



CABINET

TUESDAY, 18 JULY 2023

12.00 PM (OR AT THE CONCLUSION OF GOVERNANCE COMMITTEE, WHICHEVER IS THE LATER) COUNCIL CHAMBER, COUNTY HALL, LEWES

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

A G E N D A

1. Minutes of the meeting held on 27 June 2023 (*Pages 3 - 8*)
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. External Audit Plan 2022/2023 (*Pages 9 - 36*)
Report by the Chief Finance Officer
6. Internal Audit Annual Report and Opinion 2022/23 (*Pages 37 - 52*)
Report by the Chief Operating Officer
7. Ashdown Forest Trust Fund 2022/23 (*Pages 53 - 58*)
Report by the Chief Operating Officer
8. Any other non exempt items considered urgent by the Chair
9. To agree which items are to be reported to the County Council
10. Exceat Bridge CPO, Bridge Order and Side Roads Order - Report to follow
Report by the Director of Communities, Economy and Transport
11. Exclusion of the Public and press
To consider excluding the public and press from the meeting for the remaining agenda items on the grounds that if the public and press were present there would be disclosure to them of exempt information as specified in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

12. Exceat Bridge CPO, Bridge Order and Side Roads Order - exempt information - report to follow
Report by the Director of Communities, Economy and Transport
13. Any other exempt items considered urgent by the Chair

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

10 July 2023

Contact Georgina Seligmann, Governance and Democracy Manager
Email: georgina.seligmann@eastsussex.gov.uk

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

CABINET

MINUTES of a meeting of the Cabinet held on 27 June 2023 at Council Chamber, County Hall, Lewes

PRESENT Councillors Keith Glazier (Chair)

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

Members spoke on the items indicated

Councillor Bennett	- item 6 (minute 4)
Councillor Bowdler	- item 6 (minute 4)
Councillor Collier	- item 6 (minute 4)
Councillor Daniel	- item 5 (minute 3)
Councillor Denis	- items 5 and 6 (minutes 3 and 4)
Councillor Claire Dowling	- item 5 (minute 3)
Councillor Field	- item 8 (minute 6)
Councillor Hilton	- items 5 and 6 (minutes 3 and 4)
Councillor Kirby-Green	- item 5 (minute 3)
Councillor Maples	- item 5 (minute 3)
Councillor Maynard	- item 8 (minute 6)
Councillor Scott	- item 5 (minute 3)
Councillor Shuttleworth	- items 5 and 6 (minutes 3 and 4)
Councillor Standley	- items 5 and 6 (minutes 3 and 4)
Councillor Georgia Taylor	- items 7 and 8 (minutes 5 and 6)
Councillor Tutt	- items 5, 6 and 7 (minutes 3, 4 and 5)
Councillor Webb	- items 6, 7 and 8 (minutes 4, 5 and 6)

1. MINUTES OF THE MEETING HELD ON 18 APRIL 2023

1.1 The minutes of the Cabinet meeting held on 18 April 2023 were agreed as a correct record.

2. REPORTS

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

3. HIGHWAY MAINTENANCE INVESTMENT

3.1 The Cabinet considered a report by the Director of Communities, Economy and Transport.

3.2 It was RESOLVED to:

- 1) Note what has been achieved with the £5.8m additional investment approved in November 2021.
- 2) a) Note the impact of the 2022/23 winter on road condition and, in accordance with our highways asset management plan agree the following to bring investment in 2023/24 to £28.2m. Agree additional one off £5.6m spend on highways maintenance comprising £2.5m patching work and £3.1m drainage work, to be funded from the Priority Outcomes and Transformation Reserve, which includes the balance on the 2022/23 Services Grant set aside for one-off investment;

b) Agree to increase the capital programme for 2023/24 by £5.1m to maintain steady state and;

c) Agree, subject to the County Council agreeing to increase the Capital Programme, that a further £5m be spent on highway maintenance to provide early improvements and resilience.

d) Agree to lobby the Government, directly and with other partners, to provide funding for highways sufficient to ensure East Sussex roads are adequate for the needs of residents and businesses.

Reasons

3.3 The additional £5.8m one-off investment in highway maintenance was successfully delivered in 2022/23 with the exception of some of the road markings and sign replacement works that have been delayed to the current financial year due to supply chain and weather issues. The additional £2.5m in patching paid dividends and was clearly noticeable in the autumn of 2022.

3.4 However, the exceptional winter of 2022/23 has partly mitigated the effect of the additional patching programmes and increased the backlog of patching works (to deal with non-intervention level potholes) to £2.5m. Therefore, further one-off investment of £2.5m will continue to tackle the backlog of patching and prevent intervention level potholes forming. This will provide additional early resilience to a weakened network during the current year in preparation for the coming winter months.

3.5 The very wet winter has generated the highest number of carriageway potholes since the contract with Costain began in 2016 with the relationship between wet winters and pothole numbers clearly evident. Alongside this there has been a visible deterioration in carriageway condition with some areas experiencing sudden surface failure.

3.6 The experience of the 2022/23 winter, and the impact it has had on the network, has shown that road condition will continue to deteriorate at an accelerating rate if similar winters are experienced in the future and funding continues at current levels.

3.7 The investment modelling undertaken considers how to address this and the levels of funding required. The modelling is based on using up to date maintenance costs to account for higher costs since 2021/22; the last condition information available from the September 2022 road condition surveys; estimating the impact on condition on the network following the 2022/23 winter; and using some engineering assumptions about the make-up (construction materials) of the roads.

3.8 Based on the outputs from the modelling additional investment is needed to achieve our current road condition targets known as steady state. Road condition targets, across the different types of highways, of 4%, 4% and 14% (averaged as 10% overall). The level of investment needs to be increased from £18.1m to £23.2m per annum as a minimum.

3.9 Further investment in road condition also needs the current £3.1m backlog of drainage issues to be addressed to protect the proposed investment in improving road condition. This and the ongoing patching of non-intervention level potholes through the investment of another £2.5m to reduce the accumulated backlog. This one off funding is in addition to the £28.2 increase in the capital programme.

4. COUNCIL MONITORING: QUARTER 4 2022/23 - YEAR END

4.1 The Cabinet considered a report by the Chief Executive.

4.2 It was RESOLVED to:

- 1) note the latest monitoring position for the Council;
- 2) note the changes to the Strategic Risk Register; and
- 3) recommend the County Council to agree £5m additional provision being made to the Capital Programme in relation to Highways Maintenance for 2023/24.

Reason

4.3 The report sets out the Council's position and year-end projections for the Council Plan targets, Revenue Budget, Capital Programme, and Savings Plan, together with Risks at the end of March 2023.

4.4 The winter saw challenging weather for the condition of the roads, with two periods of very wet and cold weather in November/December 2022 and March 2023. By the end of January 2023, we had more than doubled the number of pothole repair gangs from 10 to 23 and extended working hours. Overall, 93.7% of the repairs to potholes were completed within the required timescales in 2022/23. 30,000 potholes were repaired, with 21,600 of these potholes in the road. This is a significant increase on the 24,000 potholes completed in 2021/22. (Appendix 5 of the report).

4.5 Cabinet considered a report at an earlier agenda item which updated Cabinet on the condition of the highways and recommending Cabinet consider additional investment on highways maintenance in 2023/24 be increased by £15.7m. £5m of this increase will be funded through additional provision being made to the Capital Programme. Such additional provision will be funded by borrowing which will have a revenue implication of £375k per annum.

5. RECONCILING POLICY, PERFORMANCE AND RESOURCES (RPPR) - STATE OF THE COUNTY

5.1 Cabinet considered a report by the Chief Executive.

5.2 It was RESOLVED to:

1) note the evidence base on demographics as set out in Appendix 1 of the report and the national and local policy outlook as set out in Appendix 2 of the report;

2) agree the priority outcomes and delivery outcomes as set out in Appendix 3 of the report and agree these as the basis of the Council's business and financial planning, subject to the proposed amendments set out in paragraph 4 of the report;

3) agree officers update the Medium Term Financial Plan as the basis for financial planning when more information is available, as set out in paragraph 5 of the report;

4) agree officers update the Capital Strategy and programme as set out in Appendix 4 and paragraph 6 of the report; and

5) receive reports on more detailed plans for 2024/25 and beyond in the autumn when there is greater certainty about future resources.

Reasons

5.3 The State of the County report is a key part of the Council's Reconciling Policy, Performance and Resources (RPPR) process, our integrated business and financial planning cycle. The report sets out an overview of the current context in preparation for more detailed planning for 2024/25 and beyond. In conjunction with our 2022/23 year end monitoring report, it reflects on our achievements over the last year, the challenges in the year ahead arising from both local and national factors and, in light of this, begins to refine our plans to guide our business planning and budget setting processes.

5.4 Work will continue over the summer to refine our understanding of the medium term impacts on our services of national reforms, the evolving economic context, changing demand for services and the financial resources that will be available to us in the coming years. We will also consider any further steps we can take to support our future capacity. We will use our RPPR process to plan for the future as best we can in the context of a likely one year financial settlement once again.

5.5 We will report back to Members in the autumn with an updated assessment of our service demand and funding expectations to inform more detailed business and budget planning for 2024/25 and beyond.

5.6 Members will continue to be consulted on plans as they are developed through Cabinet, County Council, Scrutiny Committees, Whole Council Forums and specific engagement sessions throughout the 2023/24 Reconciling Policy, Performance and Resources process.

6. ADULT SOCIAL CARE STRATEGY

6.1 The Cabinet considered a report by the Director of Adult Social Care and Health.

6.2 It was RESOLVED to:

1) Note the six priorities in the strategy, which outline what is most important to adults who need care and support in East Sussex, their unpaid carers, and families;

2) Approve the strategic response to the six priorities, as set out in our 'we will' statements; and

3) Approve the contents of the strategy publication and the proposal to launch the strategy in June 2023.

6.3 An adult social care strategy poses an opportunity to align local services and support around the needs of local people, the national vision for adult social care and existing plans or strategies linked to East Sussex County Council and the wider health and social care system. The strategy has been developed following an extensive engagement process with both residents and those who work within or alongside adult social care. It provides a set of long-term priorities for adult social care alongside a clear response for how we will help people live well in East Sussex, building on the strengths of local people, services, and community assets.

7. TO AGREE WHICH ITEMS ARE TO BE REPORTED TO THE COUNTY COUNCIL

7.1 It was agreed that items 6 and 7 should be reported to the County Council.

[Note: the items being reported to the County Council refer to minute numbers 4 and 5]

The meeting ended at 11.44 am.

This page is intentionally left blank

Report to: Cabinet

Date of meeting: 18 July 2023

By: Chief Finance Officer

Title: External Audit Plan 2022/23

Purpose: To inform the Cabinet of the content of the Council's External Audit Plan for 2022/23

RECOMMENDATION:

The Cabinet is recommended to approve the draft 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 draft 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 Value for Money (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 Audit Committee considered the draft plan at its meeting on 7 July 2023, where it also received a presentation from GT. No specific issues are required to be brought to the attention of Cabinet.

2.5 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 draft 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.

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

Section	Page
Key matters	3-4
Introduction and headlines	5-6
Significant risks identified	7-11
Other risks identified	12
Other matters	13
Our approach to materiality	14-15
IT Audit Strategy	16
Value for Money Arrangements	17
Audit logistics and team	18
Audit fees	19-21
Independence and non-audit services	22-23
Communication of audit matters with those charged with governance	24

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.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

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

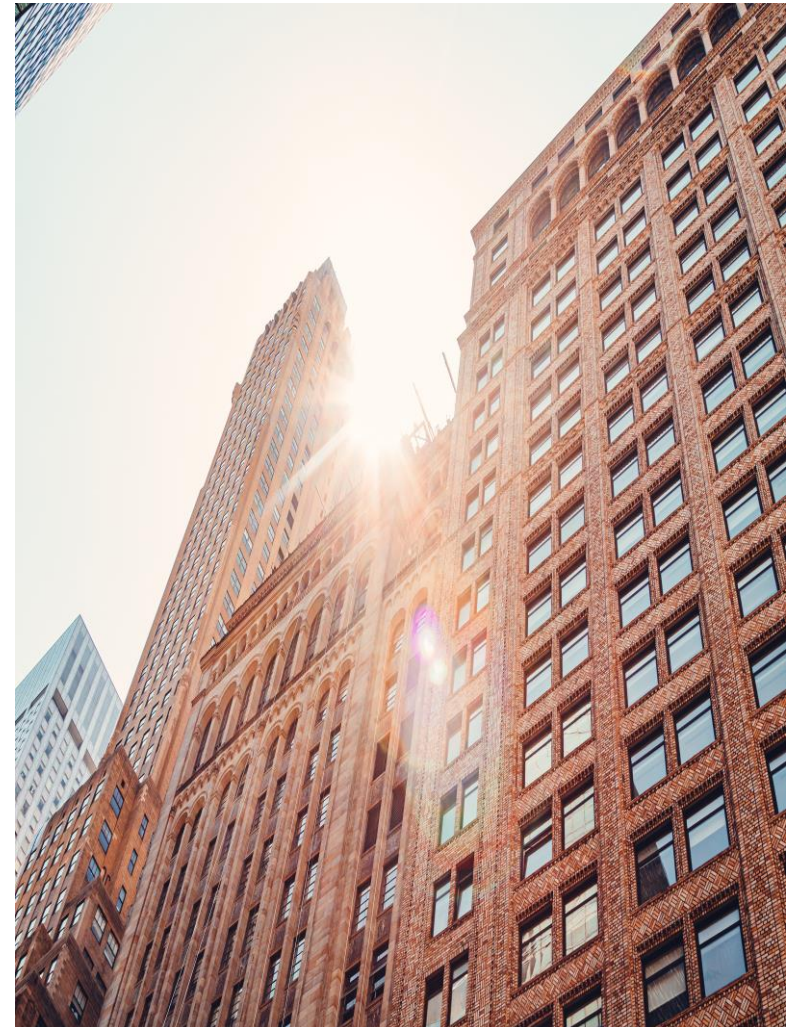
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment 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 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.
	<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>	

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.

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 an other 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	<p>Determination</p> <p>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.</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>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>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.</p>
3	<p>Other communications relating to materiality we will report to the Audit Committee</p> <p>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.</p>	<p>We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>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.</p>

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	•		<p>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.</p> <p>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.</p> <p>We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.</p> <p>Respective responsibilities</p> <p>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.</p> <p>The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>
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 [not typically council tax fraud]		•	
Non-compliance with laws and regulations		•	
Unadjusted misstatements and material disclosure omissions		•	
Expected modifications to the auditor's report, or emphasis of matter		•	



© 2023 Grant Thornton UK LLP.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their audited entities and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to . GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

This page is intentionally left blank

Report to:	Cabinet
Date:	18 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

Cabinet is recommended to note the internal audit service's opinion on the Council's control environment.

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 Orbis 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; and

- Other internal audit activity.

2.5 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.

2.6 The 2022/23 Internal Audit Annual Report and Opinion was discussed by the Audit Committee on 7 July 2022.

3. Conclusion

3.1 Cabinet is recommended to note the internal audit service's opinion on the Council's control environment.

ROS PARKER, CHIEF OPERATING OFFICER

Contact Officers: Russell Banks, Orbis Chief Internal Auditor, 07824 362739
Nigel Chilcott, Audit Manager, 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.

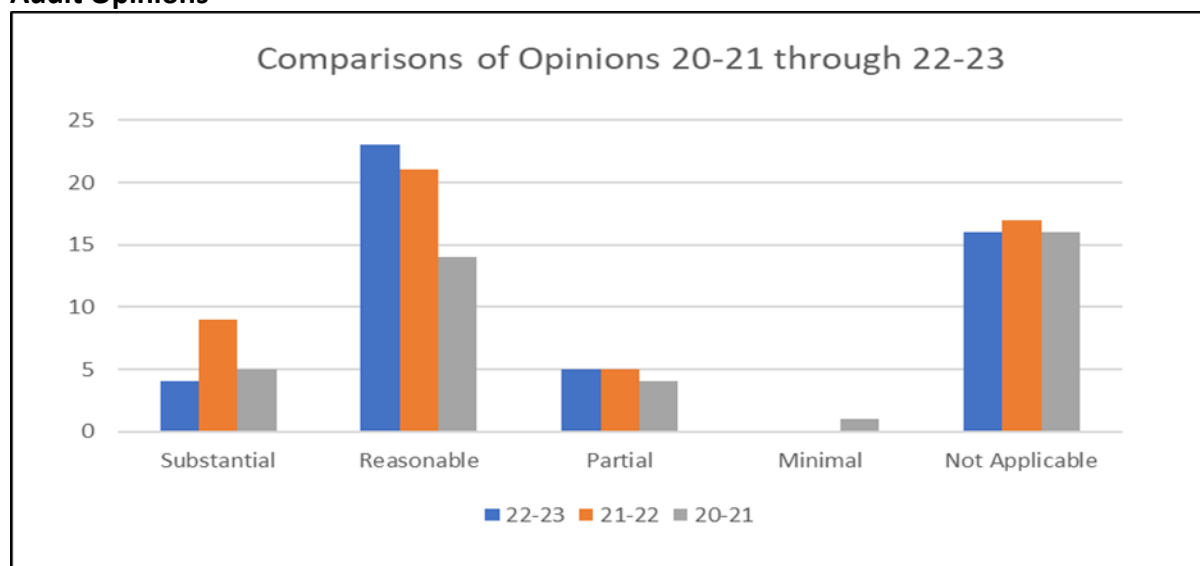
4.2 No limitations have been placed on the scope of Internal Audit during 2022/23.

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.

This page is intentionally left blank

Report to: **Cabinet**

Date: **18 July 2023**

Report By: **Chief Operating Officer**

Title of Report: **Ashdown Forest Trust Fund**

Purpose of Report: **To inform Cabinet of the movements on the Trust Fund during 2022/23 and the closing position as at 31 March 2023.**

RECOMMENDATIONS

- 1). Cabinet is recommended to note the report and the Ashdown Forest's Trust Income and Expenditure Account for 2023/23 and Balance Sheet as at 31 March 2023.
-

1. Background

- 1.1. The Ashdown Forest Trust, a registered charity, was set out by declaration of Trust in 1988. East Sussex County Council is the trustee and agrees grants made to the Ashdown Forest Conservators, from the Ashdown Forest Trust Fund.

2. Supporting Information

2021/22 Accounts

- 2.1. Subsequent to the 2021/22 accounts being approved, the independent Examination process has now been completed in accordance with Section 145 of the Charities Act 2011.
- 2.2. The Examiner's report is attached as Appendix A. It does not identify any issues that require any further action by the Council as the trustees.

2022/23 Accounts

- 2.3. The Trust's Income and Expenditure Account and Balance Sheet are set out in the attached Appendix B. The Income and Expenditure Account shows a surplus in 2022/23 of £5,019.
- 2.4. The main sources of income to the Trust are rental income from the Royal Ashdown Golf Club at £70,000 per annum and bank interest, which has seen a significant increase, reflecting the rise in base rates.
- 2.5. The expenditure primarily relates to the £65,100 grant paid to the Ashdown Forest Conservators, with remaining expenditure being audit fees.
- 2.6. The accumulative General Reserve totalled £172,088 at 31 March 2023.
- 2.7. A formal annual report and statement of accounts will be compiled in accordance with the Charity Commission's Statement of Recommended Practice (SORP) by the end of January 2024, once the Independent Examiner report has been received.

3. Conclusion and Recommendation

- 3.1. The trust made an operating surplus of £5,019 during 2022/23. The General Reserve as at 31 March 2023 amounts to £172,088. This fund is available to finance expenditure which meets the Trust's objectives.
- 3.2. Cabinet is recommended to note the final accounts for the Ashdown Forest Trust.

ROS PARKER
Chief Operating Officer

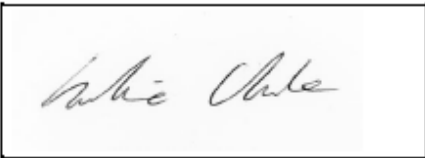
Contact Officer: Andy Fowler
Tel No. 07825 552640
Email: Andy.fowler@eastsussex.gov.uk

LOCAL MEMBERS
Galley, Howell, Lunn & Georgia Taylor



CHARITY COMMISSION
FOR ENGLAND AND WALES

Independent examiner's report on the accounts

Section A		Independent Examiner's Report	
Report to the trustees/ members of	Charity Name ASHDOWN FOREST TRUST		
On accounts for the year ended	31 st March 2022	Charity no (if any)	800437
Set out on pages	1-22		
	I report to the trustees on my examination of the accounts of the above charity ("the Trust") for the year ended 31/03/2022.		
Responsibilities and basis of report	As the charity's trustees, you are responsible for the preparation of the accounts in accordance with the requirements of the Charities Act 2011 ("the Act").		
	I report in respect of my examination of the Trust's accounts carried out under section 145 of the 2011 Act and in carrying out my examination, I have followed all the applicable Directions given by the Charity Commission under section 145(5)(b) of the Act.		
Independent examiner's statement	<p>I have completed my examination. I confirm that no material matters have come to my attention in connection with the examination which gives me cause to believe that in, any material respect:</p> <ul style="list-style-type: none"> the accounting records were not kept in accordance with section 130 of the Charities Act; or the accounts did not accord with the accounting records; or the accounts did not comply with the applicable requirements concerning the form and content of accounts set out in the Charities (Accounts and Reports) Regulations 2008 other than any requirement that the accounts give a 'true and fair' view which is not a matter considered as part of an independent examination. <p>I have no concerns and have come across no other matters in connection with the examination to which attention should be drawn in this report in order to enable a proper understanding of the accounts to be reached.</p> <p><i>* Please delete the words in the brackets if they do not apply.</i></p>		
Signed:		Date:	26/1/2023
Name:	Caroline Clarke		
Relevant professional qualification(s) or body (if any):	ACA		

IER

1

Oct 2018

Address: 99 Western Road

Lewes

BN7 1RS

Section B

Disclosure

Only complete if the examiner needs to highlight material matters of concern (see CC32, Independent examination of charity accounts: directions and guidance for examiners).

Give here brief details of any items that the examiner wishes to disclose.

--	--

ASHDOWN FOREST TRUST

Income & Expenditure Account for the year ended
31 March 2023

2021/22	Income	2022/23
£		£
(70,000)	Rent of Golf Course	(70,000)
(16)	Bank Interest	(659)
(70,016)		(70,659)
	Less Expenditure	
65,100	Conservators of Ashdown Forest - Grants	65,100
540	Fees	540
(4,376)	(Surplus)/Deficit	(5,019)

Balance Sheet as at 31 March 2023

2021/22		2022/23
£		£
1,200,000	Fixed Assets: Land and Buildings	1,200,000
167,709	Current Assets: Cash at Bank	172,728
(540)	Current Liabilities: Sundry creditors	(540)
1,367,169		1,372,188
	Representing:	
1,200,100	Reserves: Endowment Fund	1,200,100
167,069	General Reserve	172,088
1,367,169		1,372,188

This page is intentionally left blank