a

member of the statutory Sussex Health and Care Assembly (the ICP) in his role as Chair of the East Sussex Health and Wellbeing Board, the principal forum for health and social care liaison and partnership. By agreement of the Chief Executives of each of the Councils, the three upper tier Councils in Sussex (namely East Sussex County Council, West Sussex County Council and Brighton and Hove City Council) are represented on the NHS Sussex Integrated Care Board (the ICB) by the ESCC Director of Adult Social Care and Health, the BHCC Director of Children's Services and the WSCC Director of Public Health. Each Officer provides a collective view from their professional peers drawn from across all three councils.

30. The systems and arrangements for joint commissioning on an East Sussex and pan-Sussex basis were reviewed during 2022/23. The terms of reference and membership of the Health and Wellbeing Board were updated in July 2022 and again in September 2022 to reflect the new NHS statutory arrangements and the membership changes this required. The Board monitors the progress being made through integrated working between the local NHS, East Sussex County Council and wider partners in the district and borough councils and the VCSE sector. During 2022/23 members of the HWB worked together to lead and agree a refresh of our five-year rolling strategy 'Healthy Lives, Healthy People' (2022 - 2027), which was approved by the HWB in July 2022. A set of shared priorities are governed as four strategic integration programmes all aimed at delivering improved health, care and wellbeing and reduced health inequalities, based on the needs of our population. A specific emphasis is given to increasing prevention and early intervention and delivering personalised, integrated care across services for children and young people, mental health and community services for adults and older people with long term complex care needs and multiple conditions. Work in these programmes also supports improved delivery of NHS objectives for urgent care and planned care and greater access to service availability locally. The programmes are delivered by the East Sussex Health and Care Partnership which brings together the local NHS, ESCC, and voluntary and community sector and district and borough council partners.
31. Building on this between August 2022 - December 2022 the shared overarching Sussex Integrated Care Strategy 'Improving Lives Together' was developed. This was built on the three Joint Strategic Needs Assessments and HWB Strategies for the populations of East Sussex, West Sussex and Brighton and Hove, as the three Places in the Sussex ICB footprint, and aligns around a shared vision for communities supported by a critical focus on priorities for our workforce, the use of IT and digital and health and wellbeing across the whole life course, and particularly the early years of life. As a result, the East Sussex HWB was able to fully endorse Improving Lives Together on 13 December, prior to the wider Sussex Assembly approving it on 14 December 2022.
32. The Council has set out its commitment to working in partnership with residents, businesses, communities, the VCSE sector, and local authority partners through a number of initiatives. It has a set of partnership principles with the VCSE sector for the commitment to more effective ways of working together, building stronger alliances, and empowering joint action.

Consultation and engagement in East Sussex

33. The Council is committed to working with residents, businesses, communities, service users, and partners to help prioritise what it does, to give them a say over the approach and to have the chance to get involved in delivery and change. This requires sound arrangements for engagement and consultation.

34. The Council uses a variety of ways to engage residents and other stakeholders - publications (printed and digital), press releases and social media to keep people informed of plans or decisions, and engagement via questionnaires, public events, workshops, focus groups, satisfaction surveys and feedback forms.
35. The Council is developing a communications strategy setting out how ESCC's communications are designed to support the council's priority outcomes and keep residents well informed of services, information and activities that may be useful to them, which will be available for public inspection.
36. Consultation and Engagement Quality Assurance is managed within departments. Services must develop projects which are robust and produce reliable valid data upon which decisions can be made.

Formal consultation

37. Formal consultation will generally only be undertaken where there is a statutory duty or legitimate expectation and where there is a service or policy need to do so. Consultations are carried out in accordance with current national Consultation Principles guidance and, where applicable, the Council's 'Statement of Community Involvement'. Individual services are required to maintain open channels of communication with relevant stakeholder groups and representative bodies where relevant to service planning.
38. All formal public consultations and engagement projects are made accessible online using the 'Citizen Space' consultation hub software. Other formats are available on request. They are also published on the Council's News and Press Release webpages. The Council ensures compliance with the public sector equality duty when processing and securing formal key decisions. The Council has taken steps to improve consistency and appropriateness of use of Equality Impact Assessments, and the template documentation for Key Decisions has been updated to include a prompt for officers to consider Equality implications. Further attention is required to ensure consistent compliance across all types of decisions.
39. The information gathered is analysed and considered as part of the decision-making process. Analysis reports and decisions are made available on the 'Citizen Space' engagement hub webpages as a means of ensuring clarity and increasing public trust in decision-making processes.
40. All elected Members, as part of their induction, were offered Equality, Diversity, and Inclusion in Leadership training to enable them to recognise the considerations that underpin fair decision-making in the Council and to ensure they can fulfil their legal obligations under the Equality Act 2010. All elected Members, as part of their induction, were offered "Let's Talk Equality" training which explored language and terminology around equality characteristics as well as training on Census 2021 equality data.
41. The Council has established a new Corporate Equality Board, the purpose of which is to champion and support the integration of Equality, Diversity and Inclusion in day-to-day business throughout the Council's services and to help secure its vision of creating services that understand and effectively respond to our local communities. The Board meets every two months and is chaired by the Assistant Chief Executive. Through the Board, the Council has developed an Equality, Diversity & Inclusion Action Plan for the period 2023-24. The Action Plan defines the next important steps the Council will take to embed Equality, Diversity and Inclusion into our culture and business as usual. It covers four themes:

- Leadership on equality and demonstrating commitment;
- Using data and engagement effectively to make improvements;
- Quality services taking into account diverse needs of local people;
- Diverse workforce with equality confidence, knowledge and skills.

The Council has adopted new equality objectives as part of our public sector equality duty compliance.

42. The Council has a Petitions Scheme describing how petitions from residents are dealt with by the Council. These enable a petitioner to speak with a Cabinet Member or at a committee, or to the Council if prescribed thresholds for signatures are reached. A response is made to each petition, explaining what the Council will or will not do in response.

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

Assured

The Council has established arrangements to define outcomes and monitor performance against agreed measures. These cover the strategic aims for supporting the economy, complement the social value policy of the Council and are built against a theme to address sustainability to support the Council's climate change commitments.

In setting policies and strategies, the Council takes a long-term view of outcomes, taking into account sustainable economic, social, and environmental aims and has effective, comprehensive performance monitoring in place.

The corporate document 'the Council Plan' was adopted by the Council in February 2023. The Plan covers the period 2023-26 and performance has and will continue to be monitored in a structured, timely and transparent way by the leadership team, by Cabinet Members and through Scrutiny Committees.

43. The Council Plan 2023-2024 outlines the priorities for the Council over the next three years and how they are to be assessed in terms of delivery and measures to monitor performance. It was agreed by Full Council in February 2023 and is subject to quarterly performance monitoring by Cabinet and Full Council. The Council Plan was developed by the Cabinet and Corporate Management Team with the engagement of elected Members, Scrutiny Committees, and officers at all levels. Measures and targets were developed and approved as part of the agreed plan and are published online as well as being reported and scrutinised in public.
44. Active monitoring of performance is undertaken through regular reviews of business plans and with all staff through individual staff performance conversations. These arrangements link to performance and regular reviews of business plans. The Cabinet reviews the Quarterly Monitoring Report on a quarterly basis and this is reported to Full Council.
45. The Council is committed to championing the economy of the area. One of its priorities is to ensure East Sussex is a prosperous place and for the County to continue to thrive through supporting businesses. The County Council is developing with partners a new Growth Strategy for East Sussex. The previous Growth Strategy covered the period between 2014 and 2020, and was followed by an Economy Recovery Plan which was a

short term plan to aid the recovery of the East Sussex economy following the Covid 19 pandemic. The new strategy will need to consider and take account of a number of factors before it is finalised, and an action plan is developed.

46. The factors are numerous and wide-ranging, and include:

- cost of living challenges brought about by a downturn in the UK economy and rising energy prices;
- the longer term impacts of the pandemic on working patterns and productivity;
- tackling climate change, decarbonising economic sectors to reduce emissions;
- a lack of available, and suitably skilled workers in most sectors; and
- a changing landscape of Government funding programmes for economic development.

The new Growth Strategy will be developed in partnership, principally with Team East Sussex, the de facto growth board for the county. The board has representatives from the business community, District & Borough Councils, skills and education providers and the voluntary and community sector.

47. Following the Council's Notice of Motion on climate change, agreed in September 2019, a Climate Emergency Plan was formulated with the aim for the organisation to achieve carbon neutrality from its activities as soon as possible and in any event by 2050. A [revised climate action plan for the period 2022-25](#) was adopted in February 2023 after Member engagement and scrutiny.
48. An internal Officer Climate Emergency Board is in place to lead and oversee the delivery of our climate change action plan. The Board reports on progress each year to Full Council. A dedicated budget of £9.587 is in place to deliver the action plan, supplemented by £1.9m of successful bids for external funding.
49. In 2022-23, the Council's climate programme was the subject of an Orbis internal audit report. The report concluded 'Partial Assurance' in respect of the climate change governance and project management arrangements in place, identifying several key risks. The Climate Emergency Board are monitoring these risks via the quarterly reporting process for the Climate Emergency Plan.
50. The creation of the Council Plan 2023/24 is underpinned by the ambitions of the Council in responding to the challenges of climate change. All Directorates have reflected this ambition in their 2022-23 Portfolio Plans with a view to embedding the ownership of climate change activity across the organisation. Quarterly reporting to Cabinet and monthly management reporting (internal) will highlight progress on key climate change indicators.
51. The Council adopted a new Social Value Policy in September 2022 which seeks to infuse Social Value into the Council's culture through Good Commissioning, Good Procurement and Good Contract Management. To help bring the policy to life and promote best practice, a Social Value Review Group has been established which consists of a group of subject matter experts that are able to identify the needs of the local communities and establish strategies to help us meet those needs. This enables the Council to deliver real, meaningful value to local communities and residents.
52. The Place Scrutiny Committee carried out a Scrutiny Review of Procurement in 2022/23 which focussed on Social Value and 'Buying Local' policies and procedures. The Review considered a wide range of evidence and was also able to comment on and endorse the Social Value Policy. The Review found that a great deal of work has been undertaken

to make sure the Council's Social Value requirements are well understood and considered at an early stage of the procurement process, and that the Buying Local policy area and processes are well developed and meeting the Council's targets.

53. The Review made nine recommendations for improvements to the Council's approach to Social Value which include: continued engagement and training on social value requirements; improvements in monitoring the delivery of social value commitments; changes to strengthen linkages between social value requirements and achieving the Council's objectives; changes in the Council's approach to carbon reduction and climate change measures; and a recommendation to conduct a trial with the Adult Social Care and Health department to pilot a more qualitative approach to measuring social value, which may have benefits for the Council, local communities, our Voluntary, Community and Social Enterprise partners.

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| SECTION D: Determining the interventions necessary to optimise the achievement of the intended outcomes |
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| <p>The Council takes decisions on interventions based on the priorities agreed in the Council Plan. In areas identified for improvement systems for governance, oversight, and scrutiny of interventions will continue to be given particular focus.</p> |
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54. All Directorates are expected to prepare and monitor Portfolio Plans which set out the actions required to meet the outcomes set in the Council Plan and the measures, targets and milestones used to monitor their delivery. These are in place and progress is reviewed regularly by Departmental Management Teams (DMTs) alongside financial performance and the directorate's risk register. The Portfolio Plans are refreshed each year as part of the annual update of the Council Plan.
55. The Quarterly Monitoring Report provides details of our performance against our objectives in the Council Plan. The Cabinet and Full Council review performance through quarterly monitoring and the work of the Scrutiny Committees and Audit Committee.
56. The Quarterly Monitoring Report provides an overview of performance against the agreed priorities within the Council Plan and tracks financial performance and our strategic risks to ensure intended outcomes are kept in focus and expenditure controlled. The Quarterly Monitoring Report focuses on the delivery of:
 - Council Plan and Performance Measures;
 - Medium Financial Term Strategy and in-year budget;
 - Strategic Risk Management.
57. Executive decision reports provide a public record of all significant decisions to implement service plans and spend. They are required to show the intended outcomes, the rationale for the proposal, implications for Council resources, other options considered, advice received, consultation undertaken and how risks are managed.
58. A number of officer boards chaired by senior officers ensure oversight of strategic areas of Council business on behalf of the Corporate Management Team. These boards co-ordinate subject matter expertise as well as overseeing arrangements for the delivery of priorities at an officer level, prior to Member consideration. They include the Corporate Equality Board, the Corporate Climate Emergency Board, the

Communications Management Board, the Corporate Digital Board, the Customer Experience Board, the Capital Board and the HR Management Board.

SECTION E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

Assured

Officers and Members are expected to have a clear sense of their purpose, roles, and responsibilities in line with the Council's vision and the suite of policies and processes which support it.

The Chief Executive and the Corporate Management Team manage the Council's workforce, skills and resource planning. All officers are expected to have their performance monitored and their development needs identified and addressed. Specific attention is paid to programmes for leadership development. Work continues to enable the Council's leaders to promote a positive and supportive culture and to provide the means of enhancing or reinforcing good leadership skills.

The Council launched a new leadership programme (Ladder to Leadership) in May 2022 to encourage junior/mid-level managers to develop the skills required for senior leadership positions. This included coaching, mentoring and masterclasses focussed on leadership styles and strategic leadership as well as the opportunity to work on inter-departmental projects. All senior leaders are also offered a series of masterclasses designed to support the development of Heads of Service and Assistant Directors. These masterclasses provide insight into key topic areas that are relevant for strategic leadership in the public sector.

A system is in place to ensure that all elected Members have an understanding of their roles and responsibilities when appointed or elected to particular positions within the Council. Members are expected to be able to fulfil the expectations and demands of their roles as local Members and those positions to which they may be appointed. Areas of focus for review are identified. Members have received training and support to help them to focus on the strategic nature of their roles.

59. Arrangements for the Council's Member appointments to specific roles are open and set out in the Constitution. The Council elects the Leader who decides the composition and responsibilities of the Cabinet. The Council makes appointments to all committees. Changes can be made at each Full Council meeting. All terms of reference are published. There is a system for reviewing and refreshing all constitutional terms of reference for committees and boards which transact Council business.
60. Member roles - Executive and non-executive roles are defined and published within the Constitution on the Council's website and as part of the Members' Area of the intranet. The Member induction and training programmes cover these roles. All Member development sessions have attendance and feedback recorded.
61. The knowledge and development needs of Members are identified and addressed through a cross-party Member Reference Group (MRG). The MRG oversees the delivery of a planned programme of development to meet Member training needs, taking into account Members' views on priorities through surveys and feedback. It reviews the impact of Member development work and identifies areas for improvement.

62. All Members have been provided with access to training sessions designed to help them focus on their strategic roles. Courses delivered include Audit, understanding the Council's Finances, the RPPR process, East Sussex Highways, Emergency Planning, the Local Transport Plan and various scrutiny sessions. Members also received training on their duties around Confidentiality and the Code of Conduct.
63. Specialist training is given to Members according to the roles they carry out. This includes training for Cabinet Members, Members appointed to the Scrutiny Committees and Members of the Regulatory Committee, Audit Committee, Planning Committee, Pensions Committee and Appeals Panels. Enhanced DBS checks are carried out for Members in Adult and Children's Services related roles, with an online training module also available. As part of the Member Induction, training was also provided to ensure awareness of Information Governance and data protection responsibilities as they apply to elected Members. Members also received guidance on cyber security.

Officers

64. Statutory roles include the designation of the Chief Executive as Head of Paid Service, the Assistant Chief Executive as the Monitoring Officer and the Chief Finance Officer as s.151 officer. Other critical statutory and leadership roles and their responsibilities are described in the Council's Constitution. These include the Director of Children's Services, the Director of Adult Social Care (ASC) and the Director of Public Health. All Directors are formally required each year to give assurance as to their compliance and that of their Service with a range of requirements and expectations of them as senior leaders within the Council.
65. All levels of management within the Council have a designated role profile and these profiles are accessible via the Council's intranet. Officers are given copies of their roles on appointment and are supported through induction training, their personal development review and supervision in understanding and developing their roles. Internally published HR procedures cover all aspects of performance and procedure to support managers.
66. Personal development priorities are agreed through a personal development review process. There is an established programme of induction training for new staff. Training is available increasingly through an online learning system. Leadership skills and development for senior officers is led by the Assistant Director of Human Resources and Organisational Development.
67. Issues of capacity and service resilience to ensure service effectiveness are covered through workforce planning as part of directorate business planning. Being an employer of choice is key to ensuring the Council can attract and retain the high calibre staff it needs. There are a number of initiatives underway that support this, including:
- the implementation of hybrid working arrangements as part of the Workstyles review;
 - the launch of a new employer recruitment brand - 'We Choose East Sussex';
 - a range of targeted recruitment and retention strategies including a 'Refer a Friend Scheme', 'Apprenticeships Incentives Policy', an updated relocation policy, salary sacrifice schemes, employee loans policy and financial wellbeing resources;
 - targeted actions such as the use of market supplements etc. for specifically identified job roles where a particular focus is needed;

- the development and adoption of the corporate Equality, Diversity and Inclusion Action Plan 2023/24 which includes a number of workforce specific actions to support having a diverse workforce.

SECTION F: Managing risks and performance through robust internal control and strong public financial management

Assured

Risk management is robust overall and risks are being considered during business planning and decision-making processes, corporately and across all services.

Service and corporate performance management has been addressed in earlier sections of the report.

The Council has robust internal financial controls in place, displays strong public financial management and operates systems to manage risks and performance in the most effective manner.

68. The Constitution sets out the rules to ensure robust internal control over the Council's finances. The system and arrangements for financial performance management and budget monitoring demonstrate sound internal monitoring and control and have formal and well published arrangements for Member and officer oversight and transparency.
69. The system of internal financial control is based upon a framework of comprehensive financial regulations and procedures which comply with the CIPFA 'Good Practice Guide for Financial Regulations in a modern English Council'. Control is maintained through regular management information, supervision and a structure of delegation and accountability. External audit of the Council's accounts in 2021/22 concluded that arrangements remained robust. The external audit for 2022/23 is in the process of being concluded so the opinion has not yet been given. The Council's financial management arrangements conform to the governance requirements of the CIPFA 'Statement on the Role of the Chief Financial Officer in Local Government 2010'. A continuous review is maintained. The Financial Regulations and Procedures are kept under review by the Chief Finance Officer.
70. In completing and signing the Directorate Assurance Statement, each Chief Officer reviews the effectiveness of governance arrangements, risk management processes and the system of internal control and considers:
 - The adequacy and effectiveness of management review processes;
 - The work of the department's management team and other managers and staff;
 - The regular review of the department's performance against both financial and non-financial targets;
 - Outcomes from the strategic and operational risk management processes;
 - The level of compliance with the Council's key policies and procedures;
 - Relevant internal audit reports and results of follow-ups regarding implementation of agreed actions in relation to audit findings; and
 - Outcomes from reviews of services by other bodies including our external auditors, inspectorates and other statutory and regulatory review bodies.
71. Evidence of assurance given is supplemented in the Annual Assurance Statement for each directorate. These include actions for improvement.

72. The officer scheme of delegation is critical for the effectiveness of controls of spending and performance. Directors are required to ensure and confirm the effectiveness of the scheme of officer authorisation and have worked with the Assistant Chief Executive to ensure that there is shared understanding of the operation of delegations and the need to continually review them.
73. The County Council annually reviews the effectiveness of its governance framework including the system of internal control. The review is informed by the Chief Internal Auditor's annual report and opinion 2022/23, by the external auditor and other agencies and inspectorates. These findings are brought together within this Statement and are reported annually to the Audit Committee. The Audit Committee undertakes the functions of an audit committee. This includes review of the work and findings of Internal Audit. The audit arrangements which support and reinforce financial controls and assurance are fully addressed under Principle G below.
74. The appropriate management of risk is a fundamental element of the Council's ability to provide cost effective, quality services and to deliver its four priority outcomes. To achieve this, sound risk management policy and practice are firmly embedded within the culture of the Council, providing a proportionate and effective mechanism for the identification, assessment and, where appropriate, management of risk. In developing its Risk Management Framework, the Council recognises that risks cannot be fully managed and that, in being more innovative, efficient and effective in the delivery of its services, it may choose to take and/or accept more risk. Where this is the case, robust risk management practice will help ensure that the Council takes appropriately informed decisions, having properly evaluated the potential risks and the associated opportunities. The Council's risk profile is dynamic and continually changing due to the influence of external factors and/or internal influences. The level of risk can alter and consequently, identified risks and associated mitigations are regularly re-assessed to address and combat the impact of these changes. In addition, new risks will periodically emerge which must be identified and analysed to reduce the Council's exposure to adverse risk.
75. Risk information is recorded within registers maintained at a corporate (strategic) level and individual department/divisional level. As a minimum, all risk registers should be formally reviewed and updated on a quarterly basis as part of the Council monitoring process. This process includes a review of departmental risk registers by each DMT, including any strategic risks for which the Chief Officer concerned has responsibility, prior to subsequent review by the Corporate Management Team. The Strategic Risk Register is also reviewed and updated by the Corporate Management Team prior to being reported to Cabinet and the Audit Committee.
76. As part of the above process, consideration is given as to the escalation and de-escalation of risks between the Departmental and Strategic Risk Registers.
77. There is a separate requirement for material risks connected with proposals, policies and spending decisions to be formally identified with actions taken to manage such risks in all recorded and published decision reports.
78. Risk management is delivered through robust directorate controls including the business planning process, supported by the Risk Management Framework. The Chief Operating Officer carries the operational officer responsibility for risk management. The Chief Executive is accountable to the Council for the effectiveness of the risk strategy.

SECTION G: Implementing good practices in transparency, reporting and audit, to deliver effective accountability

Assured

The Council has transparent processes in place through publication of the Forward Plan of key decisions as well as agendas and reports of its meetings and those of its committees. This includes key decision reports on the website and the prominence given to reporting and enforcing of agreed audit actions through the Audit Committee, which meets in public.

The Council has effective, open data reporting arrangements to ensure the accessibility of significant spend, contractual and other data relevant to financial performance. This has also been addressed through the development of the performance management reporting arrangements linked to the implementation of the Council Plan.

79. All meetings of the Full Council and of the committees which discharge executive, non-executive or scrutiny functions take place in public and have their reports and minutes published on the Council's website. Cabinet, Lead Member and Committee decisions, agendas and reports are published on the website and are available to the press and public. This is driven by the publication of the Forward Plan of key decisions. A limited number of reports are considered in private session, but only when the subject matter of the report meets the prescribed criteria set out in the Local Government Act 1972.

Assurance and Significant Governance Issues

80. The Audit Committee undertakes the functions of an audit committee. This includes review of the findings of Internal Audit. The Committee meets regularly and in public and holds officers to account for the timely implementation of agreed audit actions.
81. No assurance can ever be absolute; however, this Statement seeks to provide a reasonable assurance that there are no significant weaknesses in the Council's governance arrangements. On the basis of the review of the sources of assurance set out in this Statement (in Annex A), we are satisfied that the Council has in place satisfactory governance arrangements, including a satisfactory system of internal control, both of which are operating effectively.
82. The Annual Internal Audit Annual Report and Opinion provides an opinion on the adequacy of the Council's control environment as a contribution to the proper, economic, efficient and effective use of resources. The Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. Annually, the Chief Internal Auditor is required to provide an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement and this is provided in the Internal Audit Annual Report and Opinion. Based on the internal audit work completed, the Orbis Chief Internal Auditor has provided reasonable assurance that the Council had in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2022 to 31 March 2023.
83. Additionally, every five years, Orbis internal audit is subject to an independent external assessment, with the scope including assessment of compliance, benchmarking against best practice and assessment of internal audit's profile and impact with client organisations. The most recent review was completed in Autumn 2022 by the Chartered Institute of Internal Auditors who assessed Orbis internal audit as achieving the highest

level of conformance against professional standards, with no areas of non-compliance identified.

84. The Council will continue to regularly monitor issues that may seriously prejudice or prevent achievement of its key objectives through its strategic risk review process.
85. Both governance and internal control arrangements must be kept under review to ensure that they continue to operate effectively, meet changing legislative needs and reflect best practice and our intention to achieve excellence in all our activities. The Council, through the Directorate Assurance Statements and the Chief Finance Officer's Assurance Statement, has identified a number of areas where it wishes to enhance its governance arrangements. These are set out in Annex A to this Statement, together with the department responsible for them. Each Director has included in their Directorate Assurance Statement confirmation that the actions identified for 2022/23 have been completed or provided an update and explanation regarding progress.
86. The National Audit Office (NAO) has issued guidance on how Audit Committees can carry out a self-assessment of the effectiveness of the Committee. The Council's external auditors report for 2022/23 noted a strong attendance record for the Council's Audit Committee members as well as the attendance of independent members which is representative of strong governance. The external auditor recommended the Council to carry out a self-assessment of the effectiveness of the Council's Audit Committee as per the NAO guidance, which would be a strong means of reinforcing this good governance. The self-assessment will be undertaken in 2023/23 and will review the effectiveness of previous training as well as the robustness of discussion and challenge by the Audit Committee.
87. In 2022 CIPFA updated its position statement on audit committees in local authorities and police bodies in England and Wales. In the 2022 position statement, CIPFA recommends that each local authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise. A recommended response to the position statement will be presented to Members for consideration in 2023/24.
88. A review of the AGS is currently being undertaken by Internal Audit for 2022/23.
89. The Council Plan identifies a number of areas that have governance implications and these will be monitored through the Council Plan monitoring process. The areas outlined in Annex A will be monitored through departmental business plans.
92. Details of bodies where the Council is a Member or appoints a Director are set out in Annex B. Where members are appointed to outside bodies, the Council avoids structural conflict of interests where possible.

Keith Glazier Leader of the Council September 2023

Becky Shaw Chief Executive September 2023

Annex A - Sources of Assurance and Actions

Key:

ACE = Assistant Chief Executive

ASC = Adult Social Care

CET = Communities, Economy and Transport

CFO = Chief Finance Officer

COO = Chief Operating Officer

HR&OD = Human Resources & Organisational Development

MRG = Member Reference Group

Table of assurance for Principle A: Integrity and Compliance

| Source of assurance | Where found | Who is responsible | Role | last review/ action planned* |
|------------------------------------|--|--|--|--|
| Constitution | Website and intranet | Full Council, Governance Committee and ACE | A single source for rules and procedure for lawful sound business and meeting management | Constitution has been reviewed and updated several times during 2022/23. Will continue to be reviewed on a regular basis |
| Code of Conduct for Members | Website, webshop for schools, intranet, Constitution | Standards Committee & ACE | Defines standards of behaviour and how to enforce them | Approved by the Full Council in May 2019. Reviewed by Standards Committee April 2022. |
| Code of Conduct for employees | Website, webshop for schools, intranet, Constitution | Governance Committee HR&OD | Defines standards of behaviour and how to enforce them | <p>The Code of Conduct was last reviewed and updated in February 2022, and reflects current Council policy, best practice, and legislation. The changes in February 2022 were:</p> <ul style="list-style-type: none"> To state that any potential Col should also be declared when assessing/evaluating contract tenders. <p>The document is considered fit for purpose for 2022-23 and beyond.</p> |
| Whistleblowing Policy | Intranet | Governance Committee & All Chief Officers | Defines process to report breaches of rules or standards confidentially | Reviewed March 2020 and no further changes in legislation. |
| Anti-fraud and corruption strategy | Intranet | COO | Statutory obligations recorded and enforced | <p>A major review was undertaken in 2021 and the refreshed strategy and policy was approved by Audit Committee in 2021.</p> <p>The strategy remains fit for purpose and a refresh to the strategy will be considered following the publication of the revised Fighting Fraud & Corruption Locally Strategy (a guidance note for local authorities).</p> |
| Anti-Money Laundering Policy | Intranet | COO | Statutory obligations recorded and enforced | Reviewed by Audit Committee 2021. Annual review of Policy and compliance as part of LEXCEL accreditation |
| Register of Member Interests | Website | ACE | Statutory list of interests | Entries updated on an ongoing basis. Quarterly reminders to Members to review. |
| Register of Officer Interests | Restricted access | | Record of financial and conflicting business interests | On going review through regular reports submitted to SOG regarding system issues and actions |

| Source of assurance | Where found | Who is responsible | Role | last review/ action planned* |
|---|-----------------------|---|---|--|
| Corporate Complaints Policy | Website, intranet | Chief Executive & Governance Committee | Describes mechanism for handling all complaints | Reviewed annually. Quarterly reports raise awareness with heads of services and team managers of the number and nature of complaints being received. *Action to have an ongoing dialogue regarding sharing lessons learnt within the complaints team and colleagues handling complaints across the Council. |
| Employment Policies | Intranet | Governance Committee and Assistant Director HR&OD | Defines rules of conduct and procedures to manage | Policies reviewed in line with changes in legislation and best practice |
| Information Security and Data Protection Policy | Intranet | COO | Defines rules and procedures to protect data. | Reviewed and updated March 2023. *Improvements are informed by feedback from the Information Governance Board (IGB) and the Information Security & Governance Group (ISGG). Guidance documents have also been created to accompany policy. A training and awareness programme is ongoing which includes raising awareness of relevant policy. Training is deployed to ensure comprehensive awareness of information governance and security including tests of understanding. |
| Freedom of Information policy | Website | Director of CET | Defines rules and procedures | Policy reviewed in 2022/23. *Encourage services across the Council, on an ongoing basis, to make more information available on the website for the public. |
| Standing Orders on Procurement and Contracts | Website, Constitution | COO | To prescribe the rules for all contracts and procurement activity | Reviewed January 2022. The production of the Procurement and Contract Standing Orders are developed in conjunction with our stakeholders and our processes are subject to ongoing review. A series of procurement activities are selected for Audit across each financial year. In addition, we provide reports back to Statutory Officer's Group on a regular basis about the processes we support. |

Table of Assurance for Principle B: Openness and Stakeholders

| Source of assurance | Where found | Who is responsible | Role | last reviewed/ action planned* |
|--------------------------------------|----------------------------|---|---|--|
| Scheme of Delegation | Website, Constitution | Full Council, Governance Committee & All Chief Officers | To fully define who takes what decisions and how and how recorded | Scheme updated in 2022/23. Action to continue to monitor and update. Ensure that Internal Schemes of Authorisation are updated accordingly |
| Forward Plan | Website | ACE | Describes planned key decisions for next 4 months | Ongoing |
| Scrutiny Committee business planning | Scrutiny Committee reports | Statutory Scrutiny Officer | Records planned scrutiny work | Continuous with annual work programme published with each Scrutiny Committee agenda |
| Openness and access to | Constitution and Website | ACE | Describes rules and process for ensuring | Web casting of meetings extended to all formal meetings during 2020 during |

| Source of assurance | Where found | Who is responsible | Role | last reviewed/ action planned* |
|---|--------------------------------------|--|---|--|
| meetings/ decisions. | | | transparency of business | Covid restrictions. Meetings held remotely continue to be webcast |
| Equality , Diversity and Inclusion Commitment | Website And decision-making protocol | Chief Executive. Relevant Director (for decisions) COO (for staff) | Source of guidance for ensuring compliance with public sector equality duty | Reviewed in 2023 and changed from the Equality Policy to Equality, Diversity and Inclusion Commitment. |
| Health and Wellbeing Board arrangements | Constitution | Director of ASC | Forum for strategic joint business and service oversight | Terms of reference were reviewed again in June 2022 to reflect ICS changes. |

Table of Assurance for Principle C: Sustainability

| Source of assurance | Where found | Who is responsible | Role | last reviewed/ action planned* |
|-------------------------|-------------|---|--|---|
| Our Council Plan | Website | Full Council, Cabinet & Chief Executive | Describes the measure and targets for key corporate & service aims | The County Council agreed current Plan in February 2022. Quarterly reports to Cabinet and Full Council |
| Climate Change Strategy | Website | Director of CET | Sets Council's commitment to becoming carbon neutral and climate resilient by 2050 at the latest | The Climate Emergency Plan was in 2020. Annual report on progress submitted to the Cabinet and Full Council January 2023. |

Sources of Assurance for Principle D: Optimising Interventions

| Source of assurance | Where found | Who is responsible | Role | last reviewed/ action planned* |
|--|-----------------------|-------------------------------|---|--|
| Policy, Performance and Resources Reports | Website | Chief Executive & Cabinet and | Reviews policy and financial and operational performance | Regular reports to Full Council, Cabinet and Scrutiny Committees |
| Executive Decisions process | Website | ACE | To record rationale, legality and financial compliance of decisions | Format revised 2018. New publication system by Modern.gov 2018 |
| Business Plans | Share Point | All Directors | Record of actions and objectives for delivery of Our Council Plan | Annual. Action taken to ensure better coordination of plans between Directorates implemented as part of Our Council Plan |
| Financial Regulations (FR) and compliance with Financial Management Code (FMC) | Website, Constitution | CFO | Provide sound systems for financial management | FR - Revision February 2019. Further review in May 2022. FMC - annual compliance report to Audit Committee |

Sources of Assurance for Principle E: Leadership Capability

| Source of assurance | Where found | Who is responsible | Role | last reviewed/action planned |
|---|-------------------------------------|--|---|---|
| Scheme of delegation | Website, Constitution | Full Council, Governance Committee, All Chief Officers | Formal allocation of key roles and functions, including Statutory and senior officers | Scheme updated several times in 2022/23. *Action to continue to monitor and update. *Ensure that Internal Schemes of Authorisation are updated accordingly. |
| Budget, including medium term financial plan (MTFP) | Reports to Cabinet and Full Council | County Council Chief Executive, CFO | To agree a sound budget and financial strategy | Budget set in February 2022. The MTFP is subject to review as part of the RPPR process |
| Member Training and Development | Councillors' area of intranet | Governance Committee, MRG, ACE | Plan and record all Member training | Plan reviewed as part of the induction arrangements for May 2021 onwards. Survey undertaken with councillors to identify training |

| Source of assurance | Where found | Who is responsible | Role | last reviewed/action planned |
|---------------------------------|-----------------------------------|------------------------------------|--|---|
| | | | | needs. Rolling plan that is updated during the year and Members are surveyed to help identify training needs. |
| Employment Policies | Intranet | Governance Committee, HR&OD | Describe all officer duties, rules and requirements | Policies reviewed in line with changes in legislation and best practice |
| Workforce Planning arrangements | HR policies and Directorate plans | Relevant Director | Provides rationale and scheme for ensuring resilience and capacity | Particular focus on service improvement plans |
| Staff role profiles | Intranet | Heads of Service | Describe all officer roles | Updated as roles change |
| Member Induction Programme | Intranet | MRG, ACE | To determine the content of the programme | Plans completed in early 2021, for induction programme for post May 2021 |
| Officer Performance management | Intranet | HR&OD & all Directors for delivery | To manage performance and development | Annual performance review process for all staff |

Sources of Assurance for Principle F: Risk and Performance

| Source of assurance | Where found | Who is responsible | Role | last reviewed/action planned |
|---------------------------------------|----------------------------------|--|--|---|
| Governance Statement | Website | Governance and Audit Committees, ACE | Captures all sources of governance assurance | Annual (this document) |
| Guidance to Members on Outside Bodies | Website, Constitution | ACE | To provide guidance to Members in relation to roles and responsibilities when appointed to outside bodies | Reviewed March 2023. Two training sessions to Councillors as part of the induction programme in 2021. |
| Local Code of Corporate Governance | Governance agenda | Governance Committee ACE | To confirm the corporate governance principles in place | Reviewed on an annual basis |
| Risk Management Framework | Intranet | COO | Strategic aims and objectives for corporate risk management | Last updated in May 2022 and subject to regular review ESCC is committed to formalising the training for Audit committee members, in line with the CIPFA Position Statement 2022. This will cover risk management. |
| Health and Safety Policies | Intranet and Webshop for schools | Assistant Director HR&OD | Provides rules, procedures and systems for assurance in relation to health and safety at work and in relation to property risk | All policies regularly reviewed. *Action to continue the regular policy review with the consideration of accessibility. |
| Internal Audit Function | Website, Constitution | Audit Committee Chief Internal Auditor COO | To manage and ensure the effectiveness of Audit | External Quality Assessment of Internal Audit in accordance with the Public Sector Internal Audit Standards. Annual internal audit report and opinion review. Quarterly internal audit report to the Audit Committee. |

| Source of assurance | Where found | Who is responsible | Role | last reviewed/action planned |
|--|-----------------------|--------------------|---|---|
| | | | | Annual External Audit Plan. Annual Audit Letter |
| Treasury Management Strategy | Website | COO | For sound strategy to limit risks to borrowings and investments | Reviewed and updated by Council February 2022 |
| Financial Regulations (FR) and compliance with Financial Management Code (FMC) | Website, Constitution | | To prescribe the rules for all financial transactions in line with Financial Management Code. | *It is proposed to undertake a full review of the Financial Regulations during 2023-24 in time for the implementation of the Modernising Back-Office Systems (MBOS) Programme. |
| Business Continuity | SharePoint | Director of CET | To provide safe systems and procedures to manage local and civil emergencies | Regularly reviewed. *Promotion of business continuity Awareness Week 2023 to raise the profile of business continuity within ESCC and provide additional knowledge. *Review of intranet pages to make the documentation more accessible to staff members. |

Sources of Assurance for Principle G: Audit and Transparency

| Source of assurance | Where found | Who is responsible | Role | last reviewed/action planned* |
|----------------------------|-----------------------|--|---|---|
| Internal Audit Function | Website, Constitution | Audit Committee Chief Internal Auditor COO | To manage and ensure the effectiveness of Audit | External Quality Assessment of Internal Audit in accordance with the Public Sector Internal Audit Standards. Annual internal audit report and opinion review Annual internal audit report and opinion review. Quarterly internal audit report to the Audit Committee. Annual External Audit Plan. Annual Audit Letter |
| External Audit of Accounts | Website | COO, CFO | To give external assurance to the quality of the Council's accounts and accounting practice | The 2021/22 audit is completed with the published report expected in July 2023 |

Annex B - Separate bodies where the County Council is a member or appoints a Director

TRICS Consortium Ltd - TRICS is an international system of trip generation analysis that is used in the transport planning industry. TRICS collect data relating to trip rates of different land uses, with members paying to access the database to use the data for a variety of uses.

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| What the relationship is between the body and the local authority | East Sussex County Council is a shareholder in TRICS Consortium Ltd. The Council has a 16.7% share - equal share with the five other County Council shareholders |
| What is the structure and form of the body (e.g., private limited company etc.) | TRICS is a local authority trading company, and is a company limited by shares. It has a board of directors (one from each of six counties that are shareholders plus a managing director). It is a private company limited by shares. |
| How the Council oversee its activities and provided assurance on its governance including financial governance | The East Sussex County Council nominated company director attends monthly board meetings to oversee the business of the company to ensure it is run to maximise the business for the benefit of East Sussex County Council. The East Sussex County Council Director shares the annual report with the relevant Head of Service. |
| What the relationship is between the body and individual councillors and whether councillors' involvement is likely to constitute a conflict of interest | There is no relationship, aside from the Lead Member for Transport & Environment is updated on the work of TRICS through briefing meetings. |
| How can councillors scrutinise the activities of the body, in particular if it will fall within the remit of the Audit or Scrutiny Committee, and if not, how else scrutiny will happen | The scrutiny of the work undertaken by the Body is through the planning process. The Council's role within the TRICS consortium falls within the remit of the Places Scrutiny Committee. |
| Designated Officer contact | Claire Warwick, Communities, Economy and Transport |

Woodland Enterprise Ltd. - The principal activity of the company is creating prosperity in woodland and wood using industries through sustainable development. The business works with woodcutters and other local businesses to promote sustainable use of wood.

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| What the relationship is between the body and the local authority | East Sussex County Council is a member of this company. This is a company without shares but in terms of "influence" East Sussex County Council has one seventh (14.3%). |
| What is the structure and form of the body (e.g., private limited company etc.) | The Company is limited by guarantee. |
| How the Council oversee its activities and provided assurance on its governance including financial governance | East Sussex County Council receives copies of Woodland Enterprise Limited's annual accounts. East Sussex County Council is required to disclose its interest in Woodland Enterprises in its own statements of accounts. A copy of the Woodland Enterprise Ltd annual accounts are requested each year and are included in the East Sussex County Council Statement of Accounts. |
| What the relationship is between the body and individual councillors and whether councillors' involvement is likely to constitute a conflict of interest | Councillor Kirby-Green has been appointed to serve as a Director on the Board of Woodland Enterprise Limited. There might be possible conflicts of interest (e.g. grant funding from East Sussex County Council, etc). |
| How can councillors scrutinise the activities of the body, in particular if it will fall within the remit of the Audit or Scrutiny Committee, and if not, how else scrutiny will happen | East Sussex County Council's role within the Woodland Enterprise Limited consortium falls within the remit of the Place Scrutiny Committee. |
| Designated Officer contact | Andy Fowler, Business Services |

East Sussex Energy Infrastructure and Development Ltd (ESEID Ltd) trading as 'Sea Change Sussex'- This is a not-for-profit economic development company delivering capital infrastructure schemes in the County

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| <p>What the relationship is between the body and the local authority</p> | <p>East Sussex County Council (with others including Rother District Council and Hastings Borough Council) is a member of Sea Change Sussex. The Council is entitled to appoint a Director to the Board of Directors - Councillor Bennett is appointed to this role. As Sea Change Sussex is a company limited by guarantee without share capital its members do not hold shares, but have a percentage voting right in decision-making by members of the company. The County Council alongside Rother District Council and Hastings Borough Council have a combined maximum voting right of 19.9%. Hastings Borough Council and Rother District Council currently do not have Directors appointed to the Sea Change Sussex Board and so East Sussex County Council is currently the only active A Member.</p> <p>Sea Change Sussex develops and manages key economic development and infrastructure schemes in East Sussex. The company delivers capital infrastructure schemes which unlock housing and employment sites in the county - this includes new site infrastructure (access roads) as well as employment space.</p> <p>These schemes are largely funded by external funding from either the South East Local Enterprise Partnership (SELEP) - Local Growth Fund capital grant programme or the SELEP - Growing Places Fund (GPF) loan programme alongside some of their own capital receipts from the sale of commercial properties/land in their portfolio. East Sussex County Council acts as the Local Accountable Body for overseeing the devolution of funds from the SELEP to external partners such as Sea Change Sussex and has grant or loan agreements (as applicable) in place for each scheme awarded.</p> |
| <p>What is the structure and form of the body (e.g., private limited company etc.)</p> | <p>Private company limited by guarantee without share capital.</p> <p>The company has four classes of membership: A Members - East Sussex County Council together with Hastings Borough Council and Rother District Council; B Members - Hastings, Bexhill and East Sussex Business Association Limited; C Members - representative(s) of the education sector; D Members - representative(s) of the voluntary and community sector.</p> <p>Under the company's articles of association, so long as there are at least three A Members, one B Member and one D member, votes cast by the B member constitute 50% of the voting rights. The aggregated voting rights of C members constitute no more than 19.9%.</p> |
| <p>How the Council oversee its activities and provided assurance on its governance including financial governance</p> | <p>Councillor Bennett is the East Sussex County Council appointed Director of the Sea Change Sussex Board of Directors and attends the quarterly Board meetings. These meetings provide quarterly reporting on legal commitments, operations and finance statement and updates on all individual projects.</p> <p>As a scheme promoter of LGF and GPF funded projects, Sea Change Sussex enters into legal agreements for the County Council to monitor the delivery of this public funding and report back to SELEP. The authority to enter into these agreements is sought from the Lead Member for Strategic Management and Economic Development on a project by</p> |

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| | <p>project basis. Sea Change Sussex are bound by the terms of individual Grant and Loan agreements stipulating the guidelines which Sea Change Sussex must adhere to.</p> <p>East Sussex officers regularly meet with Sea Change Sussex representatives and attend project progress meetings for individual schemes, along with attendance and participation at the SELEP Programme progress meetings.</p> <p>The Section 151 Officer carries out the stewardship role in terms of monitoring and accounting in respect of the financial case within the overall business case and agreeing to the receipt of the funding.</p> <p>Capital Programme management of projects includes financial management of the public funds, monthly invoicing and spend review with Sea Change Sussex. This information is used to inform quarterly reports to Team East Sussex (TES), and SELEP and within the County Council, quarterly reporting to the Departmental (CET) Capital Board and Corporate Strategic Asset Board.</p> <p>A report is considered by the Lead Member for Strategic Management and Economic Development annually on the year-end financial statement of public funding (e.g. SELEP Funding managed by East Sussex County Council (Local Growth Fund grants, Growing Places Fund loans, and more recently Getting Building Fund grant) including that invested in the delivery of the capital infrastructure delivered by Sea Change Sussex) and the forecast spend for the coming financial year, all of which are compiled with finance colleagues and signed off by S151 officer.</p> <p>Schemes can be subject to review by Internal Audit.</p> |
| What the relationship is between the body and individual councillors and whether councillors' involvement is likely to constitute a conflict of interest | <p>Councillor Bennett is a director of the company on the Sea Change Sussex Board of Directors and attends the quarterly Board meetings.</p> <p>If reports relating to Sea Change Sussex were to be considered by Full Council, Cabinet or any Committees that Councillor Bennett attends, he would declare an interest as a Director of Sea Change Sussex.</p> |
| How can councillors scrutinise the activities of the body, in particular if it will fall within the remit of the Audit or Scrutiny Committee, and if not, how else scrutiny will happen | <p>The Council has appointed Councillor Bennett as a director to the Sea Change Sussex Board of Directors. Councillor Bennett attends Board Meetings at which progress reports on projects are considered.</p> <p>Councillor Keith Glazier sits on both the SELEP Strategic Board and SELEP Accountability Board and regularly attends meetings. The Accountability Board receives updates on project progress, which include projects delivered by Sea Change Sussex and therefore provides a level of assurance or a forum for raising concerns.</p> <p>There are scrutiny arrangements in place for all funding decisions taken by the Accountability Board. Under the SELEP Assurance framework, the Places Scrutiny Committee has the power to call in and scrutinise the decisions before they are implemented. Under the SELEP Accountability Board Joint Committee Agreement, each of the six Partner Authorities has the ability to challenge a decision made by the SELEP Accountability Board.</p> |

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| | <p>Accountability Board decisions may be called-in by Members of any Partner Authority in the same way they call-in decisions of their own executive arrangements, call-in may only be made if the decision affects that partner area. The 6 upper tier Authority Areas that form the SELEP are East Sussex, Essex, Kent, Medway, Southend and Thurrock.</p> <p>Furthermore, to facilitate Local Authority scrutiny of SELEP work and decisions, requests to attend Local Authority partner Scrutiny Committees are welcomed, and attendance prioritised.</p> |
| Designated Officer contact | Richard Dawson, Communities, Economy and Transport |

South East LEP Limited (SELEP Ltd) - Local Enterprise Partnerships (LEPs) were set up by Government in 2011 to identify and support local strategic growth priorities, encourage business investment and promote economic development. As one of 38 LEPs across England, the South East LEP is a business-led partnership between business, government, education and the third sector, plus other groups, covering the local authority areas of East Sussex, Essex, Kent, Medway, Southend and Thurrock.

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| What the relationship is between the body and the local authority | The County Council is a partner authority of SELEP Ltd - one of six county/unitary authorities, as listed above and has one seat on the Board. The Leader of the Council (Councillor Glazier) is the East Sussex County Council appointed Company Director of SELEP Limited occupying this seat. As SELEP Limited is a company limited by guarantee without share capital there are no shares/shareholders in the company. The Council has one seat on the Board of Directors of SELEP Ltd, occupied by the Leader of the Council. |
| What is the structure and form of the body (e.g., private limited company etc.) | SELEP Ltd became a 'company limited by guarantee' in Feb 2020. SELEP Ltd has a Board of 20 Directors (plus an additional 5 co-opted Directors). East Sussex, Essex, Kent, Medway, Southend and Thurrock are Members of the company. SELEP Ltd operates a federated model of governance, with four 'federated boards' covering its geography, allowing for decision-making and project prioritisation at a local level. The federated board for East Sussex is 'Team East Sussex' (TES). |
| How the Council oversee its activities and provided assurance on its governance including financial governance | <p>The SELEP Strategic Board (Board of Directors) meets at least quarterly, so the Leader of the County Council can directly oversee the activities of SELEP Ltd.</p> <p>SELEP Ltd has also established the following groups:</p> <ul style="list-style-type: none"> • Accountability Board - a 'joint committee' made up of SELEP's six county/unitary authority Members, to oversee the financial governance of SELEP Ltd, responsible for the sign-off of all funding decisions. The Leader of the County Council is our representative on the SELEP Accountability Board. • Investment Panel - a sub-committee of the Strategic Board to act as an advisory committee on matters pertaining to project prioritisation, recommendations on provisional funding allocations and future priorities. The Leader of the County Council is our representative on the SELEP Investment Panel. • Senior Officer Group - an advisory group made up of a senior officer from each of SELEP's six county/unitary authorities. East Sussex County Council's Head of Economic Development, Skills, Culture and Infrastructure is our representative on the SELEP Senior Officer Group. <p>For projects within our local federated area, the Council acts as the local accountable body for the defraying of funds (such as the Government's Growing Places Fund, Local Growth Fund or Getting Building Fund) from SELEP Ltd to external partners. A Service Level Agreement (SLA) is in place between the Council and Essex CC as the accountable body to SELEP Ltd, and the Council's S151 Officer is required to sign-off on all grant and loan agreements between the Council and project promoters.</p> <p>All of the governance arrangements for SELEP Ltd are set out in the SELEP Articles of Association, SELEP Framework Agreement and SELEP Local Assurance Framework. Senior officers of the Council, including the Chief Finance Officer, collaborated on the development of all of these documents, and they have been approved through our own internal governance procedures (Lead Member SMED and Governance Committee).</p> |

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| What the relationship is between the body and individual councillors and whether councillors' involvement is likely to constitute a conflict of interest | The Leader of the Council is a Company Director of SELEP Ltd, and has filed an appropriate declaration with SELEP Ltd in accordance with the SELEP Register of Interests policy. Where the Leader cannot attend a SELEP meeting, a substitute Cabinet Member may attend in their place, subject to full compliance with the same Register of Interests policy (the Lead Member for Economy attends as substitute and has also filed an appropriate declaration with SELEP Ltd for such an eventuality). The declaration of a disclosable pecuniary interest does not apply where the interest concerned relates primarily to the general interest of any public sector Member in her/his area of geographical responsibility; therefore the involvement of the East Sussex County Council Leader on SELEP Ltd is <u>not</u> likely to constitute a conflict of interest. |
| How can councillors scrutinise the activities of the body, in particular if it will fall within the remit of the Audit or Scrutiny Committee, and if not, how else scrutiny will happen | The activities of SELEP Ltd do not fall within the remit of the County Council's Audit or Scrutiny Committee, but SELEP Ltd does have its own scrutiny arrangements for all funding decisions taken by the SELEP Accountability Board, whereby each of the six county/unitary authority Members of SELEP Ltd has the ability to challenge a decision made by the Accountability Board, and the Scrutiny Committees of the six county/unitary authorities have the power to call-in the funding decisions before they are implemented. |
| Designated Officer contact | Richard Dawson, Communities, Economy and Transport |

Hastings and Bexhill Renaissance Ltd (HBRL) - This is a company limited by guarantee without share capital offering business support services for economic development and to improve local education

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| What the relationship is between the body and the local authority | <p>Alongside Rother District Council, Hastings Borough Council, East Sussex County Council is a Member of Hastings and Bexhill Renaissance Ltd (HBRL) which trades as 'Seaspace'. HBRL was established as part of the transition arrangements agreed between Government and the South East England Development Agency (SEEDA) and associated organisations. The responsibility for the management of the land and assets SEEDA had acquired was entrusted to HBRL. HBRL no longer holds any land or assets of significance. Hastings Borough Council and Rother District Council currently do not have Directors appointed to the HBRL Board and so East Sussex County Council is currently the only active A Member.</p> <p>The Articles of Association for HBRL identifies that the Members are divided into three classes of membership:</p> <ul style="list-style-type: none"> A. Each of the Councils B. Hastings, Bexhill and East Sussex Business Association Limited C. Up to seven other Members <p>Councillor Bennett sits as a Director on the Board of Directors alongside the above representatives.</p> <p>The company Members do not hold shares but have a percentage voting right in the decision-making by the members of the company. The local authorities between them have a maximum aggregated voting right of 19.9%.</p> |
| What is the structure and form of the body (e.g., private limited company etc.) | Private company limited by guarantee without share capital. |
| How the Council oversee its activities and provided assurance on its governance including financial governance | <p>Annual General Meetings (AGM) attended by the Directors (Councillor Bennett is the Council appointed Director on HBRL) are held where the following agenda items are considered:</p> <ul style="list-style-type: none"> - the Annual Accounts - Key Issues Memorandum - Letter of Representation <p>The Council appointed Director's attendance at the AGM is supported by a senior officer.</p> |
| What the relationship is between the body and individual councillors and whether councillors' involvement is likely to constitute a conflict of interest | <p>Councillor Bennett, as a Director of the company, attends the AGM as the Council appointed Director to HBRL.</p> <p>If reports relating to HBRL were to be considered by Full Council, Cabinet or any Committees that Councillor Bennett attends, he would declare an interest as Director of HBRL.</p> |
| How can councillors scrutinise the activities of the body, in particular if it will fall within the remit of the Audit or Scrutiny Committee, and if not, how else scrutiny will happen | The Council's role in HBRL falls under the remit of the Place Scrutiny Committee. |
| Designated Officer contact | Richard Dawson, Communities, Economy and Transport |

Combe Valley Countryside Park (CVCP) Community Interest Company (CIC)

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| What the relationship is between the body and the local authority | East Sussex County Council is a member of the company. East Sussex County Council has one vote on the Board (equal to all other board members). Cllr Beaver has been appointed by the Council to sit on the Board of Directors. |
| What is the structure and form of the body (e.g., private limited company etc.) | <p>The Company is a private company limited by guarantee and a Community Interest Company. The company is a not-for-profit organisation.</p> <p>The other Members of the company are:</p> <ul style="list-style-type: none"> - Hastings Borough Council; - Rother District Council; - Crowhurst Parish Council; - Friends of Combe Valley; - Bourne Leisure Limited; - Kitchenham and Worsham Farms. <p>In February 2022 the Board approved a new company structure with 12 Directors as follows:</p> <ul style="list-style-type: none"> • 8 Co-opted Directors: 6 from Company Members and 2 independents appointed by the Board; • 4 nominated by Local Authority company Members. <p>This proposal is due to be put to Members for approval in June 2022. Currently there are 15 Directors. 8 Co-opted (as above) and 7 nominated by Local Authority Members.</p> <p>The Boards role is to provide leadership and oversight of all the CIC activities and is primarily concerned with strategy, planning, fundraising & development and governance. The CIC has appointed Groundwork South as their managing agent (via an agreed SLA) who report progress back to the Board.</p> |
| How the Council oversee its activities and provided assurance on its governance including financial governance | <p>The Council appointed two Members of the Council to sit as Directors on the Board of Directors. On 14 March 2022, the Lead Member for Transport and Environment considered a report regarding the Council's representation on the CIC and agreed to support a proposal to reduce the number of Council appointed Directors from two to one. The Council still has one vote on the Board.</p> <p>The East Sussex Councillor Representative attends CIC board meetings.</p> <p>The Board meets 4 times per year, standing papers and minutes are circulated to all Directors. Annual accounts are approved at the February Board meeting and are submitted to Companies House, so are publicly available.</p> <p>Local Authority officers attend the Board meetings which enables them to contribute to discussions of the Board as appropriate. Officers are not Directors so as such do not have voting rights. The CIC has established a Local Authority</p> |

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| | <p>Officers Group which includes the representatives to the Board meeting and other officers. This group meets 2/3 times per year to take forward project ideas and support the process of project approval and delivery.</p> <p>The directors have equal votes at CVCP CIC meetings, except for decisions related to the appointment or removal of a majority of Directors, where Local Authority voting rights are restricted to 49%.</p> |
| What the relationship is between the body and individual councillors and whether councillors' involvement is likely to constitute a conflict of interest | The East Sussex Councillor Representative attends CIC board meetings and has voting rights. There could be potential conflict of interest if the CIC Board need to make decisions with regard to matters being promoted by the County Council. This is kept under review. |
| How can councillors scrutinise the activities of the body, in particular if it will fall within the remit of the Audit or Scrutiny Committee, and if not, how else scrutiny will happen | By being present at the CIC meetings and making comments/voting on proposals being put forward by the CIC. Progress reports and management accounts are provided to the Board quarterly and annual accounts are presented to the Board for approval annually. |
| Designated Officer contact | Virginia Pullan, Communities, Economy and Transport |

Annex C - Code of Corporate Governance

Sets out the County Council's commitment to achieving good governance

Key points:

- Good governance is how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner
- The Council is committed to the principles of good governance, and has adopted the seven core principles of the CIPFA/SOLACE framework
- The Council expects Members and staff to uphold the highest standards of conduct and behaviour and to act with openness, integrity and accountability when carrying out their duties
- The Assistant Chief Executive will report annually on compliance with this Code and the effectiveness of the Council's governance arrangements and this will be the basis for the production of the Annual Governance Statement

1. Introduction

1.1 This Code sets out for Members and officers the main principles of good governance for East Sussex County Council. It is based on existing good practice within the Council and is consistent with the CIPFA / SOLACE framework for "Delivering Good Governance in Local Government".

2. What is good governance?

2.1 Good governance is how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

2.2 It comprises the systems, processes, cultures and values by which the Council is directed and controlled. Through effective governance the Council is accountable to, engages with and, where applicable, leads the community.

3. Purpose of the Code

3.1 This Code is the framework within which the Council is accountable to its users, stakeholders, and the wider community. It sets out and describes the way in which the Council carries out its functions through its Members and officers, and the procedures and processes through which it undertakes its work, and through which it aims to establish and maintain public confidence.

4. The Council's fundamental principles of good governance

4.1 The Council is committed to the principles of good governance, and has adopted the seven core principles of the CIPFA/SOLACE framework as follows:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement

- Defining outcomes in terms of sustainable economic, social, and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and individuals within it
- Managing the risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

4.2 The key policies that underpin the Council's compliance with these principles are set out in Annex A.

4.3 The Council recognises that establishing, maintaining and reporting a culture of good governance is as important as putting in place a framework of policies and procedures.

4.4 The Council expects Members and staff to uphold the highest standards of conduct and behaviour and to act with openness, integrity and accountability when carrying out their duties:

- Openness is required so that people can have confidence in our staff and our decision-making and management processes. We need to be as open as possible about the decisions we make and the reasons we have made them. Consulting openly and providing access to full, accurate and clear information helps us stand up to public scrutiny.
- Integrity means straightforward dealing that is based upon honesty, selflessness and objectivity. The public expects us to manage public funds and the Council's affairs properly and appropriately, maintaining the highest standards in all our activities. We must act in the public interest not for personal gain. We will serve the whole community and remain committed to the promotion of equalities and diversity.
- Accountability is the process of taking responsibility for our decisions and actions (including stewardship of public funds and all aspects of performance) and answering to external scrutiny.
- Positive leadership overarches all the principles outlined here because these can only exist where effective leadership is exercised. We all have a personal responsibility to promote and support these principles through our own actions and behaviour and those of any staff we may manage. The key aspects of positive leadership behaviour at the Council are effectively managing:
 - People;
 - customer service;
 - performance;
 - money and other resources, and;

- personal development.

5. Roles and responsibilities

5.1 All Members and officers are expected to commit to the Council's principles of good governance; however, there are specific responsibilities for the following individuals and groups:

5.2 The following Member bodies have specific responsibilities for good governance and these are set out in the Council's Constitution:

- Cabinet;
- Standards Committee;
- Governance Committee;
- Audit Committee;
- Scrutiny Committees.

5.3 The Corporate Management Team has a collective responsibility for good governance, but this is underpinned by the role of the three statutory officers of the Council:

| | | |
|----------------------|---|---------------------------|
| Head of Paid Service | - | Chief Executive |
| Monitoring Officer | - | Assistant Chief Executive |
| Section 151 Officer | - | Chief Finance Officer |

5.4 Chief Officers are responsible for the policies and procedures which form part of this Code and that fall within their functional responsibilities. Each Chief Officer is supported by senior managers who are responsible for ensuring that the relevant policies and procedures are up to date, are being complied with and are effective in achieving good governance.

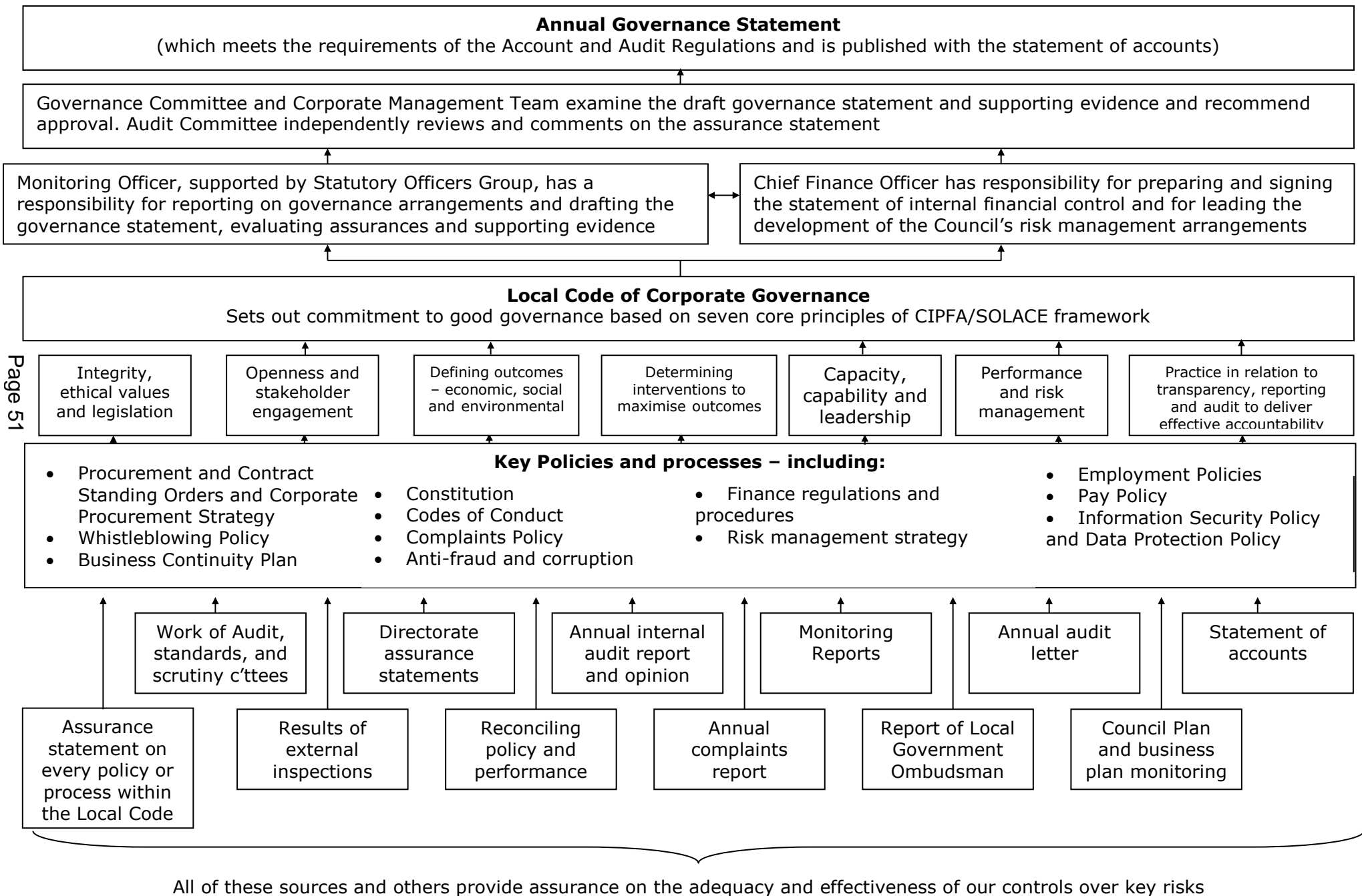
5.5 The Assistant Chief Executive has responsibility for the direction and review of corporate governance within the Council and is supported by the Statutory Officers Group of senior managers.

6. Monitoring and review

6.1 The Assistant Chief Executive, as Monitoring Officer, will report annually on compliance with this Code and the effectiveness of the Council's governance arrangements. The report will also be the basis for the production of the Annual Governance Statement which will be published in the Council's Annual Statement of Accounts. The Annual Governance Statement will be approved by the Leader of the Council and the Chief Executive.

Last reviewed: June 2022
Document Owner: Assistant Chief Executive

Annex D - East Sussex County Council Framework for the Annual Governance Statement



Annex E - Action for 2023/24

The following actions will be taken to strengthen governance, risk management and the internal control environment during the current year. The actions are shown for each department and will be monitored through departmental business plans.

Business Services (BSD)

- Trial the use of the Cyber Assessment Framework (CAF), developed by the National Cyber Security Centre, to further strengthen the council's cyber resilience and to assess technical, process and behavioural controls that manage the risk of disruption from cyber-attack. **March 2024**
- Revise Property policies for supporting communities including common asset transfer and joint use leisure assets. Asset rationalisation and improvements will also be a focus, including reviews of Eastbourne office hubs and County Hall. **March 2024**
- Best Practice Review of the Audit Committee in light of the 2022 CIPFA Protocol on Local Government Audit Committees. This will include the potential of co-opting independent external members to the Committee and undertaking the recommended self-assessment of Committee effectiveness. **March 2024**
- Review of Financial Regulations, particularly in the context of the implementation of Oracle Fusion. **March 2024**
- Embed improvements to Procurement internal governance, including twice-yearly Portfolio Reviews, implementation of the Procurement Project Review Board, improved Quality Assurance through retrospective project checking against compliance and quality standards, and the use of Compliance Dashboards. **March 2024**

Children's Services

- Review and strengthen financial reporting and implement our refreshed sufficiency strategy to reduce/contain spend on looked after children. **Autumn 2023**
- Begin implementation of the Family Safeguarding model across children's Social Care. **From January 2024**
- Through our Family Hub programme oversee the development and launch of Family Hubs and Youth Hubs across the county. **From June 2023**
- Develop plans to respond to the SEND and alternative provision improvement plan: right support, right place, right time. **March 2024**
- Implement the revised attendance requirements, creating a new attendance support team function and keywork offer. **Autumn 2023**

Communities, Economy and Transport

- Development and implementation of an updated records management policy and digital preservation framework for records management. **March 2024**
- Review of the Trading Standards Competency Framework for warranted officers. **March 2024**
- A follow up review of the highways cultural compliance audit will be undertaken to assess to adequacy of the action plan that has been put in place to address the shortcomings identified in the February 2023 audit. **March 2024**
- A follow up review of the transport fleet audit of November 2022 will be carried out. **March 2024**
- An audit of the Council's waste contract will be conducted in 2023/24. **March 2024**
- An audit of the Council's parking maintenance contractual arrangements will be carried out in 2023/24. **March 2024**

Adult Social Care (ASC) and Health

- An audit of the governance arrangements in place to provide assurance that government funding in relation to the Ukraine crisis is being properly managed and safeguarded. **March 2024**
- Social workers/safeguarding teams sometimes use video to record interviews and other interactions with service users. An audit will seek to ensure there is an appropriate Data Protection Impact Assessment (DPIA) in place and being complied with, appropriate permissions are sought, and data is encrypted in transit and deleted as appropriate. **March 2024**
- Work will be undertaken with Audit to provide assurance that management and financial controls are in place and operating effectively within the Mental Health Service, assessing compliance with key Council policies and procedures, and also their own local procedures. **March 2024**
- Audit will undertake an assessment of the adequacy of controls within the LAS (client information system for ASCH) and Controcc (the social payments and billing system), to provide assurance that payments are complete, accurate, timely and are only made to bona fide care providers, where approved services have been provided to ESCC care clients. **March 2024**
- An East Sussex Adult Social Care strategy has been developed which includes a set of priorities and high-level strategic statements that will enable teams from across the department (and those working for statutory partners and the independent sector) to work together and respond to the needs of local people. **Summer 2023**

Governance Services

- Continue to develop and deliver a training offer for Members where needs are identified. Target completion date - **ongoing** training and development throughout the year.
- Review the Working in a Political Environment Course and incorporate a section on Officer Guide to Governance. Target completion. **September 2023**
- Review the process for dealing with how motions that have been submitted by members and which are to be considered at a Council meeting are dealt with. Target completion date - proposal reported to Full Council for consideration by **December 2023**.
- Review interaction between LEXCEL Law Society accreditation and the governance role of Legal Services in a local authority context with a view to strengthening current arrangements. Target completion date **March 2024**.
- To review and monitor the transfer of Coroner Officers from Sussex Police to WSCC and the provision of the service to the Coroner - Target date for completion - ongoing with an interim report provided by **March 2024**.
- Participate in the LGA's sector-led support programme by requesting the LGA undertake a Corporate Peer Challenge of the Council **July 2023**.
- Refresh the work on lessons learnt from Public Interest Reports and other Interventions **December 2023**

Report to: **Audit Committee**

Date: **7 July 2023**

By: **Chief Operating Officer**

Title of report: **Internal Audit Annual Report and Opinion 2022/23**

Purpose of report: **To give an opinion on the County Council's control environment for the year from 1 April 2022 to 31 March 2023**

RECOMMENDATIONS

Committee Members are recommended to:

- 1. note the Internal Audit Service's opinion on the Council's control environment;**
 - 2. consider whether there are any significant control issues that should be included in the Council's Annual Governance Statement;**
 - 3. consider whether the Council's system for internal audit has proved effective during 2022/23.**
-

1. Background

1.1 The purpose of this report is to give an opinion on the adequacy of East Sussex County Council's control environment as a contribution to the proper, economic, efficient and effective use of resources. The report covers the audit work completed in the year from 1 April 2022 to 31 March 2023 in accordance with the Internal Audit Strategy for 2022/23.

2. Supporting Information

2.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities 'must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'. Annually, the Chief Internal Auditor is required to provide an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement.

2.2 It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

2.3 No assurance can ever be absolute; however, based on the internal audit work completed, the Chief Internal Auditor can provide reasonable assurance that East Sussex County Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2022 to 31 March 2023.

2.4 This opinion, and the evidence that underpins it, is further explained in the full Internal Audit Service's Annual Report and Opinion which forms Annex A of this report. The report highlights:

- Key issues for the year, including a summary of all audit opinions provided;
- Key financial systems work; and
- Other internal audit activity.

2.5 There is a separate report of Counter Fraud activity to be presented alongside this report.

2.6 A summary of the major findings from audit reviews completed during quarter 4 of 2022/2023 is included in Annex B. Major findings from previous quarters have already been reported.

2.7 Finally, Appendix A of the annual report sets out details of internal audit performance for the year, including details of compliance against the relevant professional standards.

3. Conclusions and Reasons for Recommendation

3.1 Audit Committee is recommended to note the Internal Audit Service's opinion on the Council's control environment, consider whether there are any significant issues that should be included in the Council's annual governance statement for 2022/23 and consider whether the Council's system for internal audit has proved effective. Cabinet will be recommended to note the Internal Audit Service's opinion on the Council's control environment at its meeting on 18 July 2023.

ROS PARKER
Chief Operating Officer

Russell Banks, Orbis Chief Internal Auditor

Contact Officers: Nigel Chilcott Tel No. 07557 541803

BACKGROUND DOCUMENTS
Internal Audit Strategy and Annual Audit Plan 2022/23

INTERNAL AUDIT ANNUAL REPORT & OPINION 2022/2023

1. Internal Control and the Role of Internal Audit

1.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The full role and scope of the Council's Internal Audit Service is set out within our Internal Audit Charter.

1.2 It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

1.3 Annually, the Chief Internal Auditor is required to provide an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement.

2. Delivery of the Internal Audit Plan

2.1 The Council's Internal Audit Strategy and Plan is updated each year based on a combination of management's assessment of risk (including that set out within the departmental and strategic risk registers) and our own risk assessment of the Council's major systems and other auditable areas. The process of producing the plan involves extensive 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.

2.2 In accordance with the audit plan for 2022/23, a programme of audits was carried out covering all Council departments and, in accordance with best practice, this programme was reviewed during the year and revised to reflect changes in risk and priority. All adjustments to the audit plan were agreed with the relevant departments and reported throughout the year to CMT and the Audit Committee as part of our periodic internal audit progress reports. Full details of the adjustments to the plan can be found in Appendix D.

2.3 It should be noted that whilst there were a small number of audit reports in progress or at draft report stage at year-end, outcomes from this work have been taken into account in forming our annual opinion. Full details of these audits will be reported to CMT and the Audit Committee once each of the reports have been finalised with management.

3. Audit Opinion

3.1 No assurance can ever be absolute; however, based on the internal audit work completed, the Chief Internal Auditor can provide reasonable¹ assurance that the Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2022 to 31 March 2023.

3.2 Further information on the basis of this opinion is provided below. Overall, the majority of audit opinions issued in the year were generally positive, with only a small number of instances where internal audit activities have identified that the operation of internal controls have not been fully effective. We are pleased to report that no minimal assurance opinions were issued in the year. There were, however, five partial assurance opinions reported (see 5.4 below), all of which will be subject to follow-up reviews in 2023/24.

3.3 Where improvements in controls are required as a result of our work, we have agreed appropriate remedial action with management.

¹ This opinion is based on the activities set out in the paragraphs below. It is therefore important to emphasise that it is not possible or practicable to audit all activities of the Council within a single year.

4. Basis of Opinion

4.1 The opinion and the level of assurance given takes into account:

- All audit work completed during 2022/23, planned and unplanned;
- Follow up of actions from previous audits;
- Management's response to the findings and recommendations;
- Ongoing advice and liaison with management, including regular attendance by the Chief Internal Auditor and Audit Managers at organisational meetings relating to risk, governance and internal control matters;
- Effects of significant changes in the Council's systems;
- The extent of resources available to deliver the audit plan; and
- Quality of the internal audit service's performance.

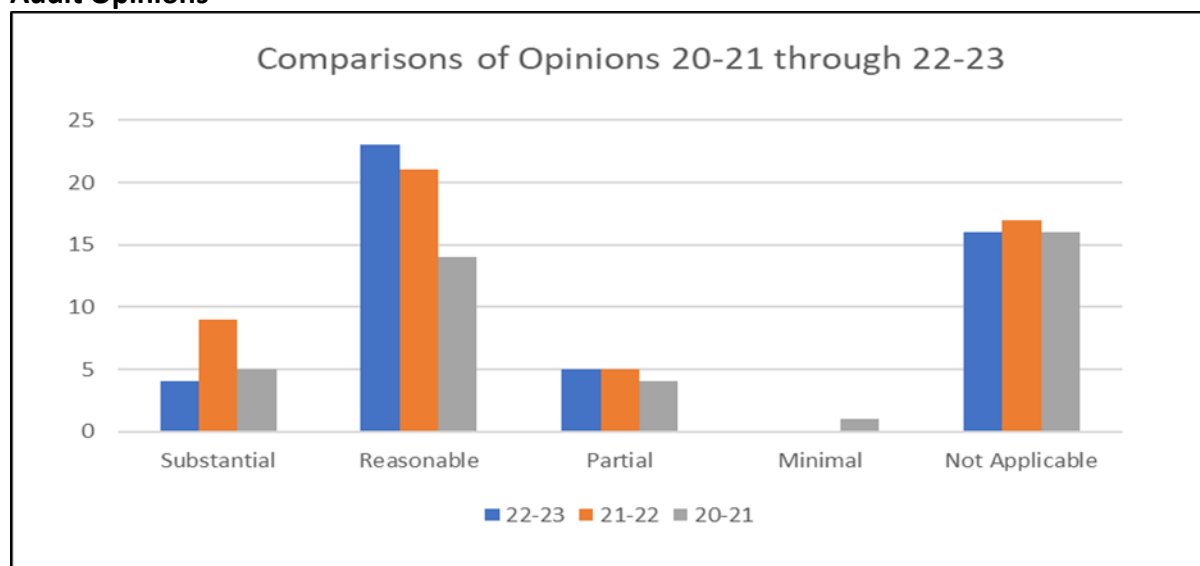
4.2 No limitations have been placed on the scope of Internal Audit during 2022/23.

5. Key Internal Audit Issues for 2022/23

5.1 The overall audit opinion should be read in conjunction with the key issues set out in the following paragraphs. These issues, and the overall opinion, will be taken into account when preparing and approving the Council's Annual Governance Statement.

5.2 The internal audit plan is delivered each year through a combination of formal reviews with standard audit opinions, direct support for projects and new system initiatives, investigations, grant audits and ad hoc advice. The following graph provides a summary of the outcomes from all audits finalised over the past three years:

Audit Opinions



**Not Applicable: Includes grant certifications and audit reports where we did not give a specific audit opinion. Typically, this tends to be proactive advice and support activity where, due to the advisory nature of the audit work, provision of formal assurance-based opinions is not appropriate.*

5.3 A full listing of all 2022/23 completed audits and opinions for the year is included at Appendix B. The status of all planned audits in progress but not completed to final report by year-end is shown in Appendix C.

5.4 As stated above, we are pleased to report that there were no minimal assurance audit opinions issued. Five audits received partial assurance (all of which have been reported on in our quarterly progress reports) as follows:

- Vehicle Use Follow-Up
- Contract Management Group Cultural Follow-Up
- Children's Data Handling
- Climate Change
- Procurement Data Analytics

5.5 Whilst actions arising from these reviews will be followed up by Internal Audit, either through specific reviews or via established action tracking arrangements, it is important that management take prompt action to secure the necessary improvements in internal control.

5.6 Whilst a substantial assurance annual audit opinion was issued for 2021/22, it is important to recognise that this was an exceptional year in terms of the findings from our internal audit work and was in fact the first time such a positive opinion has been issued since the formation of Orbis Internal Audit. The reasonable assurance opinion for 2022/23 does however, remain positive and continues to reflect the robust governance, risk management and internal control arrangements within ESCC. The primary reasons for the slight reduction assurance include:

- There were only four substantial assurance opinions in 2022/23 compared to nine in 2021/22;
- As noted in 2.3 above, in formulating our opinion, we have taken into account work not yet finalised at year-end. In 2022/23, this has included three audits with partial assurance which will be reported upon in our quarter 1 progress report, taking the total partial assurance opinions for the year to eight. In 2021/22, there were only five partial assurance opinions;
- Some of the areas against which we gave partial assurance opinions during 2022/23 are considered higher-risk areas than those in 2021/22. As noted above, these included the completed audits of Climate Change, Procurement Data Analytics and Children's Data Handling, and those at draft report stage at year-end, including External Funding, and Appointeeships and Deputyships. In 2021/22, of the five audits with partial assurance, three of these were schools which are considered lower risk overall;
- Finally, there have been two follow-up audits during the year which have resulted in unchanged opinions of partial assurance. For one of these (Vehicle Use Follow-Up), whilst the agreed actions had been implemented, we found continued instances of non-compliance with policy across the Council, resulting in an unchanged opinion. The other, relating to the Highways Contract Management Group Cultural Compliance audit, remained as partial assurance as a result of agreed actions to improve control not being implemented (a summary of this audit is included in our quarter 4 progress report in Annex B). Both audits are the subject of a separate paper to the July 2023 Audit Committee, from the Director of Communities, Transport and Environment.

Key Financial Systems

5.7 Given the substantial values involved, each year a significant proportion of our time is spent reviewing the Council's key financial systems, both corporate and departmental. Of those audits completed during 2022/23, all resulted in either substantial or reasonable assurance being provided over the control environment (the audit of Accounts Payable audit was at draft report stage at the end of the year and will be reported in our quarter 1 progress report).

Other Internal Audit Activity

5.8 During 2022/23, Internal Audit has continued to provide advice, support and independent challenge to the organisation on risk, governance and internal control matters across a range of areas. These include:

- Managing Back Office Systems (MBOS) programme
- Support in relation to cash payments to Ukrainian guests
- Adult Social Care 'Being Digital' Programme Governance Arrangements
- The Department for Levelling Up, Housing and Communities deep-dive into the South-East Local Enterprise Partnership
- Sea Change Sussex
- Highways Maintenance Contract Reprocurement
- UK Community Renewal Fund

And attendance at, and support to:

- Statutory Officers' Group
- Business Services (BS) Departmental Management Team
- Finance Management Team
- BSD Business Partners Group
- Pension Board and Pension Committee

5.9 As well as actively contributing to, and advising these groups, we utilise the intelligence gained from the discussions to inform our own current and future work programmes to help ensure our work continues to focus on the most important risk areas.

Anti-Fraud and Corruption

5.10 During 2022/23, the Internal Audit Counter Fraud Team continued to deliver both reactive and proactive fraud services across the organisation. Details of all counter fraud and investigatory activity for the year, both proactive and reactive, have been summarised within our quarterly progress reports and also a separate Counter Fraud Annual Report due to be presented alongside this Internal Audit annual report. Where relevant, the outcomes from this work have also been used to inform our annual internal audit opinion and future audit plans.

Amendments to the Audit Plan

5.11 In accordance with proper professional practice, the Internal Audit plan for the year was kept under regular review to ensure that the service continued to focus its resources in the highest priority areas based on an assessment of risk. All audits added to and removed from the plan during the year are provided in Appendix D.

6. Internal Audit Performance

6.1 Public Sector Internal Audit Standards (PSIAS) require the internal audit service to be reviewed annually against the Standards, supplemented with a full and independent external assessment at least every five years. The following paragraphs provide a summary of our performance during 2022/23, including the results of our latest independent PSIAS assessment, an update on our Quality Assurance and Improvement Programme and the year end results against our agreed targets.

PSIAS

6.2 The Standards cover the following aspects of internal audit, all of which were independently assessed during late 2022 by the Chartered Institute of Internal Auditors:

- Purpose, authority and responsibility;
- Independence and objectivity;
- Proficiency and due professional care;
- Quality assurance and improvement programme;
- Managing the internal audit activity;
- Nature of work;
- Engagement planning;
- Performing the engagement;
- Communicating results;
- Monitoring progress; and
- Communicating the acceptance of risks.

6.3 As reported to Audit Committee in March 2023, Orbis Internal Audit has been assessed as achieving the highest level of conformance available against professional standards, with no areas of non-compliance identified.

Key Service Targets

6.4 Performance against our previously agreed service targets is set out in Appendix A. Overall, client satisfaction levels remain high, demonstrated through the results of our post audit questionnaires, discussions with key stakeholders throughout the year and annual consultation meetings with Chief Officers.

6.5 Internal Audit will continue to liaise with the Council's external auditors (Grant Thornton) to ensure that the Council obtains maximum value from the combined audit resources available.

6.6 In addition to this annual summary, CMT and the Audit Committee will continue to receive performance information on Internal Audit throughout the year as part of our quarterly progress reports and corporate performance monitoring arrangements.

Internal Audit Performance Indicators 2022/23

| Aspect of Service | Orbis IA Performance Indicator | Target | RAG Score | Actual Performance |
|--|---|---------------|-----------|---|
| Quality | Annual Audit Plan agreed by Audit Committee | By end April | G | Approved by Audit Committee in March 2023 |
| | Annual Audit Report and Opinion | By end July | G | To be approved by Audit Committee in July 2023 |
| | Customer Satisfaction Levels | 90% satisfied | G | 100% |
| Productivity and Process Efficiency | Audit Plan – completion to draft report stage | 90% | G | 94.4% |
| Compliance with Professional Standards | Public Sector Internal Audit Standards | Conforms | G | <p>Dec 2022 - External Quality Assurance completed by the Chartered Institute of Internal Auditors (IIA). Orbis Internal Audit assessed as achieving the highest level of conformance available against professional standards with no areas of non-compliance identified, and therefore no formal recommendations for improvement arising. In summary the service was assessed as:</p> <ul style="list-style-type: none"> • Excellent in: Reflection of the Standards Focus on performance, risk and adding value • Good in: Operating with efficiency Quality Assurance and Improvement Programme • Satisfactory in: Coordinating and maximising assurance |

| Aspect of Service | Orbis IA Performance Indicator | Target | RAG Score | Actual Performance |
|---------------------------------|---|--------------------------------------|-----------|---|
| | Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act | Conforms | G | No evidence of non-compliance identified. |
| Outcome and degree of influence | Implementation of management actions agreed in response to audit findings | 97% for high priority agreed actions | G | 100% |
| Our staff | Professionally Qualified/Accredited | 80% | G | 93% ² |

² Includes part-qualified staff and those undertaking professional training

Summary of opinions for Internal Audit final reports issued during 2022/23

Substantial Assurance:*(Explanation of assurance levels provided at the bottom of this document)*

| Audit Title | Department |
|---|-------------------|
| Post Brexit Information Governance | Corporate |
| IT Asset Procurement (Value for Money) | Corporate |
| Dallington Church of England Primary School | CSD |
| Elective Home Education | CSD |

Reasonable Assurance:

| Audit Title | Department |
|---|-------------------|
| Pension Fund Administration – People, Processes and Systems | BSD |
| Pension Fund Governance | BSD |
| Commissioning and Delivery of Property Projects Follow-Up | BSD |
| IT Strategic and Operational Risk Management | BSD |
| Building Security Follow Up | BSD |
| Network Access Controls | BSD |
| Building Condition Asset Management Follow-Up | BSD |
| Pension Fund I-Connect Application Controls audit | BSD |
| Meta Compliance IT Application Controls audit | BSD |
| Accounts Receivable | BSD |
| Payroll | BSD |
| Capital Project Management | Corporate |
| Electronic Signatures | Corporate |
| Use of Consultants | Corporate |
| Home Care Contract Management Follow-Up | ASCH |
| Direct Payments Follow Up | ASCH |
| Public Health Grant Governance Arrangements | ASCH |
| LCS/Controcc | CSD |
| Maynards Green Primary School | CSD |
| Westfield School | CSD |
| South Malling CE Primary School and Nursery | CSD |
| Little Horsted CE Primary School | CSD |
| Tollgate Community Primary School | CSD |

Partial Assurance:

| Audit Title | Department |
|--|-------------------|
| Procurement Data Analytics | BSD / Corporate |
| Climate Change | Corporate |
| Childrens Data Handling | CSD |
| Highways Contract Management Group Cultural Compliance Follow Up | CET |
| Council Vehicle Use Follow-Up | CET |

Minimal Assurance:

| Audit Title | Department |
|--------------------|-------------------|
| None | |

Non-Opinion:

| Audit Title | Department |
|---|-------------------|
| Property Asset Management System Replacement | BSD |
| Adult Weight Management Grant Certification | ASCH |
| MBOS Programme Support | Corporate |
| MBOS Key Controls | Corporate |
| MBOS Reporting Arrangements | Corporate |
| MBOS Data Cleansing and Migration | Corporate |
| MBOS Security, Roles and Permissions | Corporate |
| Contain Outbreak Management Fund Grant Certification | ASCH |
| European Social Fund Transform Project Grant Certification | CSD |
| Supporting Families Programme Grant Certification | CSD |
| Department for Levelling-Up, Housing and Communities Deep-Dive of the South East Local Enterprise Partnership (SELEP) | CET |
| Sea Change Sussex | CET |
| Local Transport Capital Block Funding (incl. Traffic Signals) Grant Certification | CET |
| UK Community Renewal Fund | CET |
| Highways Contract Reprocurement | CET |
| Bus Services Operators Grant | CET |

2022/23 Audit Plan - Audits in Progress at Year-End

| Audit Title | Planned/ Unplanned | Department | Status |
|--|-------------------------------|-------------------|-----------------|
| Pension Fund Investments and Accounting | Planned | BSD | Draft report |
| Pension Fund Cash Management | Planned | BSD | Draft report |
| Pension Fund Cyber Security Arrangements | Planned | BSD | Draft report |
| Techforge IT Application Controls | Planned | BSD | Draft report |
| Procurement of IT Systems | Planned | BSD | Draft report |
| Accounts Payable | Planned | BSD | Draft report |
| Pension Fund – Administration of Pension Benefit Payments | Planned | BSD | Audit fieldwork |
| Cyber Security | Planned | Corporate | Draft report |
| Health and Safety | Planned | Corporate | Draft report |
| Information Governance (Subject Access Requests and Freedom of Information Reporting Arrangements) | Planned | Corporate | Audit fieldwork |
| Mobile Device Management | Planned | Corporate | Audit fieldwork |
| Corporate Governance | Planned | Corporate | Audit fieldwork |
| Contract Management | Planned | Corporate | Audit fieldwork |
| Appointeeships and Deputyships | Unplanned | ASCH | Draft report |
| Adults Safeguarding | Planned | ASCH | Draft report |
| External Funding | Planned | CET | Draft report |
| Home to School Transport Follow-Up | Planned | CET | Audit fieldwork |

Audits added to and removed from the plan during 2022/23

Audits Added:

| Audit Title |
|---|
| Reporting Services Database |
| Cash Payments to Ukrainian Guests |
| Being Digital Programme Governance Arrangements |
| Broadband Grant |
| Covid Bus Services Support Grant |
| Additional Dedicated Home to School and College Transport Grant |
| DfT Local Transport Authority Covid-19 Bus Service Support Grant Restart (Revenue) Grant Certification |
| Sea Change Sussex |
| Department for Levelling-Up, Housing and Communities Deep-Dive into the South-East Local Enterprise Partnership |
| Biodiversity Net Gain Grant |

Audits Removed/Deferred:

| Audit Title |
|--------------------------------------|
| Financial and Benefits Assessments |
| Beacon/Grove Park Project Management |
| Adult Social Care Funding Reform |
| Waste Management |
| Kofax IT Application Controls |
| Proactis IT Application Controls |

Audit Opinions and Definitions

| Opinion | Definition |
|------------------------------|---|
| Substantial Assurance | Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives. |
| Reasonable Assurance | Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives. |
| Partial Assurance | There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk. |
| Minimal Assurance | Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives. |

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1. Audits Completed in Q4 (December to March)

Accounts Receivable

1.1 The Accounts Receivable function is responsible for ensuring that all income due to the Council is collected effectively and efficiently, banked promptly and is correctly accounted for.

1.2 This audit aimed to provide assurance over the key controls operating within the Accounts Receivable system, including those in place for ensuring the accuracy of customer details, the accuracy of invoicing, the recording and matching of payments to invoices, and completeness of debt recovery.

1.3 As a result of our work, we were able to provide an opinion of **reasonable assurance** in this area.

1.4 A small number of areas for improvement were identified, however, including the need to:

- identify the underlying cause for the increased value and volume of credit memoranda raised compared with the previous year;
- improve systemic controls to enforce segregation of duties, to ensure no one individual can raise and approve a credit memorandum;
- strengthen the monitoring of debt write-offs to provide assurance that they are supported by appropriate documentation;
- improve checks to identify duplicate customers so that they can be blocked from use, to reduce the risk that debts are chased after they have been paid; and
- strengthen controls to avoid the risk of duplicate invoices being raised.

1.5 Robust actions were agreed with management to address these issues.

Payroll

1.6 Employees' salary payments account for a large proportion of the organisation's expenditure. The average gross salary payments for ESCC for the 2021/22 financial year was £20.4 million per month, with average net salary payments to employees of £15.3 million per month. The Council's Payroll Service is responsible for paying employees accurate amounts, on time, in accordance with organisational and regulatory policies.

1.7 The purpose of the audit was to provide assurance that controls are in place to ensure that:

- Only genuine starters are set up, approved, and pay accurately calculated from the correct date;
- Leavers are removed from the payroll in a timely manner and paid correctly and accurately to the correct dates;
- Permanent variations to pay accurately reflect employees' grades and/or changes to their contracts, calculated and paid from the correct dates;
- Payruns and BACS transmissions are correct and authorised;
- Payroll data is accurately reflected in the General Ledger;

- Temporary payments (including additional hours, expense claims and payment to casual staff) are only made for hours worked and expenses incurred legitimately as a result of employment;
- Changes to standing data are reviewed, authorised and input accurately.

1.8 In providing an opinion of **reasonable assurance**, we found a number of areas of good practice, including that appropriate pre-employment checks are completed, pay is calculated correctly and controls over leavers, payruns and BACS transmissions were operating as expected, with appropriate segregation of duties and authorisation in place. We also found that payroll data is regularly reconciled to the general ledger and that changes to payroll standing data were subject to thorough review, testing and authorisation, prior to changes being made.

1.9 We did, however identify some areas where improvement was required, including the need to:

- Analyse the value and number of overpayments year on year to identify adverse trends so that these can be corrected where found; and
- Ensure travel and expense claims are always supported by appropriate receipts.

1.10 Actions to address these issues were agreed with management within a formal management action plan.

Climate Change

1.11 In October 2019, East Sussex County Council declared a climate emergency, and set a target of achieving carbon neutrality from activities as soon as possible, and in any event by 2050, in line with the new target for the UK agreed by Parliament in 2019.

1.12 The purpose of the audit was to provide assurance that appropriate measures are in place to help achieve the Council's aim of carbon neutrality, including in relation to governance and programme management, resourcing, monitoring and reporting, and that appropriate consideration has been given to ensuring that the Council can adapt to unavoidable climate change appropriately, in order to ensure the integrity of service delivery is maintained.

1.13 In completing this work, we provided an opinion of **partial assurance**. Although we found that significant work had already taken place within the Council to help achieve the aim of carbon neutrality, there were opportunities to further improve arrangements, whilst acknowledging though that the programme is continually evolving, and that work was often already in progress in the areas that we highlighted, which included the need to:

- Evaluate the adequacy of resourcing relative to the Council's climate change programme and ambitions beyond March 2025, recognising that the programme and action plan to that date is adequately resourced;
- Ensure the forward planning process takes the Council's carbon reduction targets into consideration, where decisions taken will impact climate change;
- Further clarify project structure and roles through an updated terms of reference;
- Ensure processes are in place to assess and monitor the impact of measures taken to reduce carbon output, on service delivery and residents;
- Have climate-specific roles in key areas of the Council, including Procurement and Property;
- Ensure that plans and processes are in place to support service delivery where climate related factors may have an impact, so that the Council is well-adapted and resilient.

1.14 In discussing these areas with management, a formal action plan, with responsible officers and agreed target implementation dates, was agreed, and we will complete a follow-up review later in 2023/24.

Use of Consultants

1.15 The objective of the audit was to provide assurance that controls are in place to meet the following objectives:

- There is clear policy and guidance over the engagement and use of consultants;
- Consultants are only engaged where their use meets the needs of the Council, and no satisfactory alternatives are available;
- The procurement of consultants complies with Procurement and Contract Standing Orders and the requirements of IR35;
- Robust contract management arrangements are in place for the use of consultants; and
- Arrangements are in place to ensure appropriate knowledge transfer from consultants to the Council.

1.16 As a result of our work, we were able to provide an audit opinion of **reasonable assurance**, with controls in place and operating effectively in most cases, including clear briefs and monitoring arrangements in place to ensure that expectations were delivered.

1.17 However, we identified further opportunities to strengthen controls in order to:

- Clarify the difference between procuring consultants and using agency staff, which may have contributed to a high number of transactions incorrectly coded to consultancy, reducing the Council's understanding of how and where we are using consultants, or how much is being spent on them;
- Ensure that evidence of checks on consultants' professional indemnity and public liability insurances is retained and that checks are made to ensure that contractors maintain their insurances throughout the life of the contract; and
- Ensure that the consultants' skills and knowledge are transferred to officers, to reduce future dependency on their use.

1.18 An action plan to address these issues was agreed with management.

Modernising Back Office Systems (MBOS) Programme

1.19 The Modernising Back Office Systems Programme (MBOS) was approved by the Corporate Management Team (CMT) in September 2019 to enable the Council to go to market for a replacement to its current Enterprise Resource Planning (ERP) tool - SAP. The MBOS Programme is seeking to implement a new system, Oracle, that better meets the current and future needs of the Council and which provides optimal return on its investment.

1.20 We continue to support the programme through the attendance at the Programme Board where we provide ad-hoc advice, challenge and support. A program of audit work has been agreed with the Board to support the programme going forward, including providing assurance over the adequacy of controls within proposed business processes, disaster recovery and business continuity arrangements,

and business readiness and system cutover. Further work is also planned for post go-live in relation to delegations, authorisations and system access.

MBOS – Security, Roles and Permissions (Position Statement)

1.21 The primary objective of this review was to provide assurance that steps have been, or will be, taken to ensure the security of the Oracle system and the data to be held within it. At the time of review, it was acknowledged that not all controls are likely to have been implemented, however, we sought to confirm the process for implementing these as part of the build, and ascertain the steps taken to confirm their existence during User Acceptance Testing (UAT).

1.22 As part of our work, we identified several areas where we felt further assurances were required prior to the system going live. These areas included:

- The completion of technical risk assessments of the system;
- Roles and responsibilities for the system ownership;
- Permissions and delegations within the system;
- Adequacy and completeness of audit trails;
- Ongoing support arrangements; and
- System updates and patching.

1.23 These areas for consideration were provided to the Programme Board in the form of a position statement and will be subject to ongoing review.

Highways Contract Management Group Cultural Compliance Follow-Up

1.24 The Highways Contract Management Group (CMG) is responsible for overseeing the Council's Highways and Infrastructure contract. The group monitors the performance of the service provider and ensures it is fulfilling its contractual commitments. It also manages the development of an asset management approach to looking after our highways and infrastructure, development of the service and all contract finance and budgets.

1.25 A cultural compliance audit of the Highways Contract Management Group was completed in 2019/20 and we provided an audit opinion of partial assurance. The report contained a high-risk action relating to the appointment and management of consultants. Due to the opinion given, we undertook a follow up review of this audit to ascertain progress made in implementing the agreed actions.

1.26 Our review found that, although controls had been strengthened in some areas, insufficient progress had been made in some key areas and we were unable to improve our audit opinion. In particular, the actions relating to the procurement and management of consultants had not been implemented and action is still needed to ensure that the Council complies with the requirements of Public Contracts Regulations and delivers value for money. In addition, seven findings from the previous audit were repeated, in full or in part, and a small number of new findings were reported. These included actions to ensure that:

- All employees complete declaration forms in the Council's register of interests, to promote transparency;
- VAT is accounted for correctly, when using purchasing cards, to enable the Council to reclaim VAT;

- The corporate purchasing card is used, where appropriate, including to avoid staff making purchases and reclaiming costs via expense claims; and
- Employees complete mileage claim forms correctly, including the removal of their ordinary commuting mileage and providing sufficient detail to identify the journeys being claimed, to reduce the risk of fraud or error.

1.27 A new management action plan has been agreed with a revised timetable to address those findings that remained outstanding from the previous audit, as well as including actions to address the new findings.

Meta Compliance IT Application Audit

1.28 The Meta Compliance system offers a range of information security and information governance tools, including security awareness training, phishing simulation, cyber security e-learning, privacy management, policy management and incident management. The system went live at the Council earlier this year and is being used for Data Privacy Impact Assessments (DPIAs) and information governance training.

1.29 We completed an IT application audit of the system to provide assurance that:

- System access is restricted to appropriately authorised individuals and the permissions provided to those users are in line with job functions;
- Data processed through interfaces is authorised, accurate, complete, securely processed and written to the appropriate file;
- Outputs produced by the system are complete, accurate, reliable, distributed on time and with confidentiality where appropriate;
- System updates and enhancements are performed in a consistent manner and subject to sufficient testing and authorisation before implementation; and
- Appropriate support arrangements are in place to manage changes within the system.

1.30 In providing an opinion of **reasonable assurance**, we found that proportionate controls were in place for the system although, if usage of the system were to be expanded to store additional information, the appropriateness of controls would need to be re-evaluated ahead of any change of use.

1.31 Some opportunities for improvement were, however, identified, where there is a need to:

- Complete a technical risk assessment to identify risks to the security of the system and its data, and possible remedial action where this is needed;
- Implement a more formal process for granting access to the system; and
- Run and review reports of failed log-on attempts to assist in detecting user accounts which may need further investigation or action.

1.32 Actions to address all of these issues were agreed with management.

Public Health Grant Governance Arrangements

1.33 The Public Health Grant (the Grant) for 2022/23 was £28.9 million; the purpose of which was to provide local authorities in England with the funding required to discharge public health functions. The ringfenced grant enables the Council to deliver projects/initiatives which support the government's public health objectives to improve health outcomes in local populations. Our review therefore looked at the governance arrangements in place within the Council to ensure that these public health outcomes are met, including that:

- There are robust processes and procedures in place to ensure that the Grant conditions are met;
- A comprehensive framework has been adopted to ensure there are effective governance arrangements in place to support the allocation of grant monies to public health initiatives;
- All contracts awarded to deliver approved public health initiatives are monitored to ensure outcomes are delivered;
- The financial reporting program delivers accurate management information which underpins efficient utilisation of the Grant Fund and awards.

1.34 In providing an opinion of **reasonable assurance**, we found that, overall, appropriate governance arrangements in relation to the Grant are in place, including the, albeit recent, formation of a Public Health Board, which has a scrutiny and advisory function to identify potential areas across the county that may require public health support. It is also tasked with reviewing the performance, risks and spend of the public health function. We also found that:

- Grant conditions are being complied with;
- Tendering for contracts went through appropriate procurement channels and were compliance with the Council's Procurement and Contract Standing Orders;
- Contracts are monitored for outputs related to public health outcomes and are regularly reported to management;
- Financial monitoring is undertaken regularly to ensure expenditure against grants and individual projects/initiatives that are linked to the grant, are within tolerances; and
- Procedures for the Public Health team that cover the identification process for new initiatives and commissioning, budget setting, and financial monitoring are in place.

1.35 Only one area for improvement was identified, relating to the need for Public Health to have a detailed strategy/service plan in place which enables progress against desired goals, and risks to the delivery of public health outcomes, to be assessed and monitored. This was in development at the time of the audit.

IT Asset Procurement – Value for Money

1.36 The COVID-19 pandemic placed significant demands on local 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.

1.37 The purpose of our audit was to provide assurance that controls are in place to meet the following objectives:

- All procurement and purchasing activities of IT assets is undertaken in response to a business need and, where applicable, in line with the Council's Contract Standing Orders;
- The processes used to procure/purchase IT assets are suited for the intended outputs; and
- Procurement of IT assets is undertaken by IT&D, and any exceptions are executed with IT&D oversight and according to standards defined by IT&D.

1.38 In providing an opinion of **substantial assurance**, we found that:

- Robust governance arrangements are in place for procurement activity in relation to the tendering of contracts for IT assets across the Council. Prior approval for procurement exercises is obtained from both senior management, through the IT&D Capital Strategy, as well as from members in the form of the approval of the Council's procurement forward plan and the Business Services Department Portfolio Plan;
- Procurement activity (at the time of our review), to procure end user devices, was found to be following best practice with appropriate support from the corporate Procurement Team, with market testing taking place and consideration given to sustainability, environmental impact, support and deployment options, in addition to cost;
- Guidance is available to all staff in relation to the purchase of IT assets, which states that all IT purchasing should be completed by the IT&D Purchasing Team, with the Procurement Team being consulted for purchases over £100k.

1.39 Only one minor area of improvement was identified, relating to the need to further promote the services provided by the IT&D Purchasing Team where a small amount of spend (approx. £2.5k since April 2021) on peripheral IT assets was identified. Better value could have been obtaining if the formal procurement route had been followed. Actions were agreed with management to address this.

Sea Change Sussex

1.40 In our quarter 2 progress report, we summarised the work we had completed, at the request of senior management, to support the Department for Levelling-Up, Housing and Communities (DLUHC) assurance deep-dive of the South East Local Enterprise Partnership (SELEP). As previously reported, Essex County Council (ECC) is the host accountable body for SELEP. As part of their review, the DLUHC had requested, through ECC, information supporting the grant agreements and procurement activities undertaken for projects delivered by Sea Change Sussex (SCS). We provided additional resource and support in obtaining the evidence requested. This involved the review of extensive documentation and the collation and analysis of records dating back many years, which enabled the Council to provide the required information back to ECC. In addition, further support was also provided throughout the year in relation to analysing information regarding grant and loan funding in response to a complaint from SCS regarding a property transaction and queries that were raised over the use of SELEP money.

School Audit Work

1.41 We have a standard audit programme in place for all school audits, with the scope of our work designed to provide assurance over key controls operating within them. The key objectives of our work are to ensure that:

- Governance structures are in place and operate to ensure there is independent oversight and challenge by the Governing Body;

- Decision making is transparent, well documented and free from bias;
- The school is able to operate within its budget through effective planning;
- Unauthorised or inappropriate people do not have access to pupils, school systems or the site;
- Staff are paid in accordance with the schools pay policy;
- Expenditure is controlled and funds are used for an educational purpose. The school ensures value for money on contracts and larger purchases;
- All income due to the school is collected, recorded and banked promptly;
- All Voluntary Funds are held securely, and funds are used in accordance with the agreed aims; and
- Security arrangements keep data and assets secure and are in accordance with data protection legislation.

1.42 At the time of writing, school audits are being undertaken through remote working arrangements.

1.43 The table below shows a summary of the four school reviews completed in Q4, together with the level of assurance they received and areas for improvement.

| Name of School | Audit Opinion | Areas Requiring Improvement |
|----------------------------------|----------------------|--|
| Westfield School | Reasonable Assurance | <ul style="list-style-type: none"> • All staff to complete an annual declaration of interest; • A Business Continuity Plan to be developed; • Payroll reconciliations to be subject to independent review and approval; and • IR35 checks to be carried out in relation to consultants. |
| Little Horsted CE Primary School | Reasonable Assurance | <ul style="list-style-type: none"> • Mitigations to be implemented where employees declare a conflict; • Oversight as to the budget position to be maintained; • The school improvement plan to be costed; • Staffing expenditure to be subject to regular review; • Robust procurement processes to be undertaken when purchasing high value goods or services; and • Local Financial Procedures to be updated. |
| Tollgate Community Junior School | Reasonable Assurance | <ul style="list-style-type: none"> • Robust procurement processed to be undertaken when purchasing high value goods or services; • Oversight as to the long-term budget plan to be maintained; • Separation of duties to be ensured in the purchasing card approval process; • Expenditure on staffing to be monitored; and • Scheme of Delegation to be updated to reflect current practice. |

| Name of School | Audit Opinion | Areas Requiring Improvement |
|---|----------------------|--|
| South Malling CE Primary and Nursery School | Reasonable Assurance | <ul style="list-style-type: none"> Contract Register to be updated to include key dates and details; Scheme of Delegation to be reviewed, updated and approved; Mitigations to be implemented where a conflict of interest has been identified; Governors to formally approve the budget; and Up to date statutory reports to be published on the school website. |

Grant Related Audit Work

Supporting Families Programme

1.44 The Supporting Families (SP) programme has been running in East Sussex since January 2015 and is an extension of the original Troubled Families scheme that began in 2012/13. The programme is intended to support families who experience problems in certain areas, with funding for the local authority received from the Department of Levelling Up, Housing and Communities (DLUHC), based on the level of engagement and evidence of appropriate progress and improvement.

1.45 Children's Services submit periodic claims to the DLUHC to claim grant funding under its 'payment by results' scheme. The DLUHC requires Internal Audit to verify 10% of claims prior to the local authority's submission of its claim. We therefore reviewed two of the 10 families included in the January/March 2023 grant cohort.

1.46 In completing this work, we found that valid 'payment by results' (PbR) claims had been made and outcome plans had been achieved and evidenced. All the families in the sample of claims reviewed had firstly met the criteria to be eligible for the SP programme and had either achieved significant and sustained progress and/or had moved from out of work benefits into continuous employment. We therefore concluded that the conditions attached to the SP grant determination programme had been complied with.

Biodiversity Net Gain Grant

1.47 The Biodiversity Net Gain Grant is a ringfenced grant provided to local planning authorities to support preparation activity for mandatory biodiversity new gain (BNG) which was introduced through the Environment Act 2021. The Department for Environment, Food and Rural Affairs (DEFRA) provided ESCC with £26,807 for this purpose.

1.48 We conducted appropriate checks to ensure that the grant terms and conditions had been complied with and were able to provide confirmation to DEFRA which was signed by the Chief Internal Auditor and Chief Executive.

2. Counter Fraud and Investigation Activities

Counter Fraud Activities

2.1 We have been liaising with the relevant services to provide advice and support in processing the matches received as part of the National Fraud Initiative. The team also continue to monitor intel alerts and share information with relevant services when appropriate.

Summary of Completed Investigations

False Representation

2.2 Internal Audit investigated a referral from the Pension Service regarding a potential false claim to obtain payment of a pension. A scheme member had taken early retirement on the grounds of poor health and a request for payment of the pension had been received. However, subsequently mortality data matching indicated that the scheme member had passed away prior to the request being received. The investigation confirmed that the scheme member had passed away and payment of the pension was stopped. A reconciliation between the payments made and the death grant due confirmed that no overpayment had been made as a result of the discrepancy in the reporting of the death in service.

Misuse of a COVID19 Grant

2.3 An investigation was conducted following an anonymous referral alleging that an East Sussex care provider had misspent grant funding received under the Worker Recruitment and Retention Fund during the COVID19 pandemic. The main purpose of the fund was to support local authorities to address workforce capacity pressures within adult social care, with the funding due to be spent on recruitment and retention activity. The investigation concluded that the care provider had spent the grant funding on recruitment campaigns, agency staff and staff incentives, in accordance with the grant conditions.

Use of IT Equipment

2.4 We provided support to a school following a concern being raised that a teacher held a second laptop at home which was not being used in accordance with the IT Policy. Following a fact-finding meeting, a first warning was issued to the teacher concerned.

Petty Cash

2.5 We reviewed local procedures following a concern being raised in relation to a petty cash discrepancy at a respite home within Adult Social Care. A report was issued identifying areas for improvement in the procedures, which will be implemented by the service.

| | |
|-------------------------|--|
| Report to: | Audit Committee |
| Date of meeting: | 07 July 2023 |
| By: | Director of Communities, Economy and Transport |
| Title: | Response to Internal Audit Reports |
| Purpose: | Audit Committee is asked to note the proposals and actions to respond to the Cultural Compliance and Vehicle Use Audits |

RECOMMENDATIONS: Audit Committee is recommended to:

(1) Note the actions within the report

1 Background

Contract Management Cultural Compliance

1.1 A cultural compliance audit of the Highways Contract Management Group (CMG) was completed in 2019/20 with the result being a partial assurance. A follow-up audit was completed in February 2023 with the result also being partial assurance.

1.2 Both audits identified a number and similar areas for improvement and demonstrates that actions from the first audit were not implemented either correctly or fully.

The areas identified included;

- Completion of the Declaration of Interest (DOI) submissions
- Appointment of Consultants and contractors
- Staff catering expenses
- Use of Purchasing Cards (P-Card) and apportion of VAT
- Staff performance management
- Deduction of Ordinary Commute Mileage and approver checks
- Travel and “out of pocket” reimbursement/claims
- Annual leave approval

1.3 While some of the areas were not repeated in the second audit, seven areas were repeated or partially repeated most notably in the highest risk areas and five new areas were also identified. This is unacceptable given the management structure in place, the experience of the team and specifically the agreed actions from the previous audit and the subsequent clear demonstration of poor control demonstrated.

1.4 Robust actions have therefore been developed by the Head of Service to ensure these management failures are not repeated. The Head of Service will be responsible for the action plan and will monitor the plan to ensure all actions are implemented and embedded in the team.

Vehicle Use

1.5 An audit of Vehicle Use was completed in 2020/21 and received an audit opinion of Partial Assurance. A follow-up audit was completed in November 2022 with the result also being partial assurance (a summary of this was reported in Internal Audit’s quarter 3 progress report which was presented to Audit Committee in March 2023).

1.6 Whilst the Fleet Management Team have fulfilled their responsibilities in addressing the key, agreed action from the previous audit the follow-up audit work has confirmed that there are still issues of non-compliance with agreed policy in relation to the use of Council vehicles, and more generally in relation to ensuring annual checks are undertaken on staff driving licences and insurance.

2 Supporting information

Contract Management Cultural Compliance

2.1 The findings and recommendations of the audit have been shared and addressed with the entire team through reminder emails, discussion at team meetings and at the Contract Managements Group regular meetings.

2.2 A robust action plan has subsequently been developed by the Head of Service to address all the issues identified with specific controls and checks to manage and implement the actions.

Vehicle Use

2.3 The Head of Service responsible for our fleet team sent an educational email to key contacts across the authority for all fleet vehicles. This email included existing guidance over 'The Safe Use of Motor Vehicles' and 'The Minibus and People Carrier Operation Guidance' and advised them of their responsibilities to:

- Complete vehicle mileage logs.
- Retain and undertake reconciliation of vehicle mileage logs and fuel receipts.
- Ensure staff driving licences and insurance records should be reviewed on an annual basis.

These key actions to ensure compliance with our policies rest with relevant managers across all our departments.

2.4 To assist with giving assurance of compliance with these actions, the fleet management team will undertake 6 monthly spot checks to see if these actions are being taken and then give feedback to the relevant Assistant Directors.

2.5 In addition we have issued a reminder to all managers of the requirement for annual reviews to ensure all staff driving on Council business hold sufficient driving licences and insurance.

3 Conclusion and recommendations

3.1 It is unacceptable that the issues from the initial audits were not successfully implemented with the consequence that many issues were repeated with no significant improvement able to be demonstrated, particularly with what should be basic management requirements.

3.2 A detailed action plan has been developed by the Head of Service for Highways to address each point of concern raised by the audits. They will monitor and be responsible for the action plan to ensure the failures are not repeated and the right culture is embedded in the team.

3.3 The Head of Service for the fleet management team will undertake 6 monthly checks to ensure the necessary actions are being taken.

3.4 It is therefore recommended that Audit Committee note the action within this report and the commitment by the department to ensure an improved audit opinion when the next audits are undertaken in 2023/24.

RUPERT CLUBB

Director Communities Economy and Transport

Contact Officers: Dale Poore & Carl Valentine

Tel. No: 0775 664161 & 01273 336199

Email: dale.poore@eastsussex.gov.uk & carl.valentine@eastsussex.gov.uk

LOCAL MEMBERS

None

BACKGROUND DOCUMENTS

None

Report to: **Audit Committee**

Date: **7 July 2023**

By: **Chief Operating Officer**

Title of report: **Counter Fraud Annual Report 2022/23**

Purpose of report: **To inform Audit Committee of the irregularity investigations and proactive counter fraud work undertaken by Internal Audit between 1 April 2022 and 31 March 2023**

RECOMMENDATIONS

Committee Members are recommended to note the contents of the report.

1. Background

1.1 The report (Annex A) covers the counter fraud work completed in the year from 1 April 2022 to 31 March 2023 in accordance with the Counter Fraud Strategy and Framework.

2. Supporting Information

2.1 The Council's Internal Audit team investigates allegations of fraud and irregularity against the Council and is committed to upholding the Council's Counter Fraud Strategy and Framework. The Council's strategy is aligned to the Fighting Fraud and Corruption Locally Strategy 2020 which is the government's 'blueprint' for tackling fraud in Local Government.

2.2 Within Internal Audit, the Counter Fraud Partnership Team work across all departments to identify fraud, and to provide a dedicated proactive counter fraud and responsive investigation function. It also works on behalf of the Council to ensure that its counter-fraud arrangements are robust by raising awareness of fraud risk, reviewing and improving fraud risk management arrangements, using data to actively identify fraudulent activity and monitoring the extent to which the Council is impacted by fraud. Where fraud is suspected or identified, the team provides a professional investigation service and advises on control measures that will prevent recurrence.

2.3 The Counter Fraud Annual Report outlines:

- Details of the work undertaken during the period 1 April 2022 to 31 March 2023;
- Outcomes from investigation activities; and
- Other counter fraud activity.

3. Conclusions and Reasons for Recommendation

3.1 Audit Committee is recommended to note the counter fraud activity completed during 1 April 2022 to 31 March 2023.

ROS PARKER

Chief Operating Officer

Russell Banks, Orbis Chief Internal Auditor

Contact Officers: Simon White

Tel No. 07779 455501

BACKGROUND DOCUMENTS

ESCC Counter Fraud Strategy and Framework

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INTERNAL AUDIT COUNTER FRAUD REPORT 2022/23

1. Introduction

1.1 The Council's Financial Regulations require all officers and members of the Council to notify the Chief Internal Auditor of any matter that involves, or is thought to involve, corruption or financial irregularity in the exercise of the functions of the Council. Internal Audit will in turn pursue such investigations in line with the Counter Fraud Strategy and Framework.

1.2 Within the Orbis Internal Audit Service, the Counter Fraud partnership team provides resource and experience to support ESCC with both proactive and responsive support relating to any instances of financial irregularities and fraud related risks.

1.3 The annual Internal Audit Plan for 2022/23 carried within it a contingency budget for 'Irregularity and Special Investigations' of 120 days. This contingency covered time to investigate 'irregularities' (actual or alleged financial impropriety, corruption, and other similar matters) as well as time for proactive counter fraud work and to support the National Fraud Initiative (NFI), detailed in the latter part of this report.

1.4 Internal Audit reports following irregularity investigations typically help to provide independent evidence to support (or not) a management case against an employee under formal disciplinary procedures, to support potential criminal prosecutions and to help strengthen controls in areas where weaknesses are identified. Irregularity audit reports are not subject to the same distribution as general audit reports due to their confidential and sensitive nature.

2. Summary of Investigations between 1 April 2022 and 31 March 2023

Resources

2.1 During the 2022/23 financial year, a total of eight Internal Audit officers charged time to work on irregularity investigations amounting to 113 days. This includes preliminary assessments, liaison with departments, fieldwork, reporting, and subsequent support for disciplinary and criminal activities.

2.2 The Counter Fraud team also monitors the ESCC Confidential Reporting Hotline, giving advice to members of staff on whistleblowing, and signposting to other departments where required.

Number and Types of Investigations

2.3 A total of 24 allegations were received in the financial year (13 in the first half of the year and 11 in the second half). For comparison, 23 allegations were received in the previous financial year.

2.4 New allegations were brought to the attention of Internal Audit by the following methods:

- 14 were raised by Council management;
- 4 originated from an external source to the Council;
- 6 were raised through confidential reporting.

2.5 Full details of the categories by which fraud and irregularity investigations are reported are attached at Appendix A. All proven fraudulent or irregular behaviour by officers may be considered misconduct; similarly, poor controls increase the likelihood of fraud occurring. The categories therefore reflect alleged specific types of fraud or irregularity.

2.6 The number of all recorded allegations across the Council's departments is shown in Figure 1, while Figure 2 shows the categories of allegations received.

Figure 1. Allegations by department from 1 April 2022 to 31 March 2023

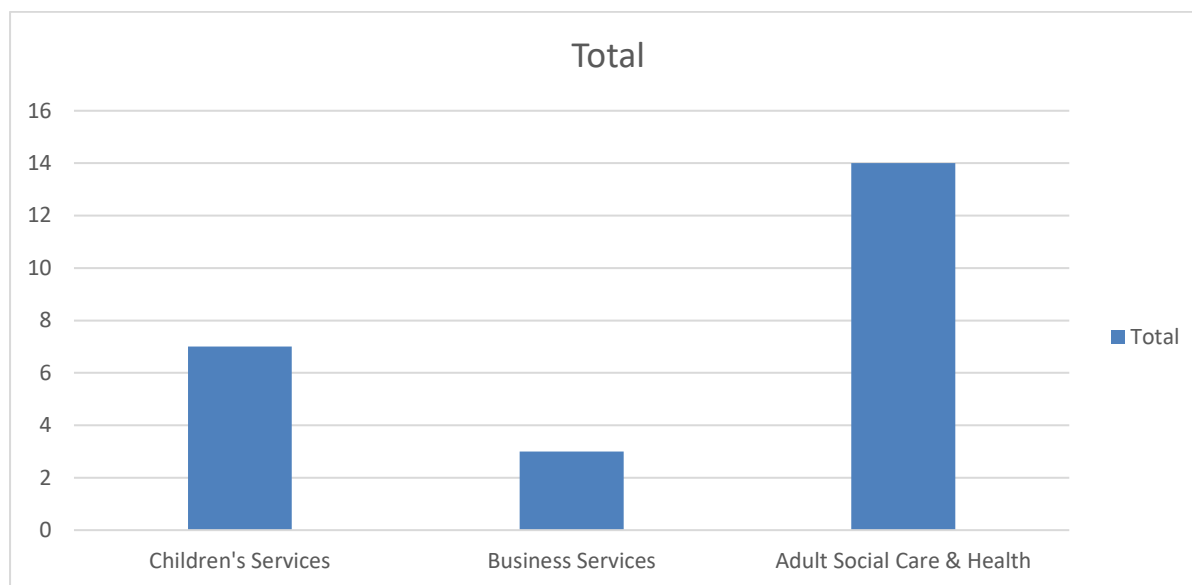
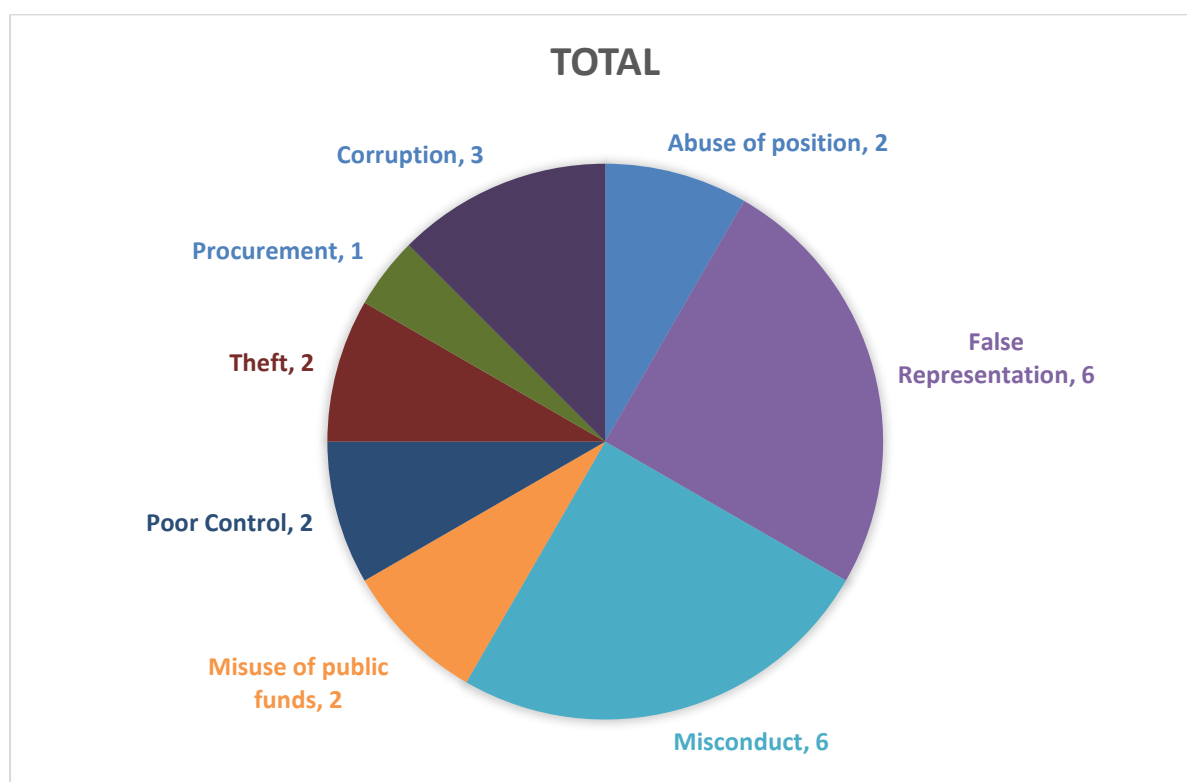


Figure 2. Summary of irregularities by type from 1 April 2022 to 31 March 2023



2.7 Of the allegations received, 2 were closed with no action taken, 2 were passed to an external body, 5 were dealt with through advice to management, 10 were taken forward for investigation by Internal Audit or support provided to a management investigation. Five were conduct or capability issues dealt with by management with support from HR where appropriate. Four investigations were still active at the time of writing this report.

2.8 The following paragraphs provide a summary of the investigation activity concluded by the Internal Audit Counter Fraud Team within the last 12 months.

2.8.1 **Cash Handling** – following concerns over cash banking arrangements, advice and support was provided to improve arrangements over cash handling at a care home.

- 2.8.2 **Recruitment** – a concern was reported that there was a potential conflict of interest in a recent recruitment exercise that had occurred in Adult Social Care. The investigation concluded that no preferential treatment had taken place and the concerns were unsubstantiated.
- 2.8.3 **Bank Mandate Fraud** – an investigation was undertaken following notification that ESCC had been the victim of a bank mandate fraud, totalling £206,847.53. The investigation found that, whilst ESCC had robust controls in place designed to prevent this type of fraud, the officer who had processed the change in bank mandate had not followed these procedures. Following our investigation, the officer concerned was subject to disciplinary action. Further opportunities were taken to strengthen controls and to reinforce the message to ensure correct procedures are followed at all times. Additional fraud awareness sessions were held to emphasise the current threat of bank mandate fraud.
- 2.8.4 **Grant Funding** – during the year, a concern was raised in relation to the administration of funding that was received from the Adoption Support Fund (ASF). The member of staff responsible for applying to the fund, tracking funding received and completing spend confirmations, had not been following the correct procedures which resulted in lengthy retrospective reconciliations being required and some grant funding having to be returned. In addition, some overpayments were also identified resulting in some financial loss to the Council. Consequently, a number of control weaknesses were identified, and these were reported to the service so that improvements could be made. The staff member concerned retired during the course of our investigation.
- 2.8.5 **Data Governance Breach** – the Department for Works and Pensions (DWP) informed the Council of a potential security breach of their system (Searchlight). An investigation was undertaken which resulted in the system user being issued with a formal written warning. Training was provided to all system users within the team, reminding them that they should only use the system for genuine business reasons.
- 2.8.6 **Overtime Claims** – following an allegation that an employee was submitting excessive overtime claims, we conducted an analysis of claim forms and rota information. However, due to poor record keeping by the service, we were unable to establish whether any overpayments had occurred. Consequently, no action was taken against the member of staff, although the managers responsible for approving claims within the team are being supported to ensure that claims are properly checked before being approved for payment. To assist with this, Human Resources have worked with the service to implement a more robust and clear rota system. Audit work is planned early in 2023/24 to confirm that proper processes and controls are in place and being complied with.
- 2.8.7 **False Representation** – Internal Audit investigated a referral from the Pension Service regarding a potential false claim to obtain payment of a pension. A scheme member had taken early retirement on the grounds of poor health and a request for payment of the pension had been received. However, subsequently mortality data matching indicated that the scheme member had passed away prior to the request being received. The investigation confirmed that the scheme member had passed away and payment of the pension was stopped. A reconciliation between the payments made and the death grant due confirmed that no overpayment had been made as a result of the discrepancy in the reporting of the death in service.

3. Proactive fraud prevention and awareness work

3.1 As well as the investigation work referred to above, we continue to be proactive in the identification and prevention of potential fraud and corruption activity across the Authority and in raising awareness amongst staff. The following paragraphs outline some of the proactive work undertaken in the past year.

3.2 The Council has in place a Counter Fraud Strategy 2021-24 that sets out its commitment to preventing, detecting, and deterring fraud. Internal Audit has reviewed the sovereign strategy to align with best practice and to ensure a robust and consistent approach to tackling fraud. The strategy was updated to include revisions to the Fighting Fraud and Corruption Locally framework and was approved by the Audit Committee in September 2021.

3.3 Fraud risk assessments are regularly reviewed to ensure that the current fraud threat for the Council has been considered and appropriate mitigating actions identified. We have updated the risk assessment to include new and emerging threats. This includes potential threats to payroll, staff frauds relating to home working and the ever increasing cyber threat.

3.4 One of the key controls in fighting fraud is having a strong culture in place with staff vigilant to the threat of fraud. In the past year, Fraud Awareness sessions have been delivered to Business Operations, focussing on the risks to the Council of bank mandate fraud and cyber fraud. The team continue to monitor intel alerts and work closely with neighbouring councils to share intelligence and best practice.

National Fraud Initiative

3.5 The results from the biennial National Fraud Initiative exercise, overseen by the Cabinet Office, were received in late January 2023. The exercise compared Council records relating to payroll, pensions, creditors, Blue Badges and concessionary travel passes, with data from 1,300 public and private sector organisations used to help prevent and detect fraud and error.

3.6 The exercise identified over 3,000 non-creditors data matches which are risk assessed and prioritised for investigation of fraud or error.

Partnership working

3.7 We meet regularly with partners across the southeast to discuss emerging threats and share intelligence. More specifically for the East Sussex area, we are working with District and Borough colleagues to explore opportunities for further developing countywide data matching capabilities for the prevention and detection of fraud.

Reporting categories for irregularities

| Reporting category | Description | Examples (not an exhaustive list) | Legislation / Policies (examples) |
|---------------------------------|--|--|--|
| False representation | Knowingly making an untrue or misleading representation to make gain, cause loss or expose the Council to the risk of loss | Submitting incorrect expense claims; falsely claiming to hold a qualification | Fraud Act 2006 |
| Failure to disclose information | Intentionally withholding information to make gain, cause loss or expose the Council to the risk of loss | Failing to declare pecuniary interests, or assets as part of a means tested assessment | |
| Abuse of position | Use of position to act against, or fail to safeguard, the interests of the Council or residents | Nepotism; financial abuse of individuals receiving social care | |
| Theft | Misappropriation of assets (often cash) belonging to the Council or individuals under the Council's care | Removing cash from safes; removing individuals' personal items in care homes | Theft Act 1968 |
| Corruption | Offering, giving, seeking or accepting any inducement or reward which may influence a person's actions, or to gain a commercial or contractual advantage | Accepting money to ensure a contract is awarded to a particular supplier | Bribery Act 2010 |
| False reporting | Intentional manipulation of financial or non-financial information to distort or provide misleading reports | Falsifying statistics to ensure performance targets are met; delaying payments to distort financial position | Theft Act 1968; Financial Regulations; Procurement Standing Orders |
| Misuse of public funds | The use of public funds for ultra vires expenditure or expenditure for purposes other than those intended | Officers misusing grant funding; individuals misusing social care direct payments | |
| Procurement | Any matter relating to the dishonest procurement of goods and services by internal or external persons | Breach of the Procurement Standing Orders; collusive tendering; falsifying quotations | |
| Misconduct | Failure to act in accordance with the Code of Conduct, Council policies or management instructions | Undertaking additional work during contracted hours; inappropriate use of Council assets and equipment | Code of Conduct IT Security Policy |
| Poor Control | Weak local or corporate arrangements that result in the loss of Council assets or a breach of Council policy | Storing a key to a safe in the immediate vicinity of the safe | |

| | |
|-------------------------|--|
| Report to: | Audit Committee |
| Date of meeting: | 7 July 2023 |
| By: | Chief Finance Officer |
| Title: | External Audit Plan 2022/23 |
| Purpose: | To inform the Audit Committee of the content of the Council's External Audit Plan for 2022/23 |

RECOMMENDATION:

The Committee is recommended to consider and comment on the External Audit Plan for 2022/23

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.

2. 2022/23 Financial Statements

- 2.1 The External Audit Plan for 2022/23 (Appendix 1) identifies a number of risks that require audit consideration as they could potentially cause a material error in the financial statements. These have not changed from the 2021/22 audit and 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;
 - Valuation of Pension Fund net liability;
 - Accuracy and accounting for Public Finance Initiative (PFI) liabilities.
- 2.2 No significant VfM weaknesses have been identified during GT's initial planning work. Further information will be requested at a later point.
- 2.3 This is the draft plan, which still needs to be reviewed and finalised. It should be noted that the timeline on page 18 proposes that the year-end audit takes place between July and October 2023. This would mean that we would miss the national deadline of 30 September 2023 for the publication of audited statement of accounts. GT has communicated to CIPFA that, based on the experience of the previous 2 years and the resource constraints they face, it is unlikely that they will be able to meet 30 September 2023 deadline. GT is aiming to get the audit concluded by the end of October 2023, which means this is likely to slip into November 2023, when Audit and Governance Committee attendance is taken into account.
- 2.4 The proposed audit fee for 2022/23 is £129,850. The fee for 2021/22, whilst stated at £124,350, has yet to be finalised as the audit has not been concluded. All fees, including additional charges, are reviewed and confirmed by the Public Sector Audit Appointment (PSAA) Ltd.

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 2022/23 accounts and identifies any significant risks. The plan is presented to the Audit Committee for consideration and comment, before going to Cabinet on 18 July 2023.

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

East Sussex County Council Audit Plan

Year ending 31 March 2023

East Sussex County Council
15 June 2023



Contents



Your key Grant Thornton team members are:

Darren Wells

Key Audit Partner

T 01293554120

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

Andy Conlan

Audit Senior Manager

T 01293554045

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

Zolani Mzinani

Audit In-charge

E zolani.t.mzinani@uk.gt.com

Muneeb A 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



National context

For the general population, rising inflation rates, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment. At a national government level, recent political changes have seen an emphasis on controls on spending, which in turn is placing pressure on public services to manage within limited budgets.

Local Government funding continues to be stretched with increasing cost pressures due to the cost of living crisis, including higher energy costs, increasing pay demands, higher agency costs and increases in supplies and services. Local authority front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households long-term financial resilience. At a local level, councils are also essential in driving strong and inclusive local economies, through their economic development functions and measures like increasing the supply of affordable housing, integrating skills and employment provision, and prioritising vulnerable households to benefit from energy saving initiatives. Access to these services remains a key priority across the country, but there are also pressures on the quality of services. These could include further unplanned reductions to services and the cancellation or delays to major construction projects such as new roads, amenities and infrastructure upgrades to schools, as well as pothole filling.

Our recent value for money work has highlighted a number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

Audit Reporting Delays

In a report published in January 2023 the NAO highlighted that since 2017-18 there has been a significant decline in the number of local government body accounts including an audit opinion published by the deadlines set by government. The NAO outline a number of reasons for this and proposed actions. In our view, it is critical to early sign off that draft local authority accounts are prepared to a high standard and supported by strong working papers.

Key matters



Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, has been agreed with Chief Finance officer.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our value for money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other audited bodies to support consistent and accurate financial reporting across the sector.
- 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 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 agreed 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'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 in order 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.



Introduction and headlines

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 override;
- 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 £14.868m (PY £14.950m) for the Council, which equates to 1.45% of your prior year gross operating costs 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 £0.743m (PY £0.748m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any risks of significant weakness. We will continue to update our risk assessment until we issue our Auditor's Annual Report.

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

Audit logistics

Our planning visit took place in March 2023 and our final visit will take place in July. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit is £129 850 for the Council, subject to the Council delivering 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 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 significant 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 auditor from the previous years, and through our documentation and walkthrough of your business processes around revenue recognition that the risk of fraud arising from 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 framework of local authorities, including East Sussex Country Council, mean that all forms of fraud are seen as unacceptable. | Significant risk rebutted |

Significant risks identified (continued)

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|--|---|--|
| Risk of fraud related to expenditure recognition | <p>We have also considered the risk of material misstatement due to the fraudulent recognition of expenditure.</p> <p>We have considered each material expenditure area, and the control environment for accounting recognition.</p> <p>We were satisfied that this did not present a significant risk of material misstatement in the 2022/23 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 years audits; - Our view is that, similarly to revenues, there is little incentive to manipulate expenditure recognition. | Significant risk rebutted |

‘Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.’ (ISA (UK) 315)

Significant risks identified (continued)

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|---------------------------------|--|--|
| Management override of controls | <p>Under ISA 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. You face external scrutiny of your spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk.</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. |

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified (continued)

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|--|--|---|
| Valuation of land and buildings (Including Investment property) | <p>The authority revalue its land and buildings on a rolling three-yearly basis and its investment property every year to ensure the carrying value in the Authority's financial statements is not materially different from the current value or the fair value at the financial statements date.</p> <p>The valuation 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 significant risk requiring special audit consideration. We have further focussed our risk assessment to the valuation of land and buildings with large and/or unusual changes to their valuation approach. In order to identify such assets in the Council's valuation programme, we will make direct inquiries with the valuer to understand the source data that underpins their valuations, corroborated the source and reasonableness of the external data they rely upon for their key assumptions, and evaluated the completeness and accuracy of source data provided directly from the Trust. We then completed analytical procedures on their valuation report, with reference to external market data, to identify those assets at greater risk of material misstatement.</p> <p>For assets which are not revalued by the external valuer in year, work is carried out with the aim of ensuring the carrying value is not materially different from the fair value at the balance sheet 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 (continued)

| 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 liability on defined pension scheme, 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 (£375.3 million in the Authority's balance sheet 21/22 as pension reserves) 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 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 risks identified

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.

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| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|--|--|--|
| Accuracy and accounting for Private Finance Initiative (PFI) liability | <p>The Authority has assets financed through PFI schemes, Peacehaven Schools and Waste management services in conjunction with Brighton and Hove City Council.</p> <p>PFI schemes are complex and involve a degree of subjectivity in the measurement of financial information.</p> <p>We therefore identified accuracy and accounting of the Authority's PFI as another 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. |

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.

Our approach to materiality

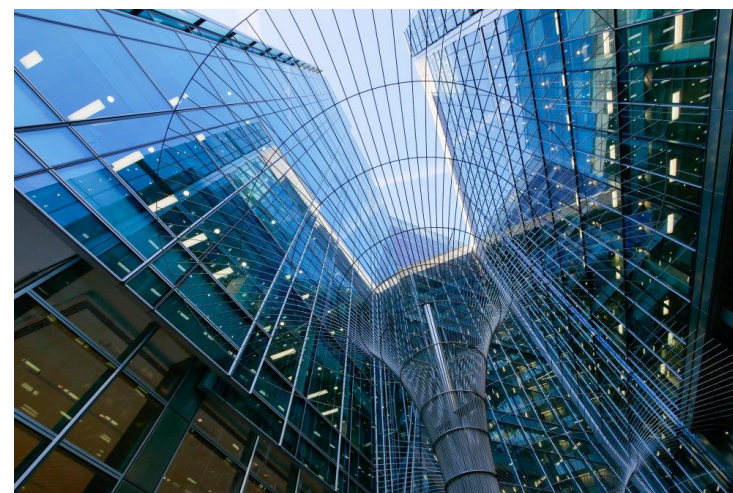
The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

| Matter | Description | Planned audit procedures |
|--------|--|---|
| 1 | Determination We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. Materiality at the planning stage of our audit is £14.868m, which equates to 1.45% of your draft gross expenditure for the period. | We determine planning materiality in order to: <ul style="list-style-type: none"> – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements |
| 2 | Reassessment of materiality Our assessment of materiality is kept under review throughout the audit process. | 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. |
| 3 | Other communications relating to materiality 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. | We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. 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 £0.743m PY £0.748m. 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. |

Our approach to materiality

The concept of 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.

| | Amount (£) | Qualitative factors considered |
|--|------------|---|
| Materiality for the council financial statements | 14,868,900 | <p>In determining materiality we have considered the following key factors:</p> <ul style="list-style-type: none"> - Debt arrangements: the authority has a significant level of debt, but the majority of this is with PWLB and the council follows the CIPFA Prudential Code with regard to managing the levels of debt. We are not aware of significant debt covenants or other factors that would indicate an enhanced risk. - Business environment: the Council operates in a generally stable, regulated environment, although in recent years government policies have reduced the funding available and this has increased the financial pressures on the authority. - Control environment – the audit of the 2021-22 financial statements did not identify any significant deficiencies in the control environment - Other sensitivities – There has been no change in key stakeholders, and no other sensitivities have been identified that would require materiality to be reduced. |



IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. 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 and implementation of relevant ITGCs. We say more about ISA 315 Revised on slide 21.

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 the period ended 31 March 2023

The National Audit Office –issued its latest Value for Money guidance –to auditors in January 2023 . The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body’s arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.

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. You should also delete the ‘Potential types of recommendations’ table

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.

Zolani Mzinani, Assistant Manager

Tom will support Andy in coordinating the audit, and will oversee particular technical areas of the audit deliver and significant risks. Tom will also attend Audit Committee.

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 and updated Auditing Standards including ISA 315 Revised

In 2017, PSAA awarded a contract of audit for East Sussex County Council to begin with effect from In most cases 2018/19. The fee agreed in the contract was £70,350. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Council's IT Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £5,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf.

Audit fees

| | Planned Fee 2021/22 | Proposed fee 2022/23 |
|----------------------------------|---------------------|----------------------|
| East Sussex County Council Audit | £124,350 Note 1 | £129,850 Note 2 |
| Total audit fees (excluding VAT) | £TBC | £129,850 |

Note 1 – The 2021/22 audit is not yet completed and signed off due to delays previously communicated to the Committee. As reported in the Audit Findings Report we will agree a fee variance for the audit when it is completed. This will be discussed and agreed with your Chief Finance Officer, and also is reviewed and approved by PSAA.

Note 2 – See fee analysis on the next page.

Assumptions

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

- prepare a good quality set of accounts, 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.

Audit fees – detailed analysis

| | |
|---|-----------------|
| | |
| Scale fee published by PSAA (note uplifted in 2022/23) | £70,350 |
| Raising the bar/Regulatory factors | £3,000 |
| Enhanced audit procedures for Property, Plant and Equipment (including £5,000 for engagement with an auditor's expert valuer) | £10,000 |
| Enhanced audit procedures for Pension Liabilities (IAS19) | £3,000 |
| Brought forward ongoing fee from 2019/20 | £86,350 |
| <i>New issues for 2020/21</i> | |
| Additional work on Value for Money (VfM) under new NAO Code | £19,000 |
| Increased audit requirements of revised ISAs 540 / 240 / 700 introduced in 2020/21 | £11,500 |
| Total audit fees 2020/21 (excluding VAT) | £116,850 |
| <i>New issues for 2021/22</i> | |
| FRC response – additional file review | £1,500 |
| Remote working – additional time taken to carry out the audit remotely | £6,000 |
| Total audit fees 2021/22 (excluding VAT) | £124,350 |
| <i>New issues for 2022/23</i> | |
| Increased audit requirements of revised ISAs 315/240 introduced in 2022/23 | £5,000 |
| Additional testing of payroll change of circumstances | £500 |
| Total audit fees 2022/23 (excluding VAT) | £129,850 |

All variations to the scale fee will need to be approved by PSAA

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 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.

Independence and non-audit services

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 | 10,000 | 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 low 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 | 10,000 | | |

Communication of audit matters with those charged with governance

| Our communication plan | Audit Plan | Audit Findings | |
|---|------------|----------------|--|
| Respective responsibilities of auditor and management/those charged with governance | • | | ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here. |
| Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters | • | | |
| Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons | • | • | |
| A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence | • | • | This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved. |
| Significant matters in relation to going concern | • | • | |
| Significant findings from the audit | | • | |
| Significant matters and issue arising during the audit and written representations that have been sought | | • | We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum. |
| Significant difficulties encountered during the audit | | • | |
| Significant deficiencies in internal control identified during the audit | | • | |
| Significant matters arising in connection with related parties | | • | Respective responsibilities |
| Identification or suspicion of fraud[deliberate manipulation] involving management and/or which results in material misstatement of the financial statements [not typically council tax fraud] | | • | |
| Non-compliance with laws and regulations | | • | |
| Unadjusted misstatements and material disclosure omissions | | • | As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. |
| Expected modifications to the auditor's report, or emphasis of matter | | • | |

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.



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Report to: Audit Committee

Date of meeting: 7 July 2023

By: Chief Finance Officer

Title: External Audit Plan for the East Sussex Pension Fund 2022/23

Purpose: To inform the Audit Committee of the content of the East Sussex Pension Fund external audit plan for 2022/23

RECOMMENDATION:

The Audit Committee is recommended to note the content of the external audit plan for the East Sussex Pension Fund for 2022/23.

1. Background

- 1.1 Grant Thornton (GT), as the East Sussex Pension Fund's (ESPF) external auditors, have provided the draft External Audit Plan for 2022/23 (Appendix 1) which provides an overview of the planned scope and timing of the statutory audit of the ESPF Annual Report and accounts and identifies any significant risks.

2. Supporting Information

- 2.1 The External Audit Plan for 2022/23 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 level 3 investments;
- 2.2 Page 7 of the plan highlights that the materiality level for the audit has yet to be set. The local GT team have advised that they are working through recent guidance issued by GT to inform the appropriate materiality level.
- 2.3 We are working with GT to ensure that the audit is completed as close to the 30 September 2023 deadline; however there are significant challenges for the audit sector, particularly from regulatory requirements regarding estimate valuations and the backlog of audits not completed for 2020/21 and 2021/22. There is a strong possibility that the audit will not be completed by the end of September 2023.
- 2.4 The proposed audit fees for 2022/23 are £46,871 but these have yet to be confirmed by the Public Sector Audit Appointments (PSAA).

3. Conclusion and Recommendation

- 3.1 The External Audit Plan has been presented to the East Sussex Pension Fund Committee and Pension Board, and is presented to the Audit Committee for noting.

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

East Sussex Pension Fund audit plan

Year ending 31 March 2023

Draft version for comment

East Sussex Pension Fund

May 2023



Contents



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

Zolani Mzinani

Audit In-Charge

E Zolani.t.mzinani@uk.gt.com

| Section | Page | |
|---|-------|---|
| Key matters | 3-4 | 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 Pension Fund 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



National context

For the general population, rising inflation, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment.

The pressures on household income have raised concerns that members will look at their pension contributions as a way of cutting back on their monthly costs. The cost-of-living crisis is having a detrimental impact on pension savings, with some even dipping in to their savings to supplement short-term needs and several members are also requesting early access to their pension after age 55 as a means to financially manage their commitments. The cost of living crisis makes it even more important that lowly paid workers have access to a good quality pension.

Regulation 62 of the Local Government Pension Scheme (LGPS) Regulations requires pension fund administering authorities to obtain an actuarial valuation of the fund's assets and liabilities every three years. Triennial funding valuation reports as at 31 March 2022 were required to be obtained by 31 March 2023. The Code requires actuarial present value of promised retirement benefits to be disclosed by LGPS Funds. We will carry out additional audit work to gain assurance over the valuation process during the 2022/23 audit fieldwork. This will include:

- Documenting the procedures and controls established by the Pension Fund and actuary to ensure the accuracy of data communicated to the actuary, and the adequacy and appropriateness of the method and assumptions used in the valuation;
- Reconciling the data extracts provided to the actuary to the data in the Altair system; and
- Carrying out detailed testing of the data extract submitted to the actuary to gain assurance over completeness and accuracy.

This work will also allow the Pension Fund auditor to provide assurance to other auditors of participating employers where this is requested.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

Key matters



Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, has been agreed with the Chief Finance Officer.
- We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators
- We hold annual financial reporting workshops for our clients to access the latest technical guidance and interpretation , discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.
- Auditing standards assume an inherent risk of management override of control in respect of financial reporting– refer to page 8.
- We have identified a significant risk in regards to the valuation of Level 3 investments specifically as the valuation of these investments is very sensitive to key assumptions – refer to page 9.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of East Sussex Pension Fund ('the Pension Fund') 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 agreed 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 Pension Fund. 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 Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee).

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Pension Fund 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 Pension Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Pension Fund's business and is risk based.



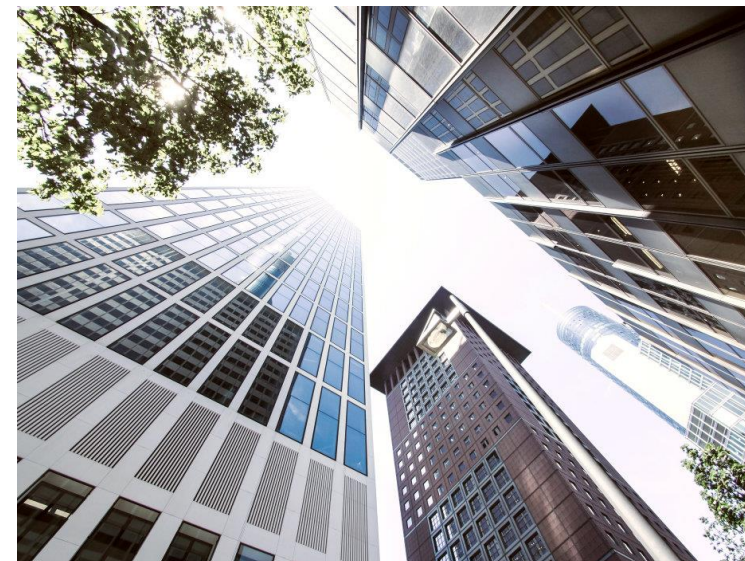
Introduction and headlines

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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 Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance the Audit committee.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Pension Fund 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 Pension Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Pension Fund's business and is risk based.

Introduction and headlines

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 override of controls
- Valuation of Level 3 Investments

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 £**m (PY £42.4m) for the Pension Fund, which equates to *% of your prior year net assets as at 31/03/2022. 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 £**m (PY £2.1m).

Audit logistics

Our audit planning work was completed in February/March 2023 and the date of our final fieldwork visit is in discussion between our team and your Finance Team. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit will be £46,871 (PY: TBC) for the Pension Fund, subject to the Pension Fund delivering a good set of financial statements and working papers. Note we have not yet completed the 2021/22 audits of the County Council and Pension Fund financial statements for the reasons reported in our Audit Findings Reports at Audit Committee (therefore the final fee for 2021/22 remains TBC)

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.

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

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.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can 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 Pension Fund, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for East Sussex Pension Fund.</p> | | 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.</p> <p>We were satisfied that this did not present a significant risk of material misstatement in the 2022/23 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 3 years audits;• Our view is that, similarly to revenues, there is little incentive to manipulate expenditure recognition. <p>Therefore we do not consider this to be a significant risk for East Sussex Pension Fund.</p> | | Significant risk rebutted. |

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

Significant risks identified (continued)

| 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 Fund faces external scrutiny of its spending and stewardship of funds 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.</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 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 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. |

Significant risks identified (continued)

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|----------------------------------|---|---|
| Valuation of Level 3 Investments | <p>You revalue your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date.</p> <p>By their nature level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£944 million) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2023. We therefore identified valuation of Level 3 investments as a significant risk.</p> | <p>We will:</p> <ul style="list-style-type: none"> • Evaluate management's processes for valuing Level 3 investments; • Review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; against the requirements of the Code; • Independently request year-end confirmations from investment managers and custodian; • For a sample of investments, test the valuation by obtaining and reviewing the audited accounts at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2023 with reference to known movements in the intervening period; • In the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert; • Test revaluations made during the year to see if they had been input correctly into the Pension Fund's asset register; and • Where available review investment manager service auditor report on design effectiveness of internal controls. |

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Other matters

Other work

The Pension Fund is administered by East Sussex County Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2022/23 financial statements, consider and decide upon any objections received in relation to the 2022/23 financial statements;
 - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

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.

Our approach to materiality

The concept of 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.

| Matter | Description | Planned audit procedures |
|--------|---|--|
| 1 | <p>Determination</p> <p>We have determined financial statement materiality based on a proportion of the net assets as at 31/03/2022 for the Pension Fund. Materiality at the planning stage of our audit is £**m (PY £42.4m), which equates to *% of your net assets as at 31/03/2022.</p> <p>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.</p> | <p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes; and – assist in evaluating the effect of known and likely misstatements in the financial statements. |
| 2 | <p>Other factors</p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p> | <p>An item may be considered to be material by nature where it may affect instances when greater precision is required. We have not identified any areas of the accounts which we consider to be material by nature, and therefore we have not applied any lower areas of materiality for the audit.</p> |

Our approach to materiality (continued)

| Matter | Description | Planned audit procedures |
|--------|--|---|
| 3 | Reassessment of materiality Our assessment of materiality is kept under review throughout the audit process. | 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. |
| 4 | Other communications relating to materiality 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. | We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £**m (PY £2.1m). 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 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. 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 and implementation of relevant ITGCs. We say more about ISA 315 Revised on page 16.

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 | <ul style="list-style-type: none">Complete ITGC design assessment (see page 16 for further information) |
| Altair | Pensions Administration | <ul style="list-style-type: none">Complete ITGC design assessment (see page 16 for further information) |

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.

Zolani Mzinani, Assistant Manager

Zolani will support Andy in coordinating the audit, and will oversee particular technical areas of the audit deliver and significant risks. Zolani will also attend Audit Committee.

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 samples 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 and updated Auditing Standards including ISA 315 Revised

In 2017, PSAA awarded a contract of audit for East Sussex Pension Fund to begin with effect from 2018/19. The fee agreed in the contract was £x. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £3,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf.

Audit fees

| | Estimated Fee 2021/22 | Proposed fee 2022/23 |
|----------------------------------|--------------------------|--------------------------|
| East Sussex Pension Fund Audit | £38,487 Note 1 | £46,871 Note 2 |
| Total audit fees (excluding VAT) | £TBC | £46,871 |

Assumptions

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

- prepare a good quality set of accounts, 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.

Note 1 – As stated on page **, we have not yet completed the audits and signed the audit opinions for the County Council and Pension Fund financial statements 2021/22, for reasons communicated in the Audit Findings Report to Those Charged with Governance. We therefore will communicate a confirmed fee variance for the delays/additional work incurred in the audit once this work is completed.

Note 2 – see the breakdown of the 2022/23 Proposed Fee on page 17.

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.

Audit fees –detailed analysis

| | |
|---|----------------|
| Scale fee published by PSAA | £24,237 |
| <i>Ongoing increases to scale fee first identified in 2019/20</i> | |
| Raising the bar/regulatory factors | £5,534 |
| <i>New issues for 2020/21</i> | |
| Impact of new auditing standards | £13,600 |
| <i>New issues for 2022/23</i> | |
| Payroll – Change of circumstances | £500 |
| Impact of ISA 315 – see page 15 | £3,000 |
| Total audit fees (excluding VAT) | £46,871 |

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 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 Pension Fund.

Other services

The following 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 Pension Fund'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 | | | |
| Provision of IAS 19 Assurances to Scheme Employer auditors | 5,000 (plus £1,000 for each assurance letter to be issued) | 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 this fee in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall is not material. 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 | TBC | | |

Communication of audit matters with those charged with governance

Our communication plan

| | Audit Plan | Audit Findings |
|---|------------|----------------|
| Respective responsibilities of auditor and management/those charged with governance | • | |
| Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters | • | |
| Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons | • | • |
| A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence | • | • |
| Significant matters in relation to going concern | • | • |
| Significant findings from the audit | | • |
| Significant matters and issue arising during the audit and written representations that have been sought | | • |
| Significant difficulties encountered during the audit | | • |
| Significant deficiencies in internal control identified during the audit | | • |
| Significant matters arising in connection with related parties | | • |
| Identification or suspicion of fraud (deliberate manipulation) involving management and/or which results in material misstatement of the financial statements | | • |
| Non-compliance with laws and regulations | | • |
| Unadjusted misstatements and material disclosure omissions | | • |
| Expected modifications to the auditor's report, or emphasis of matter | | • |

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.



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Report to: Audit Committee

Date of meeting: 7 July 2023

By: Chief Finance Officer

Title: Appointment of Independent Members to the Audit Committee

Purpose: To seek the Audit Committee's views on the CIPFA Position Statement proposal that all local government Audit Committees should have at least two independent Members.

RECOMMENDATION:

The Audit Committee is asked to consider and express a view on the CIPFA Position Statement's proposal that the Audit Committee should have at least two independent Members.

1. Background

- 1.1 The *CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022* has been published, replacing the 2018 edition. The statement represents CIPFA's view on Audit Committees and is the outcome of consultation with local authority representatives. It is expected that all local government bodies make the best effort to adopt the principles within the statement. The Department of Levelling Up, Housing and Communities support the guidance.
- 1.2 A summary of the Position Statement is attached at Appendix A.

2. Independent Members of Audit Committees

- 2.1 In the section "Membership and the effectiveness of the audit committee", CIPFA reference the role of the co-opted independent members (also known as lay members), in increasing the knowledge and experience base of the committee, whilst also reinforcing its independence. Whilst there is no legislative requirement for independent members in most English authorities (it is a legal requirement in Wales and in English combined authorities), CIPFA recommends the committee includes two co-opted independent members.
- 2.2 CIPFA's reasons for their recommendation are:
- To supplement the knowledge and experience of elected representatives in specific areas, such as audit or financial reporting;
 - To provide continuity outside of the political cycle;
 - To help achieve a non-political focus on governance, risk and control matters;
 - Having two co-opted members rather than one will allow recruitment of members with different but complimentary knowledge and experience, increase resilience and continuity of the committee;
 - Having two co-opted members shows a commitment to supporting and investing in the committee.
- 2.3 The role of the co-opted member will be the same as for Councillors on the committee. The only real difference would be where the committee has delegated decision-making responsibilities, which is not the case for the ESCC Audit Committee, in which co-opted members could not be able to participate on the decision making process.

- 2.4 It is normal practice to make a form of remuneration to recognise the value and time contributed to the committee, together with the reimbursement of expenses.
- 2.5 In a survey of 30 counties, through the Society of County Treasurers, there are 16 authorities who have 1 or two co-opted independent members, with North Yorkshire having 3. A further 8 authorities are either considering or actively recruiting to new co-opted independent members, with only 5 authorities taking no action at this time. See Appendix B.
- 2.6 In order to assess whether there are particular knowledge and/or skills that an independent member could bring, the Audit Committee will undertake a self-assessment, in line with the CIPFA Position Statement.

3. Conclusion and Recommendation

- 3.1 The Audit Committee is asked to consider and express a view on the CIPFA Position Statement's proposal that Audit Committees should have at least two independent Members. A report will then be taken to Governance Committee.

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

CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

Scope

This position statement includes all principal local authorities in the UK, corporate joint committees in Wales, the audit committees for PCCs and chief constables in England and Wales, PCCFRAs and the audit committees of fire and rescue authorities in England and Wales.

The statement sets out the purpose, model, core functions and membership of the audit committee. Where specific legislation exists (the Local Government & Elections (Wales) Act 2021 and the Cities and Local Government Devolution Act 2016), it should supplement the requirements of that legislation.

Status of the position statement

The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives.

CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

The 2022 edition of the position statement replaces the 2018 edition.

The Department for Levelling Up, Housing and Communities and the Home Office support this guidance.

CIPFA's Position Statement 2022: Audit committees in local authorities and police

Purpose of the audit committee

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council. In policing, the police and crime commissioner (PCC) and chief constable are both corporations sole, and thus are the individuals charged with governance.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

The committee should:

- be directly accountable to the authority's governing body or the PCC and chief constable
- in local authorities, be independent of both the executive and the scrutiny functions
- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- have rights to request reports and seek assurances from relevant officers
- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

The audit committees of the PCC and chief constable should follow the requirements set out in the Home Office Financial Management Code of Practice and be made up of co-opted independent members.

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

Core functions

The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.

The specific responsibilities include:

Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and conformance to professional standards
 - support effective arrangements for internal audit
 - promote the effective use of internal audit within the assurance framework.

- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
 - promoting apolitical open discussion
 - managing meetings to cover all business and encouraging a candid approach from all participants
 - maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.
- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.

Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required
- have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the chief constable in relation to operational policing matters
- support transparency, reporting regularly on its work to those charged with governance
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.

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Co-Opted Independent Audit Committee Members (April 2023)

| | | Number of | | |
|------------------------------------|--|-----------|--|--|
| Local Authority | | co-opted | | Commentary |
| | | members | | |
| | | currently | | |
| Cheshire East | | 2 | | |
| Durham | | 2 | | |
| Essex | | 1 | | |
| Gloucestershire | | 1 | | |
| Hertfordshire | | 1 | | |
| Kent | | 1 | | |
| Lincolnshire | | 2 | | |
| North Northamptonshire | | 2 | | With only 1 appointed at present |
| North Yorkshire | | 3 | | |
| Oxfordshire | | 1 | | In process of recruiting a second member |
| Shropshire | | 1 | | Newly appointed |
| Somerset | | 1 | | But looking to increase to 2 |
| Suffolk | | 1 | | |
| Surrey | | 1 | | |
| Warwickshire | | 2 | | 1 is the chair/1 is new appointment |
| West Sussex | | 1 | | |
| | | | | |
| Actions being considered | | | | |
| Bedford BC | | 0 | | Looking to add 1 |
| Cambridgeshire | | 0 | | Out to advert for 2 |
| Dorset | | 0 | | Proposing 2 |
| East Sussex | | 0 | | Exploring options |
| Hampshire | | 0 | | Audit Committee self assessment first |
| Herefordshire | | 0 | | Will consider after May elections |
| Leicestershire | | 0 | | Recruiting - aiming for 2 |
| Wiltshire | | 0 | | Advertised - no appointment possible |
| | | | | |
| No Actions being considered | | | | |
| Central Bedford | | 0 | | |
| Devon | | 0 | | |
| Lancashire | | 0 | | |
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Report to: **Audit Committee**

Date: **7 July 2023**

By: **Chief Operating Officer**

Title of report: **Strategic Risk Monitoring – Quarter 4 2022/23**

Purpose of report: **To update the Committee on current strategic risks faced by the Council, their status and risk controls / responses and to describe the current Risk Management process.**

RECOMMENDATIONS: Committee Members are recommended to:

- 1) Note the process of strategic risk management.
 - 2) Note the current strategic risks and the risk controls / responses being proposed and implemented by Chief Officers.
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1. Background

1.1 Sound risk management policy and practice should be firmly embedded within the culture of the Council, providing a proportionate and effective mechanism for the identification, assessment and, where appropriate, management of risk. This is especially important in the current climate where there remains considerable uncertainty about the future.

1.2 Robust risk management helps to improve internal control and support better decision-making, through a good understanding of individual risks and an overall risk profile that exists at a particular time. To be truly effective, risk management arrangements should be simple and should complement, rather than duplicate, other management activities.

2. Supporting Information

The Risk Management Process

2.1 The Council's risk management process is a continuous and developing process. In order to manage risk appropriately and effectively, it is necessary to adopt a systematic approach to risk identification, analysis, and control. This approach is referred to as the Risk Management Process and provides a system that can be applied to risks at all levels within the council.

2.2 As a minimum, all risk registers are formally reviewed and updated on a quarterly basis as part of the Council monitoring process. The Strategic Risk Register is reviewed and updated by the Corporate Management Team (CMT) prior to being reported to Cabinet and the Audit Committee. As part of the process, consideration must be given as to the escalation and de-escalation of risks between Departmental and Strategic Risk Registers. Risks are usually escalated to the Strategic Risk Register when it relates directly to a strategic objective and/or the outcome cannot be mitigated at an operational level.

Strategic Risk Register – Quarter 4 2022/23

2.3 The Council's Strategic Risk Register, which is attached as Appendix 1, is formally reviewed by the CMT on a quarterly basis. Members should note that this version of the Strategic Risk Register, which relates to Quarter 4 of 2022/23, was reviewed by CMT on 24 May 2023 and presented to Cabinet on 27 June 2023 as part of the quarterly council monitoring process. Appendix 1 also includes additional summary information to present historic RAG ratings, as well as current pre and post mitigation RAG ratings.

2.4 The previous update to this Committee was in March 2023 to present the Strategic Risk Register as at Quarter 3 2022/23. There have been various updates to the Strategic Risk Register to reflect the Council's risk profile as follows:

- The new risk **(Placements for Children and Young People in our Care)** has been escalated to the Strategic Risk Register. The risk was previously included in the Children's Services Departmental Risk Register.
- **Risk 4 (Health), Risk 5 (Reconciling Policy, Performance and Resources), Risk 6 (Local Economic Growth) and Risk 15 (Climate)** have updated risk controls.
- **Risk 17 (Safeguarding of Children and Young People)** covered the risks of failing to recruit and retain an effective children's social care workforce. It has been removed as a standalone strategic risk and incorporated into the existing **Risk 9 (Workforce)** strategic risk.

2.5 Officers will continue to explore opportunities to further strengthen the Council's risk management arrangements and for mitigating the key strategic risks. It is however, important to recognise that in some cases there is an inherent risk exposure over which the Council has only limited opportunity to mitigate or control.

3. Conclusion and Recommendation

3.1 The Committee is recommended to note the process of strategic risk management and the Strategic Risk Register including the risk controls / responses being proposed and implemented by Chief Officers.

ROS PARKER
Chief Operating Officer

Contact Officers:
Thomas Alty: Head of Finance (Planning and Reporting)
Tel: 07701 394836

Steven Bedford: Finance Manager (Capital and Planning),
Tel: 07701 394847

Local Member: All

Background documents: None

Strategic Risk Register Summary - Q4 2022/23

| Strategic Risks - Historic Post Mitigation RAG Ratings | | | | | | | | | | | | | |
|--|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Ref | Strategic Risks | 2020/21 Q1 | 2020/21 Q2 | 2020/21 Q3 | 2020/21 Q4 | 2021/22 Q1 | 2021/22 Q2 | 2021/22 Q3 | 2021/22 Q4 | 2022/23 Q1 | 2022/23 Q2 | 2022/23 Q3 | 2022/23 Q4 |
| 1 | Roads | A | A | A | A | A | A | A | A | A | A | R | R |
| 4 | Health | R | R | R | R | R | R | R | R | R | A | A | A |
| 5 | Reconciling Policy, Performance & Resources | R | R | R | R | R | R | R | R | R | R | R | R |
| 6 | Local Economic Growth | G | G | G | G | G | G | G | G | G | G | G | G |
| 7 | Schools | A | A | A | A | A | A | A | A | ** | | | |
| 8 | Capital Programme | A | A | A | A | A | A | A | A | A | A | A | A |
| 9 | Workforce | A | A | A | A | A | A | A | R | R | R | R | R |
| 10 | Recruitment | A | A | * | | | | | | | | | |
| 12 | Cyber Attack | R | R | R | R | R | R | R | R | R | R | R | R |
| 14 | Post European Union (EU) Transition | R | R | R | G | G | G | G | G | G | G | | |
| 15 | Climate | R | R | R | R | R | R | R | R | R | R | R | R |
| 16 | Covid-19 | R | R | R | R | R | R | R | | | | | |
| 17 | Safeguarding of Children and Young People | | | | | | A | A | R | R | R | R | *** |
| 18 | Data Breach | | | | | | A | A | A | A | A | A | A |
| 19 | Schools and ISEND | | | | | | | | | R | R | R | R |
| NEW | Placements for Children and Young People in our Care | | | | | | | | | | | | R |

* Risk 10 (Recruitment) was removed from the Strategic Risk Register as a stand-alone risk and incorporated into Risk 9 (Workforce)

** Risk 7 (Schools) was removed from the Strategic Risk Register as a stand-alone risk

*** Risk 17 (Safeguarding of Children and Young People) was removed from the Strategic Risk Register as a stand-alone risk and incorporated into Risk 9 (Workforce)

| Strategic Risks - Pre (■) and Post Mitigation (◆) RAG Ratings (Q4 2022/23) | | | | | | | | | | | | | |
|--|--|------------------------|-----|--|--|---|---|--|--|---|--|--|--|
| Ref | Strategic Risks | High Risk ← → Low Risk | | | | | | | | | | | |
| 1 | Roads | | ■ ◆ | | | | | | | | | | |
| 4 | Health | ■ | | | | | ◆ | | | | | | |
| 5 | Reconciling Policy, Performance & Resource | ■ | ◆ | | | | | | | | | | |
| 6 | Local Economic Growth | | | | | ■ | | | | ◆ | | | |
| 8 | Capital Programme | | ■ | | | | ◆ | | | | | | |
| 9 | Workforce | ■ | ◆ | | | | | | | | | | |
| 12 | Cyber Attack | ■ | ◆ | | | | | | | | | | |
| 15 | Climate | ■ | ◆ | | | | | | | | | | |
| 18 | Data Breach | | ■ | | | ◆ | | | | | | | |
| 19 | Schools and ISEND | ■ | ◆ | | | | | | | | | | |
| NEW | Placements for Children and Young People in our Care | ■ | ◆ | | | | | | | | | | |

Strategic Risk Register - Q4 2022/23

| Ref | Strategic Risks | Pre-mitigation RAG Rating | Risk Control / Response and Post Mitigation RAG score | Post-mitigation RAG Rating |
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| Strat-12 | <p>CYBER ATTACK The National Cyber Security Centre (NCSC) has highlighted the substantial risk to British web infrastructure, with elevated levels of Cyber Crime being reported against all areas of government, particularly in light of the current Ukrainian situation.</p> <p>Cyber attacks are growing more frequent, sophisticated, and damaging when they succeed. The COVID-19 pandemic has increased the need to carry out many additional functions virtually and remotely. Changes in working practice give rise to more requests to relax security controls, with services more likely to take risks on the technology they procure and how they use it. Controls have been enhanced to manage these requests.</p> <p>The impacts of a cyber attack are far-reaching and it is difficult to put a figure on the cost, but authorities that have been subject to major attacks have calculated the disruption to have cost between £10m and £12m.</p> | R ↔ | <p>Most attacks leverage software flaws and gaps in boundary defences. IT&D use modern security tools to assure our security posture: Monitoring network activity and identifying security threats; Keeping software up to date with regular patching regimes; Continually monitoring evolving threats and re-evaluating the ability of our toolset to provide adequate defence against them; Ongoing communication with the Security industry to find the most suitable tools and systems to secure our infrastructure. IT&D continues to invest in new tools, which use pre-emptive technology to identify threats and patterns of abnormal behaviour.</p> <p>Enhancing user awareness: Expanding E-Learning and policy delivery mechanisms to cover Cyber threat; educating staff around the techniques and methods used by active threats; and providing General Data Protection Regulation (GDPR) training and workshops to cascade vital skills and increase awareness of responsibilities under GDPR legislation. Business Continuity Scenario testing is currently being cascaded through Departmental Management Teams.</p> <p>Services hosted in ISO 27001 accredited Orbis Data Centres.</p> | R ↔ |

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| Strat-5 | <p>RECONCILING POLICY, PERFORMANCE & RESOURCES</p> <p>There is ongoing uncertainty in relation to future funding levels, the longer-term local government funding regime and the impact of national reforms, particularly to Adult Social Care. Rising inflation and cost of living are likely to lead to higher demand for Council services and increase the direct cost of providing services. Together these create a risk of insufficient resources being available to sustain service delivery at the agreed Core Offer level to meet the changing needs of the local community.</p> | R | ↔ | <p>We employ a robust Reconciling Policy, Performance and Resources (RPPR) process for business planning, which ensures a strategic corporate response to resource reductions, demographic change and regional and national economic challenges; and directs resources to priority areas. We take a commissioning approach to evaluating need and we consider all methods of service delivery. We work with partner organisations to deliver services and manage demand, making best use of our collective resources. We take a 'One Council' approach to delivering our priorities and set out our targets and objectives in the Council Plan. We monitor our progress and report it quarterly.</p> <p>Our plans take account of known risks and pressures, including social, economic, policy and demographic changes and financial risks. However, we continue to operate in changing and uncertain contexts. Current and forecast economic conditions continue to shape a very challenging financial outlook both for the Council itself and many of the county's residents and businesses. Alongside this we continue to face ongoing challenges as a result of the conflict in Ukraine, national service reforms and the impact of the Coronavirus pandemic. We will continue to use the latest information available on these challenges to inform our business planning. We will also continually review our performance targets, priorities, service offers and financial plans, and will update these as required.</p> <p>We lobby, individually and in conjunction with our networks and partners, for a sustainable funding regime for local government in general and for children's social care and adult social care specifically, to meet the needs of the residents of East Sussex.</p> | R | ↔ |
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Strat-9

WORKFORCEAn inability to attract and retain the high calibre staff needed could lead to a reduction in the expertise and capacity required to deliver statutory services to our residents, including to prevent harm to children, young people and vulnerable adults at the required level and standards, impacting on the achievement of the Council's strategic objectives.

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In September 2022 Cabinet agreed an investment of £270k across 2022/23 and 2023/24 to put in place a number of strategies to respond to the significant current recruitment and retention challenges. Current work includes: - Further work on the development of an employer brand and updated recruitment materials, such as recruitment videos and social media advertising, to identify the Council as an employer of choice.- Streamlined recruitment processes for identified roles e.g. removal of application form and replacement with CV and interview as soon as an application is received- Use of market supplements for specific posts.- On-going attendance at events such as careers fairs and shows to maximise our presence with job seekers.- Use of apprenticeships, traineeships, intern arrangements and more flexible work arrangements etc as a way of bringing in new talent to the Council.- Ensuring our workforce policies and approaches support individuals to remain in work, e.g. Wellbeing offer, occupational health, and absence management services.- Ensuring senior management oversight of caseloads, including mitigating actions to address high caseloads, along with the provision of high quality and regular managerial support and supervision of practitioners.- Completion of the workforce specific actions within the Corporate Equality action plan.- Implementation of mental health first aiders in the workplace. We now have a network of over 100 trained individuals.- Launch of a refreshed 'financial wellbeing' resource to support our staff, particularly given the rising cost of living pressures.- Clarity on professional development pathway for profession specific roles.- Pilot of equality and diversity pilot informing recruitment and retention policies tailored to increasing diversity of the workforce.New approaches being developed include:- Linking in with organisations that support people back into employment to extend our reach into sections of the labour market that are underrepresented or face significant barriers to employment. A new post of 'Pre-Employment Coordinator' has been established to lead on this work and will be recruited to early in the New Year.- Provision of a leadership development programme aimed at LMG3/4 managers, along with the continued delivery of our two leadership development programmes to support our talent management strategies: the 'Ladder to Leadership' programme and 'Head of Service Masterclasses'. - Development of career pathways for 'hard to recruit' posts including greater use of apprenticeships.- Forecasting of workforce 'gaps' and future need to enable bespoke approaches to be designed e.g. production of workforce development plan by CSD to support the Family Safeguarding initiative.

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| Strat-15 | <p>CLIMATE</p> <p>Failure to limit global warming to below 1.5°C above pre-industrialisation levels, which requires global net human-caused emissions of carbon dioxide (CO₂) to be reduced by about 45 percent from 2010 levels by 2030, reaching 'net zero' by 2050 at the latest. The predicted impacts of climate change in East Sussex include more frequent and intense flooding, drought and episodes of extreme heat, as well as impacts from the effects of climate change overseas, such as on food supply. This will lead to an increase in heat-related deaths, particularly amongst the elderly, damage to essential infrastructure, increased cost of food, disruption to supply chains and service provision, and greater coastal erosion.</p> | R | ↔ | <p>Climate change mitigation: the science-based target is to reduce scope 1 and 2 carbon emissions by 50% every 5 years. The focus is on buildings, as they made up 79% of carbon emissions in 2020/21. Internal oversight of progress is by the corporate Climate Emergency Board.</p> <p>Climate change adaptation: we work with partners on flood risk management plans and deliver a Heat Alert service during the summer months.</p> <p>In Quarter 4:</p> <p>1) Carbon Reduction Target: the carbon reduction target for 2022-23 is a 34% reduction compared with the baseline year of 2019-20. Energy usage data for 2022-23 will be collated and analysed by July 2023-24. The initial analysis of Q1-3 data for 2022-23 indicated that we may be close to reaching the 34% cumulative reduction target, subject to the weather during Q4 being mild.</p> <p>2) 10 LED lighting projects: 11 schemes have been completed.</p> <p>3) 10 solar PV projects: 7 sites have been completed. An 8th site is due to complete in March, a 9th site is due to complete in Q1 2023/24 and a 10th site in the pipeline for 2022-23 will now also be picked up for delivery in 2023-24.</p> <p>4) 2 Decarbonisation of Heat Projects: Ninfield & Herstmonceux school projects have completed.</p> <p>5) Climate Awareness Training: 140 staff have had carbon literacy training; 82 school and corporate site managers have had energy efficiency training; and 46 School Business Managers have had presentations on how they could best use the Department for Education efficiency funding given to schools in 2022-23.</p> <p>6) Electric vehicle (EV) charge points: £106K of revenue Capability Funding has been awarded by the Department for Transport (DfT) to support the development of an on-street charge point network. Capital funding from DfT is expected, which will support the procurement of the 1st phase of the network, planned in 2023-24.</p> <p>7) New corporate Climate Emergency Plan: the new plan, covering the period up to March 2025, was agreed by full Council in February.</p> | R | ↔ |
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| Strat New | <p>PLACEMENTS FOR CHILDREN AND YOUNG PEOPLE IN OUR CAREInability to secure sufficient high quality placements for children in our care, and, suitable accommodation for care experienced young people and respite provision, leading to significant financial pressure</p> | R | ↔ | <p>Effective management of demand through early intervention and support to families,(delivery of supported families, early help services).Ensuring appropriate thresholds applied through Single Point Of Advice (SPOA) and multi-agency safeguarding hubRobust quality assurances and performance management across locality teamsMonitoring and evaluation of investment in Connected families and Family Safeguarding approach (to be launched January 2024), enabling more children to live safely with their families and supporting reunificationEnsuring Family Group Conferences in place and kinship care are considered for all children entering carePlacement sufficiency assessment and strategy refreshed to inform forecasting in regards to number and type of placements required over the next three-five yearsFostering recruitment and retention strategy refreshedReview of foster carers rates</p> | R | ↔ |
| Strat-19 | <p>SCHOOLS AND ISEND</p> <p>For Children with Special Educational Needs. Inability to secure statutory provision.</p> | R | ↔ | <p>Effective use of forecasting data to pre-empt issues Work with statutory partners to develop contingency plans Work with the market to increase provision where needed Expanding internal interim offer for children</p> | R | ↔ |

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| Strat-1 | <p>ROADS</p> <p>Extreme weather events over recent years have caused significant damage to many of the county's roads, adding to the backlog of maintenance in the County Council's Asset Plan: and increasing the risk to the Council's ability to stem the rate of deterioration and maintain road condition.</p> <p>Post pandemic and recent events in Ukraine, and the economic impact of these, have had some effects on service delivery during this year, particularly with increased costs, shortages of suitable contractors and materials.</p> | R | ↔ | <p>While additional funding over the last few years has helped maintain road condition, the latest condition and funding modelling showed the potential for renewed deterioration over the next 10 years, if further investment was not introduced into road maintenance. This reflects the changing climate with more extreme events such as warmer wetter winters, drier summers (drying and shrinking the substructure of roads) punctuated by unseasonal heavy downpours, all now influencing the rate of road deterioration.</p> <p>However, further investment was approved by Cabinet in November 2021 and through the Reconciling Policy, Performance & Resources (RPPR) process in February 2022 to maintain condition at current levels; and to help mitigate these factors over the next 10 years by increasing the capital budget for road maintenance by an additional £3.1m per year. In addition, a one-off investment of £5.8million to be spent on highway maintenance (roads, footways, lines and signs) in 2022/23 was also agreed.</p> <p>The wettest November on record, followed by one of the coldest starts to December and then further heavy rain, have led to a significant increase in the number of potholes appearing on our roads. This will also likely be reflected in a wider deterioration in road surfaces, which may manifest in our Road Condition Indicator (RCI) scores for this year, when survey works are undertaken later in the summer.</p> <p>We closely monitor the national economic situation; evaluate all options for service delivery; manage delays to materials with long lead in times; and allow for increased costs within the new Highways contract.</p> | R | ↔ |
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| Strat-18 | <p>DATA BREACHA breach of security/confidentiality leading to destruction, loss, alteration, unauthorised disclosure of, or access to, personal data. This includes breaches that are the result of both accidental and deliberate causes. A personal data breach is a security incident that has affected the confidentiality, integrity or availability of personal data regardless of whether information has been accessed, altered or disclosed via electronic or manual means.Risks to individuals, reputational damage, fines from the Information Commissioner's Officer (ICO), compensation claims.</p> | R | ↔ | <p>Policy and guidance procedures in place to support practice.Data Protection Officer (DPO), Caldicott Guardians and Information Governance Officers monitor breach reporting and put in place mechanisms to minimise recurrence. Staff training to develop awareness.Technical security measures operated by Information Technology and Digital (IT&D), including access control.</p> | A | ↔ |
| Strat-8 | <p>CAPITAL PROGRAMME There are risks and uncertainties regarding the capital programme over the current Medium Term Financial Plan period and beyond, which could impact on the ability to deliver the Council's priorities.</p> <p>The volatile national economic situation has increased uncertainties within the construction industry around supply chain issues and high-cost inflation, which are likely to impact project deliverability and affordability. This has been exacerbated by the invasion of Ukraine by Russia and the resultant global sanctions imposed on Russia.</p> <p>Additionally, there is a risk that, due to the complexity of factors and uncertainties impacting them, the level of government grants and other sources of capital programme funding such as developer contributions could be significantly reduced.</p> | R | ↔ | <p>The Council reviews and updates its 20-year Capital Strategy annually as part of the Reconciling Policy, Performance and Resources (RPPR) process, which sets the framework in which the capital programme is planned, and allows the Council to prioritise investment to support its objectives. The development and delivery of the capital programme is overseen by a Capital Strategic Asset Board (CSAB), which is a cross departmental group, who also hear from Departmental Capital Board/Sub Boards who oversee priority areas.</p> <p>The capital programme includes an element of 'normal' level of inflation for ongoing target-based core programmes (as opposed to programmes that have cash limited envelopes). Additionally, a capital risk provision in the form of additional borrowing flexibility is in place to provide the ability to react to emerging risks such as supply chain issues and inflationary pressures. The level of provision is reviewed and approved on an annual basis as part of the RPPR process and is maintained by the CSAB in adherence to financial regulations.</p> <p>The CSAB have oversight of all sources of capital funding, including grants, capital receipts and developer contributions, to ensure that resources are used effectively and to minimise the need to borrow. Funding announcements are actively monitored, and funding targets reviewed to minimise the impact on delivery of the capital programme, ensuring that there is sufficient liquidity to meet funding requirements.</p> | A | ↔ |

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| <p>Strat-4</p> | <p>HEALTH Failure to secure maximum value from partnership working with the National Health Service (NHS). If not achieved, there will be impact on social care, public health and health outcomes and increased social care operational and cost pressures. This would add pressures on the Council's budget and/or risks to other Council objectives, as well as shared system objectives in the context of our Integrated Care System across workforce and patients who are medically ready for discharge (MRD) from hospital or community beds.</p> | <p>R</p> | <p>↔</p> | <p>The additional £500 million Government Social Care Discharge Fund was used to increase capacity across Discharge to Assess (D2A) beds, specialist beds, packages of care, D2A homecare, and equipment provision to help patients be discharged safely from hospital and into onward care as fast as possible. A range of other measures, including recruitment and retention incentives for the independent care sector, were also enhanced to support safe and effective discharge. Working as part of the wider Sussex Integrated Care System (ICS) Winter Rapid Improvement Enhanced Workstream enabled our System to: maintain performance on Medically Ready for Discharge (MRD) at Q1 (2022/23) baseline levels over the winter period; improve the trend in weekend discharges being observed across a number of Sussex acute hospitals; and improve system visibility of data with the development of a system discharge dashboard covering a wide range of key performance indicators. The Sussex ICS has been selected as one of six areas in the country to be a 'Discharge Frontrunner' to find innovative ways to improve how people can be supported to leave hospital quicker and ease the current pressures on the National Health Service (NHS). East Sussex County Council is participating in the programme with NHS and Local Authority partners in the Sussex ICS, which will take the E4 above work into a new phase to build on progress and enable the Sussex ICS to further reduce the length of time people wait to be discharged, positively impact on bed occupancy, and maximise reablement and independence after discharge. Delivery will include trialling a new business information tool which aims to give health and care teams full visibility of discharge systems, patient-level information required for effective discharge, and the ability for teams to share intelligence with each other, and creating an effective, empowered and integrated workforce across health and care to support the discharge system effectively. The year 1 (2023/24) delivery priorities were finalised for the Sussex Integrated Care Strategy Shared Delivery Plan (SDP) and were submitted to NHS England (NHSE) by the NHS Sussex Integrated Care Board (ICB). This sets out shared delivery priorities drawn from the East Sussex Health and Wellbeing Board (HWB) Strategy focussed on health outcomes improvement, children and young people, mental health and community health, care and wellbeing. Planning for years 2 – 5 of the SDP is currently taking place and will be shared with the East Sussex HWB in June for endorsement, prior to final approval and submission to NHSE.</p> | <p>A</p> | <p>↔</p> |
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| Strat-6 | <p>LOCAL ECONOMIC GROWTH Failure to deliver local economic growth, and failure to maximise opportunities afforded by Government proposal to allocate Local Growth Funding to South East Local Enterprise Partnership, creating adverse reputational and financial impacts.</p> | A | ↔ | <p>East Sussex County Council (ESCC), working with partners, has been successful in securing significant amounts of growth funding totalling £129m, via both the South East and Coast 2 Capital Local Enterprise Partnerships, to deliver a wide range of infrastructure projects in East Sussex. We have worked with partners on complementary economic development programmes supporting businesses to grow, providing skills, creating employment, and improving our places with funds secured from various Government departments including the Levelling Up Fund (LUF), UK Shared Prosperity Fund (UKSPF), UK Community Renewal Fund, Getting Building Fund, Bus Service Improvement Plan, Local Skills Improvement Plan, Active Travel, Stronger Towns Fund and Future High Street Fund etc.</p> <p>The impacts and effects of Covid 19 led ESCC to officially launch in September 2020 the East Sussex Economy Recovery Plan, called 'East Sussex Reset'. The plan identifies deliverable actions in the short term, alongside more aspirational asks, and has already aligned and secured new monies totalling £220m investment into East Sussex. The County Council is committed to now producing a longer term East Sussex Economic Growth Strategy and significant work will commence on this throughout 2023-24, with the plan to have the strategy approved in 2024.</p> <p>Specifically on the major LUF programme, ESCC submitted a transport package for Exceat Bridge of £8m, while four of the local Borough and District Councils (except Hastings) submitted in June 2021 major capital funding bids under this first round for town centre/regeneration and cultural investment. Outcomes were announced on 27 October 2021, with the following awarded monies: Exceat Bridge (£8m), Eastbourne (£19.8m) and Lewes (£12.6m) all to be delivered by March 2024. The other Borough and Districts were unsuccessful but applied under Round 2 in July 2022, with Rother's £19.2m bid awarded in January 2023.</p> <p>The main prospectus for the UKSPF (the successor to the outgoing EU funding) was released in April 2022 with the award of allocations known to each Borough and District Authority, who are now the responsible accountable bodies for the delivery of the programme. Investment plans were submitted to Government by 1 August 2022. ESCC has made the case with regards to pan East Sussex projects, which can continue to deliver against the main themes of the programmes and the Council's priorities. All 5 bids for circa £1m each over the period April 2022 to March 2025 were approved and allocated their monies in December 2022. In</p> | G | ↔ |
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addition, as part of the UKSPF, the Multiply programme was announced in late March 2022 to help adults to improve their numeracy skills up to Level 2. The responsibility for managing this programme from 2022-2025 has been awarded directly to ESCC, with up to £2.5m available. We prepared an investment plan working with partners and submitted this by 30 June 2022 to the Department for Education and our plan has been approved for the full allocation. Contracts have now been awarded to providers and delivery is underway.

The Government's recent Spring Budget announcements in March 2023 are in part intended to provide a stimulus to growing our businesses, increasing employment opportunities for our residents and improving our economy. The budget indicated the role of Local Enterprise Partnerships (LEP) is proposed to end by April 2024; and that subject to consultation will lead to current LEP powers, responsibilities and functions coming down to local authority level to elected members. At this stage no decision has been made on whether this will come down to County or District/Borough level or a combination of both, and what functions would be undertaken. We will respond to the consultation and work with SELEP and partners on this matter. The Government also announced the rollout of new Levelling Up Partnerships to improve place based regeneration and address the biggest barriers to levelling up in the 20 areas most in need over the period 2023-2025. This included Hastings and Rother, enabling these areas to bid for a share of the new £400m funds.

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Audit Committee – Work Programme

| List of Suggested Potential Future Work Topics | | |
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| Issue | Detail | Meeting Date |
| | | |
| Audit Committee Working Groups | | |
| Working Group Title | Subject area | Meeting Dates |
| Modernising Back Office Systems (MBOS) Sub-Group | Oversight of the MBOS programme | - |
| Training and Development | | |
| Title of Training/Briefing | Detail | Date |
| | | |

| Future Committee Agenda Items | | Author |
|--------------------------------|---|---|
| 29 September 2023 | | |
| Internal Audit Progress Report | Internal Audit Progress report – Quarter 1, 2023/24 (01/04/23 – 30/06/23) | Nigel Chilcott, Audit Manager/Russell Banks, Chief Internal Auditor |

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| Financial Management Code | Report of the Financial Management Code | Thomas Alty, Deputy Chief Finance Officer / Ian Gutsell, Chief Finance Officer |
| Strategic Risk Management | Strategic risk monitoring report – Quarter 1, 2023/24 (01/04/23 – 30/06/23) | Ros Parker, Chief Operating Officer / Ian Gutsell, Chief Finance Officer |
| Committee Work Programme | Discussion of the future reports, agenda items and other work to be undertaken by the Committee. | Governance and Democracy Officer |
| 24 November 2023 | | |
| Review of Annual Governance Report & 2022/23 Statement of Accounts | Report of the external auditors following their audit of the Council's statutory accounts. It allows the committee to review the issues raised and assess the management response. | External Auditors/ Ian Gutsell, Chief Finance Officer |
| Review of Annual Pension Fund Governance Report & 2022/23 Statement of Accounts | Report of the external auditors following their audit of the Pension Fund. It allows the committee to review the issues raised and assess the management response. | External Auditors/ Ian Gutsell, Chief Finance Officer |
| Treasury Management Annual Report & Mid-Year Report 2023 | To consider a report on the review of Treasury Management performance for 2022/23 and for outturn for the first six months of 2023/24, including the economic factors affecting performance, the Prudential Indicators and compliance with the limits set within the Treasury Management Strategy before it is presented to Cabinet. | Ian Gutsell, Chief Finance Officer |
| Internal Audit Progress Report | Internal Audit Progress report – Quarter 2, 2023/24 (01/07/22 – 30/09/22) | Nigel Chilcott, Audit Manager/Russell Banks, Chief Internal Auditor |

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| Annual Update on Property Investment Strategy and Key Sites 6 monthly Update | Consideration of an annual report on the implementation of the Property Asset Disposal and Investment Strategy. | Ros Parker, Chief Operating Officer |
| Committee Work Programme | Discussion of the future reports, agenda items and other work to be undertaken by the Committee. | Governance and Democracy Officer |
| 28 March 2024 | | |
| External Audit Plan 2023/24 | This report sets out in detail the work to be carried out by the Council's External Auditors on the Council's accounts for the financial year 2022/23. | Ian Gutsell, Chief Finance Officer & External Auditors |
| External Audit Plan for East Sussex Pension Fund 2023/24 | To consider and comment upon the External Audit Plan for the East Sussex Pension Fund for the financial year 2022/23. | Ian Gutsell, Chief Finance Officer & External Auditors |
| Auditor's Annual (VFM) Report on East Sussex County Council 2022/23 | To provide the Committee with Grant Thornton's Annual (Value for Money) Report for 2023/23 | Ian Gutsell, Chief Finance Officer & External Auditors |
| Internal Audit Strategy and Plan | Consideration of the Internal Audit Strategy and Plan for 2024/25 | Russell Banks, Chief Internal Auditor/ Nigel Chilcott, Audit Manager |
| Internal Audit Progress Report | Internal Audit Progress report – Quarter 3, 2023/24 (01/10/23 – 31/12/23) | Nigel Chilcott, Audit Manager/Russell Banks, Chief Internal Auditor |
| Strategic Risk Monitoring | Strategic risk monitoring report – Quarters 2 and 3, 2023/24 (01/07/23 – 31/12/23) | Ros Parker Chief Operating Officer / Ian Gutsell, Chief Finance Officer |

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| Committee Work Programme | Discussion of the future reports, agenda items and other work to be undertaken by the Committee. | Governance and Democracy Officer |
| 5 July 2024 | | |
| Assessment of the Corporate Governance Framework and Annual Governance Statement for 2022/23 | Sets out an assessment of the effectiveness of the Council's governance arrangements and includes an improvement plan for the coming year, and the annual governance statement (AGS) which will form part of the statement of accounts. | Philip Baker, Assistant Chief Executive |
| Internal Audit Services Annual Report and Opinion 2022/23 | An overall opinion on the Council's framework of internal control, summarises the main audit findings and performance against key indicators (includes Internal Audit Progress reports – Quarter 4, 2022/23, (01/01/23 – 31/03/23). | Nigel Chilcott, Audit Manager / Russell Banks, Chief Internal Auditor |
| Counter Fraud Annual Report | Annual report on Counter Fraud work | Simon White, Audit Manager – Counter Fraud / Russell Banks, Chief Internal Auditor |
| Strategic Risk Monitoring | Strategic risk monitoring report – Quarter 4, 2021/22 (01/01/23 – 31/03/23) | Ros Parker, Chief Operating Officer / Ian Gutsell, Chief Finance Officer |
| Committee Work Programme | Discussion of the future reports, agenda items and other work to be undertaken by the Committee. | Governance and Democracy Officer |