



CABINET

TUESDAY, 16 APRIL 2024

10.00 AM, COUNCIL CHAMBER, COUNTY HALL, LEWES

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

A G E N D A

1. Minutes of the meeting held on 5 March 2024 (*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. East Sussex County Council External Audit Plan 2023/24 (*Pages 7 - 36*)
Report by the Chief Finance Officer.
6. Internal Audit Strategy and Plan 2024/25 (*Pages 37 - 54*)
Report by the Chief Operating Officer.
7. Any other items considered urgent by the Chair
8. To agree which items are to be reported to the County Council

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8 April 2024

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

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CABINET

MINUTES of a meeting of the Cabinet held at Council Chamber, County Hall, Lewes on 5 March 2024.

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

Members spoke on the items indicated:

Councillor Bennett	- item 5 (minute 46)
Councillor Bowdler	- item 6 (minute 47)
Councillor Daniel	- item 5 (minute 46)
Councillor Denis	- item 5 (minute 46)
Councillor Claire Dowling	- item 5 (minute 46)
Councillor Field	- item 6 (minute 47)
Councillor Maynard	- item 5 (minute 46)
Councillor Shuttleworth	- item 5 (minute 46)
Councillor Standley	- item 5 (minute 46)
Councillor Swansborough	- item 5 (minute 46)
Councillor Tutt	- items 5 and 7 (minutes 46 and 48)
Councillor Webb	- items 5 and 6 (minutes 46 and 47)

44. MINUTES OF THE MEETING HELD ON 23 JANUARY 2024

44.1 The minutes of the Cabinet meeting held on the 23 January 2024 were agreed as a correct record.

45. REPORTS

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

46. COUNCIL MONITORING: QUARTER 3 2023/2024

46.1 The Cabinet considered a report by the Chief Executive.

46.2 It was RESOLVED to:

1) Note the latest monitoring position for the Council; and

2) Approve the proposed deletion of the performance measure set out in paragraph 2.1 of the report.

Reason

46.3 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 December 2023.

47. THE OFSTED INSPECTION OF EAST SUSSEX COUNTY COUNCIL'S CHILDREN'S SERVICES

47.1 The Cabinet considered a report by the Director of Children's Services.

47.2 It was RESOLVED to:

1) Welcome the findings of the inspection of the work of ESCC for children and young people which was published on 6 February 2024; and

2) Note the action plan which is being developed to address the areas for improvement.

Reason

47.3 The Council's Children's Services has been judged to be good overall and outstanding for the experiences and progress of children in care. This is a good outcome for the service and for the Council which has made keeping vulnerable people safe, a priority outcome. It is a very welcome recognition of all the hard, determined, and high-quality work we have done since our last inspection, through a time of pandemic, its continuing effects, and cost of living pressures.

47.4 East Sussex has maintained a focus on the key priority outcome of keeping vulnerable people safe and responded well to the impact of the pandemic, increased demand and the challenging financial context for both families and the council.

48. SELEP TRANSITION PLAN

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

48.2 It was RESOLVED to:

1) Note that the South East Local Enterprise Partnership (SELEP) will be drawn to a close on 31 March 2024;

2) Agree that Team East Sussex continues to operate after 31 March 2024 in an advisory capacity as the recognised business-led strategic economic growth board for East Sussex;

3) Approve the final SELEP Integration Plan, set out in Appendix 1 of the report; and

4) Approve the final East Sussex Integration Plan set out in Appendix 2 of the report.

Reason

48.3 The government's decision to allocate non statutory LEP responsibilities to Upper Tier Local Authorities by 31 March 2024 will provide a range of opportunities for the County Council and its stakeholder partners across East Sussex to have more freedom in setting strategic priorities and accelerating programmes of activity to support local economic growth.

48.4 The County Council is ideally placed to take on former LEP responsibilities with our very successful track record in developing, delivering and evaluating impactful economic growth initiatives in the county and with a proven ability to convene partners and stakeholders to work together for the benefit of local businesses and residents. The LEP transition will give the council the opportunity to build on the existing management and oversight of the capital programme, through which it has successfully met ongoing financial, legal and reporting requirements since SELEP was formed, whilst enabling a more localised oversight and decision-making process through the introduction and maintenance of additional governance and programme management functions.

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

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

[Note: the item being reported to the County Council refers to minute numbers 46 and 47.]

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Agenda Item 5

Report to:	Cabinet
Date of meeting:	16 April 2024
By:	Chief Finance Officer
Title:	External Audit Plan 2023/24
Purpose:	To inform Cabinet of the content of the Council's External Audit Plan for 2023/24

RECOMMENDATION:

Cabinet is recommended to approve the External Audit Plan for 2023/24

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. 2023/24 Financial Statements

2.1 The External Audit Plan for 2023/24 (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 2022/23 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.

2.2 No significant Value for Money weaknesses have been identified during GT's initial planning work. Further information will be requested at a later point.

2.3 The proposed timeline is to undertake the year end audit during June to September 2024, reporting a draft Auditor's Report to the Audit Committee on 20 September 2024, with the Auditor's Annual Report to the Audit Committee on 22 November 2024. The draft statement of accounts for 2023/24 will be published by 31 May 2024.

2.4 The proposed audit fee for 2023/24 is £275,046. The revised fees, including variations, for 2022/23 are £127,055, which have yet to be reviewed and confirmed by the Public Sector Audit Appointment (PSAA) Ltd. Recent years have seen significant pressures on external auditors. With the challenge of staff recruitment, coupled with increased regulatory expectations, particularly regarding estimates and valuations of property, plant and equipment and pensions, leading to the vast majority of local authority audits not being completed on time. For the Council, the 2021/22 statement of accounts were finally signed off on 20 December 2023, with the 2022/23 audit nearing completion in April 2024. In response to these challenges, the most recent PSAA procurement of external audit services for 2023/24 onwards resulted in an average increase in audit scale fees of 150%. It should be noted that the increase comes after a number of years of fee reductions. The 2009/10 statement of accounts show that the cost of external audit was £245,000, prior

to additional costs for grant approvals. The formation of the PSAA in 2014 saw a reduction in audit fees. In recent years, the government has provided grant funding to mitigate some of the increased audit costs. For 2023/24, the final year of the grant, the Council will receive £32,589.

3. Conclusion and reasons for recommendation

3.1 The External Audit Plan provides an overview of the planned scope and timing of the statutory audit of the Council's 2023/24 accounts and identifies any significant risks. Cabinet is recommended to approve the plan which is attached at Appendix 1 of the report.

IAN GUTSELL Chief Finance Officer

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Local Member(s): All

Background Documents: None

East Sussex County Council audit plan

Year ending 31 March 2024

Audit Committee

28 March 2024



Contents



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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

The national economic context continues to present challenges to the local government sector. There are increasing cost pressures nationally, such as a growing population and increasing demand for local government services, especially in adult and children's social care. Combined with inflationary pressures, pay demands and energy price rises, the environment in which local authorities operate is highly challenging. Local Government funding continues to be stretched and there have been considerable reductions in the grants received by local authorities from government.

Recently, we have seen the additional strain on some councils from equal pay claims, and there has been a concerning rise in the number of councils issuing s.114 notices. These are issued when a council's Chief Financial Officer does not believe the council can meet its expenditure commitments from its income. Additionally, the levels of indebtedness at many councils is now highly concerning, and we have seen commissioners being sent in to oversee reforms at several entities.

Our recent value for money work has highlighted a growing 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 have taken account of this national context in designing a local audit programme which is tailored to your risks and circumstances.

Audit Reporting Delays

Against a backdrop of ongoing audit reporting delays, in October 2023 PSAA found that less than 1% of local government accounts of 2022/23 audits being signed by the Accounts and Audit Regulations publication date of 30 September 2023. In June 2023 the Public Accounts Committee (PAC) also produced a report setting out their concerns over these audit reporting delays. We issued our report [About time?](#) In March 2023 which explored the reasons for delayed publication of audited local authority accounts.

A consultation on this issue was launched on 12 February 2024. The consultation seeks to address the backlog in local audit sign off by the introduction of a statutory date by which local authority accounts must normally be signed off ('the backstop'). For years up to 2022/23, this date is proposed as 30 September 2024. Further backstop dates are proposed for years up to 2028. Where audits have not been completed by the statutory date, a modified opinion is likely to be required. The backstop is expected to be enforced both by a change to the NAO Code of Audit Practice and through an amendment to the Accounts and Audit Regulations 2015. We are also reporting an updated Audit Findings Report to the Audit Committee meeting on 28 March 2024 and we expect to sign the auditor's report shortly after this date, as outstanding items on the audit have now been substantially completed subject to senior management final review of the audit work on file.

In our view, to enable a timely sign off of the financial statements, it is critical that draft local authority accounts are prepared to a high standard and are supported by strong working papers.

Key matters - continued

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 in this Audit Plan.
- To ensure close work with our local audited bodies and an efficient audit process, our preference as a firm is to work on site with you and your officers. Please confirm in writing if this is acceptable to you, and that your officers will make themselves available to our audit team. This is also in compliance with our delivery commitments in our contract with PSAA.
- We hold quarterly meetings with your Chief Executive Officer and Chief Finance Officer as part of our commitment to keep you fully informed on the progress of the audit, and for us to obtain the most recent strategic and operational updates on the Council.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Audit Committee, to brief them on the status and progress of the audit work to date.
- 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 consider your progress against matters previously identified and communicated through our audit work.
- 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 interpretations, to discuss issues with our experts and to facilitate networking links with other audited bodies to support consistent and accurate financial reporting across the sector.
- With the ongoing financial pressures being faced by local authorities, in planning this audit we have considered the financial viability of the Council. We are satisfied that the going concern basis remains the correct basis behind the preparation of the accounts. We will keep this under review throughout the duration of our appointment as auditors of the Council.
- There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk with regard to management override of controls.
- There is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue – 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

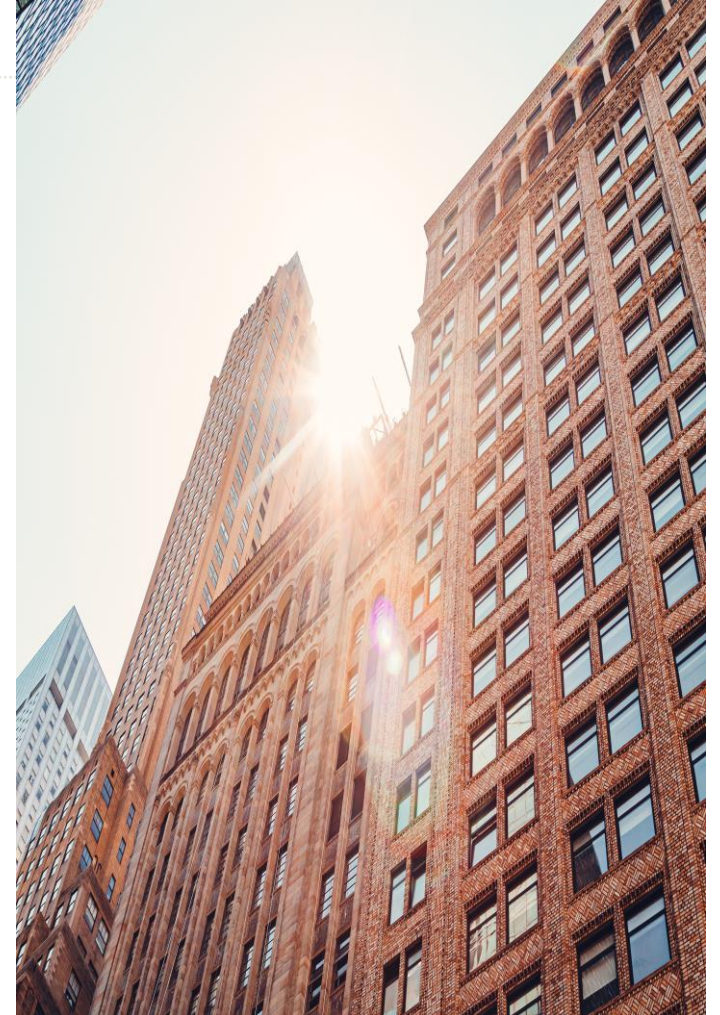
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. The NAO is in the process of updating the Code. This audit plan sets out the implications of the revised code on this audit. 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 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 of controls;
- Valuation of land and buildings;
- Valuation of the pension 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. Note that this plan was drafted early in our audit planning visit; if our view of audit or value for money risks changes as a result of any further information obtained/assessed during the planning visit we will communicate this to members verbally or electronically as soon as possible.

Materiality

We have determined planning materiality to be £14.868m (PY £14.868m) 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 £0.743m).

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.

Audit logistics

Our planning visit has taken place in February & March, our final visit will commence in the last week of June. Our key deliverables are this Audit Plan, our Audit Findings Report and our Auditor's Annual Report.

Our preference is for all our work to take place on site alongside your officers.

Our proposed fee for the audit will be £275,046 (PY: £127,055. See pages 20 and 21 for further information on the contract re-tendering in 2023 which has meant that scale fees have been revisited and increased) for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

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 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
Risk of fraud related to expenditure recognition	<p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).</p> <p>We have considered the risk of material misstatement due to the fraudulent recognition of expenditure. We have considered each material expenditure area, and the control environment for accounting recognition. We were satisfied that this does not present a significant risk of material misstatement in the 2023/24 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 in line with our expectations for an Authority of this size and complexity of operations; - We have not found significant issues, material errors or fraud in expenditure recognition in the prior years audits; - Our view is that, similar 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.

‘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
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 will then complete 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 (£268.7 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 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 financial statements, consider and decide upon any objections received in relation to the 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.

Progress against prior year audit recommendations

We identified the following issues in our 2022/23 audit of the Council's financial statements, which resulted in 2 recommendations being reported in our 2022/23 Audit Findings Report.

Assessment	Issue and risk	Recommendations
High – significant effect on financial statements	<p><u>Assets not revalued by the professional valuer</u></p> <p>Management have considered the year end value of assets not revalued by their professional valuer in year. They have considered the average valuation movements for different classifications of land and buildings during the 2020/21 and 2021/22 years and where this indicates that a classification of assets (e.g. schools) would have moved materially in valuer during the year they have applied this average against the assets not revalued adjust the value accordingly in line with the assets revalued. Indices have therefore been used to adjust the assets values in the general ledger and financial statements by £28m (for those classifications which management estimated would have been materially misstated where not professionally revalued).</p> <p>As the finance team do not have the same expertise as the professional valuer in this particular estimate, this means there is greater estimation uncertainty in this valuation movement.</p>	<p>The Council having assessed that assets not revalued could be materially misstated should have in our opinion engaged with their valuer to endorse the approach taken to apply a valuation to such assets, rather than apply a method by financial accountants.</p> <p>Management response</p> <p>For the 2022/23 valuation our appointed valuer changed their methodology for how schools assets should be valued. This resulted in significant increases to the schools assets valued in year, and also meant that the remaining assets in the same categories that were not valued in year would have been potentially materially understated if not adjusted and would not have been consistent with the assets that had been valued. Unfortunately it was not possible for the appointed valuer to carry out any additional valuations as they left the firm at the end of March 2023 with no replacement Public Sector valuer starting there until later in the year. While we accept that applying indexation is not as accurate as individual valuations carried out by a valuer, we believe the approach taken was reasonable in the circumstances and resulted in a more accurate representation of our asset values than if they had been left unadjusted. The indexation was only applied to specific categories of assets that had experienced material movements and we are in the process of arranging with our valuer to have those same assets revalued by them in 2023/24 as part of the standard valuation process.</p>
Low – Best Practice	<p><u>Related Parties Form completeness check</u></p> <p>During our audit we reviewed and tested the completeness of the related party transactions disclosed in the accounts. As part of our testing we gain assurance over the completeness of this disclosure by obtaining the Related Party return form for 22/23 and ensuring these are consistent with the note.</p> <p>For 22/23, we note that for the 2022/23 accounts that one of the Councillor return forms had not been received by the Council. These forms are key to ensuring that complete and accurate disclosures of any related party transactions are made in the financial statements.</p>	<p>The Council should ensure that a process is in place to remind/chase members who have not submitted these return forms, to ensure a full set is received.</p> <p>Management response</p> <p>There was only one Related Party form for 2022/23 that we were unable to obtain and we have no reason to believe that this would present any risk to the associated disclosure within the accounts. The Council has a process in place for tracking the Related Party forms and carries out multiple follow up attempts to ensure that as many returns are received as possible, this includes sending out additional emails and also attempting to collect them in person at Committee meetings. Unfortunately we cannot guarantee that every single form will always be returned but we have a high rate of success in numbers received back and believe the procedures in place are sufficient.</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.

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>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 identified the following areas where we will apply a lower materiality level:</p> <ul style="list-style-type: none"> – Officers remuneration disclosures, which we consider to be sensitive disclosures. We have set a reduced materiality of £50k.

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
3	<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>
4	<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 £0.743m). 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	£14,868,100	<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. - Other sensitivities – There has been no change in key stakeholders, and no other sensitivities have been identified that would require materiality to be reduced.
Materiality for specific transactions, balances or disclosures – officers’ remuneration disclosures	£50,000	<p>In determining materiality, we have considered the following key factors:</p> <ul style="list-style-type: none"> - The expectations of users of the financial statements and the audit requirements/quality standards.



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"> ITGC Design Assessment and follow up on prior year findings

Progress against prior year audit recommendations

We identified the following issues in our 2022/23 audit of the Council's financial statements, which resulted in several recommendations being reported in our 2022/23 Audit Findings Report in relation to IT systems.

The significant deficiencies identified in the Technology acquisition, development and maintenance control area related to segregation of duties. Some members of the SAP technical support team have access permissions which would allow them to both develop changes and then import those changes in the production environment, as there are only limited segregation of duties in the team structure. We do not regard this as representing a significant risk/deficiency directly for the accounts production/financial accounting control environment, as the officers do not manage accounting/finance data or the accounts production process. This is a significant deficiency however in overall IT governance. The final SAP IT General Controls report has been discussed with your team responsible for management of SAP.

Note that our IT Audit team will be revisiting the findings and recommendations from the 2022/23 audit as part of our 2023/24 audit and we will report further updates as part of the findings report for the 2023/24 audit.

Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2024.

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.

Audit logistics and team



Joanne Brown, Key Audit Partner

Joanne will be the main point of contact for the Chair, the Chief Executive and Members. Joanne will share her 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. Joanne will ensure our audit is tailored specifically to you and is delivered efficiently. Joanne will review all reports and the team's work focussing her 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.

Ella Connick, Audit In-Charge

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

Audited Entity 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 audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity 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 an entity 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 deadline 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 cleansed, are made 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.

Note 1

There is an Audit Committee meeting on the 20 September 2024 and 22 November 2024. Once we have started fieldwork, we will confirm which Committee meeting we plan to report findings to based on the speed of progress.

Audit fees and updated Auditing Standards

Audit fees are set by PSAA as part of their national procurement exercise. In 2017, PSAA awarded a contract of audit for East Sussex County Council to begin with effect from 2018/19. This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors. The scale fee set out in the PSAA contract for the 2023/24 audit is £262,546.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor’s annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here <https://www.psa.co.uk/appointing-auditors-and-fees/fee-variations-overview/>

Assumptions

In setting these 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
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Audit fees

Proposed fee 2023/24

East Sussex County Council Audit – PSAA scale fee	£262,546
ISA 315 – Additional audit work required to be completed under ISA315 which is not included in the scale fee. This is a fee variance which will need to be approved by PSAA.	£12,550
IFRS 16 – Additional audit work required to be completed to gain assurance over IFRS16 disclosures which is not included in the scale fee. This is a fee variance which will need to be approved by PSAA. Note this is an initial proposed fee, the amount of work required will depend on the level/detail of disclosure made by the Authority and the quality of working papers underlying this, and our final fee will reflect this.	£7,500
Total audit fees (excluding VAT)	£275,046

Previous year

In 2022/23 the scale fee set by PSAA was £74,350. In our Audit Findings Report 2022/23 reported to the November 2023 Audit Committee meeting we have reported an interim fee including known fee variances during the audit to that date of £127,055, noting that we highlighted that there will be a further fee variance for challenges/delays experienced during the fieldwork stage of the audit.

Relevant professional standards

In preparing our fees, 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.

IFRS 16 ‘Leases’ and related disclosures

IFRS 16 will need to be implemented by local authorities from 1 April 2024. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. As this is a shadow year for the implementation of IFRS 16, we will need to consider the work being undertaken by the Council to ensure a smooth adoption of the new standard.

Introduction

IFRS 16 updates the definition of a lease to:

“a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”

In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major departure from the requirements of IAS 17 in respect of operating leases.

IFRS 16 requires a lessee to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There is a single accounting model for all leases (similar to that of finance leases under IAS 17), with the following exceptions:

- leases of low value assets
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating) although if an NHS body is the intermediary and subletting there is a change in that the judgement between operating and finance lease is made with reference to the right of use asset rather than the underlying asset

Council’s systems and processes

We believe that most local authorities will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance

Planning enquiries

As part of our planning risk assessment procedures, we have made enquiries of management to inform our risk assessment. We would appreciate a prompt response to these enquires in due course.

Further information

Further details on the requirements of IFRS16 can be found in the HM Treasury Financial Reporting Manual. This is available on the following link.

[IFRS 16 Application Guidance December 2020.docx \[publishing.service.gov.uk\]](#)

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.

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	•	
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	•	•

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.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
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		•

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: Cabinet

Date: 16 April 2024

By: Chief Operating Officer

Title of report: Internal Audit Strategy and 2024/25 Annual Audit Plan

Purpose of report: To present the Council's Internal Audit Strategy and 2024/25 Annual Plan

RECOMMENDATIONS:

Cabinet is recommended to Review and endorse the Council's Internal Audit Strategy and 2024/25 Annual Audit Plan

1. Background

1.1 The Council's Internal Audit Strategy and Annual Plan 2024/25 (Appendix 1 and Appendix 2) sets out how the Council will meet its statutory requirements for internal audit, as defined within the Accounts and Audit Regulations 2015. The plan focusses primarily on core assurance areas (such as key financial systems), high priority areas, known key projects and programmes, and grant claims, with the remainder of the direct audit days earmarked as emerging risks/contingency.

1.2 The plan has been developed in consultation with departments. A workshop was also held with members of the Audit Committee in January 2024 and comments made were fed into the planning process.

2. Supporting Information

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

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

3. Conclusions and Reasons for Recommendations

3.1 Cabinet is asked to review and endorse the Internal Audit Strategy and 2024/25 Annual Audit Plan which was endorsed by the Audit Committee at its meeting on 28 March 2024.

Ros Parker
Chief Operating Officer

Contact Officers: Russell Banks Tel No. 07824 362739

BACKGROUND DOCUMENTS
Internal Audit Strategy and Annual Audit Plan 2024/25

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Internal Audit Strategy and Annual Audit Plan 2024- 2025

1. Role of Internal Audit

1.1 The full role and scope of the Council’s Internal Audit Service is set out within the Internal Audit Charter and Terms of Reference (attached as Appendix B).

1.2 The mission of Internal Audit, as defined by the Chartered Institute of Internal Auditors (CIIA), is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. Internal Audit is defined as *“an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”*

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

2. Risk Assessment and Audit Planning

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

2.2 The annual planning process has once again involved consultation with a range of stakeholders to ensure that their views on risks and current issues, within individual departments and corporately, are identified and considered. In order to ensure that the most effective use is made of available resources, to avoid duplication and to minimise service disruption, efforts will continue to be made to identify, and where possible, rely upon, other sources of assurance available. The following diagram sets out the various sources of information used to inform our 2024/25 audit planning process:



2.3 Through this process, we have been able to identify key areas for audit activity in 2024/25, including strategic risks and issues, key priority projects and programmes, priority service reviews, key financial systems, and grant claims. The remainder of the direct audit days are earmarked as emerging risks/contingency which enables us to respond to the rapidly changing risk landscape across the Authority.

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

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

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

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

2.6 As with previous years, the 2024/25 audit plan remains flexible. This is in part due to the continued uncertainties over timing of the go-live of the new ERP system, and also because of the changing nature of the risk landscape across the public sector, including in relation to the ongoing financial challenges faced by councils. Given the likelihood of the plan needing to flex within the year ahead, we have identified, at the end of Appendix A, a number of additional audit assignments that may, on a risk-prioritized basis, be drawn into our workload if planned audits are postponed or cancelled.

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

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

3. Key Issues

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

3.2 Internal Audit must therefore be in a position to give an opinion and assurance that covers the control environment in relation to both existing systems and these new developments. It is also essential that this work is undertaken in a flexible and supportive manner, in conjunction with management, to ensure that both risks and opportunities are properly considered. During 2024/25, a number of major organisational initiatives and/or risks will feature within the audit plan, with the intention that Internal Audit is able to provide proactive advice, support and assurance as these programmes progress. These include:

- Modernising Back Office Systems (MBOS) programme (SAP replacement)
- Transition of Local Enterprise Partnerships
- Organisational Response to Financial Challenges
- Implementation of IMPOWER Recommendations
- Supply Chain Cyber Security
- Cultural Compliance Reviews

3.3 As explained previously, in recognition of current uncertainties and that in some cases, sufficient information regarding the full extent of future changes and associated risks may not yet be known, the 2024/25 audit plan will, as in previous years, include a proportion of time classified as 'Emerging Risks'. This approach has been adopted to enable Internal Audit to react appropriately throughout the year as new risks materialise and to ensure that expertise in governance, risk and internal control can be utilised early in the change process.

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

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

- Key Financial Systems
- Volunteers
- Accountable Body Status
- Artificial Intelligence
- Waivers to Procurement and Contract Standing Orders
- Home Care Contract – Contract Management
- Transition of Young People into Adult Social Care
- Unaccompanied Asylum-Seeking Children
- Alternative Education Provision Commissioning for Children
- Emergency Planning

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

4. Counter Fraud

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

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

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

5. Matching Audit Needs to Resources

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

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

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

5.4 The following table summarises the level of audit resources expected to be available for the Council in 2024/25 (expressed in days), compared to the equivalent number of planned days in previous years. As can be seen, there is a slight increase in the number of planned days from 2023/24, returning to 2022/23 levels. In addition, wherever possible, we will continue to look to source additional capacity from outside of the service. The overall level of planned resource continues to be considered sufficient to

allow Internal Audit to deliver its risk-based plan in accordance with professional standards^[1] and to enable the Chief Internal Auditor to provide his annual audit opinion.

Table 1: Annual Internal Audit Plan – Plan Days

	2021/22	2022/23	2023/24	2024/25
ESCC Audit Plan Days	1,495	1,495	1,445	1,520
East Sussex Pension Fund Plan Days	100	100	75	75
Total	1,595	1,595	1,520	1,595

6. Audit Approach

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

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

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

- Contingency – an allowance of days to provide capacity for unplanned work, including special audits and management investigations. This contingency also allows for the completion of work in progress from the 2023/24 plan;
- Advice, Management, Liaison and Planning - an allowance to cover provision of ad hoc advice on risk, audit and control issues, audit planning and annual reporting, ongoing liaison with service management and Members, and audit management time in support of the delivery of all audit work, planned and unplanned.

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

7. Training and Development

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

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

7.2 The team is also committed to coaching and mentoring its staff, and to providing opportunities for appropriate professional development. This is reflected in the high proportion of staff holding a professional internal audit or accountancy qualification as well as numerous members of the team continuing with professional training during 2024/25.

8. Quality and Performance

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

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

8.3 The PSIAS require each internal audit service to maintain an ongoing quality assurance and improvement programme based on an annual self-assessment against the Standards, supplemented at least every five years by a full independent external assessment. The outcomes from these assessments, including any improvement actions arising, will be reported to the Audit Committee, usually as part of the annual internal audit report. In our latest external assessment, completed by the Chartered Institute of Internal Auditors (IIA) in autumn 2022, we were assessed as achieving the highest level of conformance available against the professional standards, with no areas of non-compliance identified, as reported to Audit Committee in March 2023.

8.4 For clarity, the Standards specify that the following core principles underpin an effective internal audit service:

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

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

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

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

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

Table 2: Performance Indicators

Aspect of Service	Orbis IA Performance Indicators	Target
Quality	<ul style="list-style-type: none"> Annual Audit Plan agreed by Audit Committee Annual Audit Report and Opinion 	<p>By end April</p> <p>By end July. To inform Annual Governance Statement (AGS)</p>
	<ul style="list-style-type: none"> Customer satisfaction levels 	90% satisfied
	<ul style="list-style-type: none"> Audit Plan – completion to draft report stage by 31 March 2024 Audit Days – delivery of audit plan days 	90%
Productivity and Process Efficiency	<ul style="list-style-type: none"> Audit Plan – completion to draft report stage by 31 March 2024 Audit Days – delivery of audit plan days 	90%
	<ul style="list-style-type: none"> Audit Days – delivery of audit plan days 	90%
Compliance with Professional Standards	<ul style="list-style-type: none"> Public Sector Internal Audit Standards Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act 	Conforms
	<ul style="list-style-type: none"> Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act 	Conforms
Outcomes and degree of influence	<ul style="list-style-type: none"> Implementation of management actions agreed in response to audit findings 	97% for high priority actions
Our Staff	<ul style="list-style-type: none"> Professionally Qualified/Accredited 	80%

Russell Banks
Orbis Chief Internal Auditor

East Sussex County Council

INTERNAL AUDIT PLAN

2024/25



Planned Audit Reviews

Review Name	Outline Objective
Key Financial Systems	
Accounts Payable (Procure to Pay)	To review the processes and key controls relating to the procure to pay system, including those in place for ordering, the creation and maintenance of vendor details, and the payment of invoices.
Accounts Receivable	To review the processes and key controls relating to the accounts receivable system, including those in place for ensuring the accuracy of customer details, completeness, accuracy and timeliness of invoicing, recording and matching payments to invoices, and debt recovery.
Payroll	To review compliance with key controls within the payroll system, including controls in relation to pre-employment checks, starters, leavers, temporary and permanent variations of pay.
Children's Services Liquidlogic (LCS) and Controcc Systems	A review to assess the adequacy of controls within the LCS (client information and case management system for Children) and Controcc (the social care 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.
Direct Payments	To examine the system of control associated with the administration, payment and monitoring of direct payments to adult social care clients.
Financial and Benefit Assessments	The Care Act 2014 provides Councils with the power to charge for care and support needs and requires them to undertake an assessment of an individual's financial resources to determine the amount they should pay towards these. We will review the controls in place for the financial and benefits assessment process (where new processes have recently been introduced) to ensure the correct calculation of contributions from care clients and that accurate payments are made.
Capital Budgetary Control	To document and test the Council's processes and key controls to ensure robust capital budgetary control is achieved.
East Sussex Pension Fund	
Accounting Controls	This review will focus on the controls in place to ensure that funds have been correctly accounted for and are accurately reflected in the Council's accounting system.
Investments and Accounting	A review to assess the adequacy of controls over the Fund's investments, including the safeguarding and performance of investments, the valuation of assets, compliance with investment regulations and receipt of, and accounting for, investment income.

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2024/25



Review Name	Outline Objective
Compliance with Regulatory Requirements	We shall review the arrangements in place to ensure that the fund complies with the requirements of the Pension Regulator. The aim will be to provide assurance that employers in the Scheme comply with their regulatory obligations and that the respective responsibilities of the Council, as Scheme Manager, and the Fund, are clearly segregated.
The Administration of Benefit Payments	We shall review controls over the payment of pension benefits, transfers to and from the Pension Fund (including the retention of appropriate evidence) and the maintenance of the Fund's data.
Key Governance Arrangements	
Corporate Governance	To review the adequacy of corporate governance arrangements within the Council, including assessing the extent to which previously identified governance improvement actions have been implemented.
Risk Management	To assess the adequacy and effectiveness of arrangements in place to identify, assess and mitigate risk across the Council.
Strategic Risks/Projects	
Transition of Local Enterprise Partnerships	In 2023, government announced that the functions of LEPs should be integrated into upper tier local authorities, with effect from April 2024. As a result, the functions and responsibilities of the South-East Local Enterprise Partnership (SELEP) are transitioning to the Council. We will aim to provide assurance that the transition has taken place in accordance with government guidance and that the new arrangements are properly governed and controlled.
Organisational Response to Financial Challenges	With uncertainty over funding and increasing demand for services, the Council is faced with continuing financial pressures. As part of its response to this, Corporate Management Team (CMT) guidance in relation to spending behaviour is being developed and communicated to all staff, and we will seek evidence that this is being applied within teams to help mitigate some of these challenges.
Implementation of IMPOWER Recommendations	During 2023, IMPOWER supported the Council in identifying opportunities to reduce costs and improve outcomes relating to children and young people in care. We will assess the extent to which the recommended activity and intervention from this exercise has been taken forward.
Supply Chain Cyber Security	The Council relies on numerous suppliers to deliver products, systems and services that help us support our residents. Organisations are seeing that, rather than being targeted directly, there is an increasing trend in supply chains being targeted by cyber attackers to exploit vulnerabilities and obtain access to networks and/or system data via these indirect routes. This audit will review the approach to supplier management of key strategic or operationally critical contracts to assess the extent to which

INTERNAL AUDIT PLAN

2024/25



Review Name	Outline Objective
	third party cyber resilience is monitored and assured as part of the core contract and supplier management responsibilities.
Modernising Back Office Systems (MBOS)	We will continue to provide independent advice, support and challenge on risk, control and governance issues in respect of this programme and will develop our assurance activities in agreement with the Board as the programme progresses.
Cultural Compliance Reviews	To provide assurance over basic management controls within a sample of teams across the organisation, assessing compliance with key Council policies and procedures.
Other Known Areas of Risk	
Volunteers	Volunteers have a key role to play in the delivery of Council services. We will look at the adequacy of arrangements in place over the management of volunteers and the extent to which these are being complied with across departments.
Accountable Body Status	In addition to being in various partnerships with other bodies and organisations, the Council also holds accountable body status for some of these, where it is responsible for overall governance and financial management. We will look to provide assurance that, where the Council has designated accountable body status, it is deploying its responsibilities in a sound manner.
Home Care Contract – Contract Management	The Home Care contract was recommissioned in 2023. We will undertake a contract management review which will include assessing the arrangements over governance, performance management, payment mechanisms and new processes.
Transition of Young People into Adult Social Care	Upon turning 18, an individual's care needs will be provided by Adult Social Care instead of Children's Services. This audit will examine the adequacy of joint working arrangements between the two departments to ensure the smooth transition of service users and compliance with statutory duties. We will also assess governance and financial monitoring arrangements.
Unaccompanied Asylum-Seeking Children	Unaccompanied Asylum-Seeking Children (UASC) are children and young people, under the age of 18, who arrive in the county without a parent or guardian. We will work with management to further assess the associated risks in this area and to identify and agree how best we can provide assurance that these are being appropriately managed.
Alternative Education Provision Commissioning for Children	Alternative provision is education arranged by local authorities for children who, because of exclusion, illness or other reasons, would not otherwise receive a suitable education. We will assess the arrangements for the commissioning of alternative provision for children, within appropriately regulated settings.
Emergency Planning	Emergency planning should aim, where possible, to prevent emergencies occurring, and when they do, good planning should reduce, control or mitigate the effects of the

INTERNAL AUDIT PLAN

2024/25




Review Name	Outline Objective
	emergency. We will seek to provide assurance over the adequacy and effectiveness of the arrangements for emergency planning within the Council, including in relation to roles and responsibilities, the coordination of internal and external resources, emergency plans and testing.
Procurement Regulatory Changes	Major changes to procurement regulations are likely to include more stringent transparency requirements. These will need to be reflected in the Council's own regulations, including Procurement and Contract Standing Orders. We will provide support and advice in relation to the updating of these.
Waivers to Procurement and Contract Standing Orders	The Council's Procurement and Contract Standing Orders set out how the Council authorises and manages spending and contracts with other organisations. In the event that the application of these orders prevents or inhibits the delivery or continuity of service, a waiver may be sought. We will assess the adequacy of arrangements in place in relation to the waiver process and seek to provide assurance that this is being used appropriately, where inappropriate use has both reputational and financial implications for the Council.
School Audits	
Schools	We will continue our audit coverage in schools which will involve a range of assurance work, including key controls testing in individual schools and follow-ups of previous audit work where appropriate. We will also work with our Orbis partners to provide information bulletins and guidance for schools on risk, governance and internal control matters.
ICT Audit	
IT&D Project Management	This audit will review the effectiveness of the control environment to ensure the overall delivery of major IT&D projects across the Council. As part of the scope, we will consider IT&D's approach to project management, their prioritisation of projects and their delivery.
Artificial Intelligence	The future of artificial intelligence (AI) in local government is a topic of increasing importance, interest, opportunity and risk. As AI technology continues to advance and become more widely available, local authorities are exploring how it could be used to improve key services and support communities. This audit will review the framework by which AI is being applied within the Council and to ensure its implementation is in line with relevant policies that have been introduced.
Mobile Phone Application Management	This audit will review the effectiveness of the control environment to ensure the overall delivery and deployment of applications to mobile phones is managed appropriately. As part of the scope, we will consider application security, compliance with data protection legislation and risk management processes.

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2024/25



Review Name	Outline Objective
Microsoft Teams – Governance	Microsoft Teams is a part of the Microsoft 365 series of products and is used for chat, video conferencing and collaboration, with file storage and sharing capabilities within individual Team sites. This audit will review the Council’s governance arrangements in relation to Microsoft Teams, including the creation and management of individual Team sites and the securing of Council data within the application.
Surveillance Cameras	This review will examine the effectiveness of the controls in place to meet the requirements of the Surveillance Camera Code of Practice.
PAX – Application Control	This application audit will review all major input, processing and output controls, including access controls and the interfaces with other systems, and to ensure appropriate system ownership and responsibilities are known.
Follow-Up Reviews	
Appointeeship and Deputyship Process	Follow-up reviews of the previous audits in these areas, all of which received partial assurance opinions.
Ukraine Funding	
External Funding	
Supplier Failure	
Contract Management	
Techforge IT Application Controls	
Vehicle Use	
Grant Certification	
Local Transport Capital Block Funding	To check and certify the grant in accordance with the requirements of the Department for Transport.
Bus Services Operators Grant	To check and certify the grant in accordance with the requirements of the Department for Transport.
Broadband Grant	To check and certify the grant in accordance with the requirements of the Department of Digital, Culture, Media and Sport.
Contain Outbreak Management Fund	To check and certify that the funding is used in accordance with the requirements of the Department of Health and Social Care.
Supporting Families Programme	Certification of periodic grant claims returns in-year on behalf of Children’s Services to enable the release of funds from the Department for Levelling Up, Housing and Communities.

INTERNAL AUDIT PLAN 2024/25	
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Service Management and Delivery	
Review Name	Outline Objective
Action Tracking	Ongoing action tracking and reporting of agreed, high risk actions.
Audit and Fraud Management	Overall management of all audit and counter fraud activity, including work allocation, work scheduling and Orbis Audit Manager meetings.
Audit Committee Reporting, Attendance and Other Member Support	Production of periodic reports to management and Audit Committee covering results of all audit and anti-fraud activity.
Client Service Liaison	Liaison with clients and departmental management teams throughout the year.
Client Support and Advice	Ad hoc advice, guidance and support on risk, internal control and governance matters provided to clients and services throughout the year.
Orbis IA Developments	Audit and corporate fraud service developments, including quality improvement and ensuring compliance with Public Sector Internal Audit Standards.
Organisational Management Support	Attendance and ongoing support to organisational management meetings, e.g. Financial Management Team (FMT), Statutory Officers Group (SOG).
System Development and Administration	Development and administration of Audit and Fraud Management systems.
Contingencies	
Anti-Fraud and Corruption	To cover the investigation of potential fraud and irregularity allegations as well as proactive counter fraud activities, including the National Fraud Initiative (NFI) data matching exercise.
Emerging Risks	A contingency budget to allow work to be undertaken on new risks and issues identified by Orbis IA and/or referred by management during the year.
Contingency	A contingency budget to allow for effective management of the annual programme of work as the year progresses.

Other Auditable Areas Identified During the Audit Planning Process
Some of these reviews may be brought forward into the plan if there is additional capacity during the year. In addition, we will consider any emerging risks and prioritise audits accordingly.
Property Services Programme Management
IR35 Compliance
Access Synergy Application Audit
Corporate Petty Cash Accounts
Budget Management (ASCH)
Hospital Discharges
Carers Contract
Independent Non-Maintained School Fee Increases

INTERNAL AUDIT PLAN

2024/25



New Attendance Duties

Value for Money in Care Placements

Foster Care

Connected Families

Holiday Activity and Food Programme

Corporate Petty Cash Accounts

Road Safety

Registrars

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