AUDIT COMMITTEE

FRIDAY, 19 SEPTEMBER 2025

10.00 AM COUNCIL CHAMBER, COUNTY HALL, LEWES

MEMBERSHIP - Councillor Colin Swansborough (Chair)
Councillors Gerard Fox (Vice Chair), Sam Adeniji, Matthew Beaver, Stephen Holt, Philip Lunn and Georgia Taylor

A G E N D A

1. Minutes of the previous meeting *(Pages 3 - 6)*

2. Apologies for absence

3. Disclosures of interests

   Disclosures by all members present of personal interests in matters on the agenda, the nature of any interest and whether the member regards the interest as prejudicial under the terms of the Code of Conduct.

4. Urgent items

   Notification of items which the Chair considers to be urgent and proposes to take at the appropriate part of the agenda. Any members who wish to raise urgent items are asked, wherever possible, to notify the Chair before the start of the meeting. In so doing, they must state the special circumstances which they consider justify the matter being considered urgent.

5. External Auditor's Report to those charged with governance and Annual Report 2024/25 *(Pages 7 - 56)*
   Report by the Chief Finance Officer

6. Internal Audit Progress report - Quarter 1 (01/04/25 - 30/06/25) *(Pages 57 - 70)*
   Report by the Chief Operating Officer

7. Global Internal Audit Standards Self-Assessment and Quality Assurance and Improvement Plan *(Pages 71 - 84)*
   Report by the Chief Operating Officer

8. CIPFA Financial Management Code *(Pages 85 - 142)*
   Report by the Chief Finance Officer

9. Strategic Risk Monitoring - Quarter 1 2025/26 *(Pages 143 - 160)*
   Report by the Chief Operating Officer

10. Work programme *(Pages 161 - 166)*

11. Any other items previously notified under agenda item 4

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

11 September 2025

Contact Sophie Webb, Governance and Democracy Manager,
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AUDIT COMMITTEE

MINUTES of a meeting of the Audit Committee held at Council Chamber, County Hall, Lewes on 4 July 2025.

PRESENT Councillors Colin Swansborough (Chair), Gerard Fox (Vice Chair), Matthew Beaver, Philip Lunn and Georgia Taylor

LEAD MEMBERS Councillor Nick Bennett

ALSO PRESENT Philip Baker, Deputy Chief Executive
Ros Parker, Chief Operating Officer
Ian Gutsell, Chief Finance Officer
Russell Banks, Chief Internal Auditor
Nigel Chilcott, Audit Manager
Mark Winton, Audit Manager
Simon White, Audit Manager (Counter Fraud)
Sophie Webb, Governance and Democracy Manager

1. MINUTES OF THE PREVIOUS MEETING

1.1 The Committee RESOLVED to agree the minutes of the meeting held on 28 March 2025 as a correct record.

2. APOLOGIES FOR ABSENCE

2.1 It was noted that Councillor Beaver sent apologies for the beginning of the meeting and was present from 10:25 at item 5 (minute 6).

3. DISCLOSURES OF INTERESTS

3.1 There were no disclosures of interest.

4. URGENT ITEMS

4.1 There were none.

5. REPORTS

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

6. ASSESSMENT OF THE CORPORATE GOVERNANCE FRAMEWORK AND ANNUAL GOVERNANCE STATEMENT FOR 2024/25

6.1 The Committee considered a report by the Deputy Chief Executive which presented the Council's Annual Governance Statement (AGS), and the assessment of compliance with the Corporate Governance Framework, before they are presented to the Governance Committee.

6.2 The Deputy Chief Executive informed the Committee that the report concluded that there are no significant weaknesses in the Council's governance arrangements, and that the Council has in place satisfactory governance arrangements including a satisfactory system of internal control, which operate effectively.

6.3 The Deputy Chief Executive updated the Committee on the outcome of the Government's consultation on introducing powers for local authority members to apply for a dispensation to attend formal meetings remotely, and on potential implementation of proxy voting provisions.

6.4 The Committee discussed the following points in relation to the AGS:

1) The Chairman's responsibilities to uphold respect in the Chamber during meetings of the Council.
2) Alternative routes for whistleblowing.
3) Best practice recommendations for opposition chairs of scrutiny committees.
4) The governance framework following the dissolution of the South East Local Enterprise Partnership (SELEP).
5) Audit Committee's role in risk oversight and scrutiny in relation to Local Government Reorganisation and Devolution.
6) Expectations of Members regarding equality, diversity and inclusion.
7) Governance in relation to updates to the Council's Constitution.
8) The layout of the AGS in terms of headings, subheadings and diagrams to facilitate readability.

6.5 The Committee RESOLVED to exclude the public and press from the meeting for part of the discussion on the grounds that if the public and press were present there would be disclosure to them of exempt information as specified under paragraph 3 of Part 1 of Schedule 12A to the Local Government Act (namely, information relating to the financial or business affairs of any particular person) and paragraph 5 (which relates to information to which a claim of legal professional privilege could be maintained) would be disclosed to them, and that the public interest in withholding the exempt information outweighed the public interest in disclosing it.

6.6 The meeting resumed public session following discussion.

6.7 The Committee RESOLVED to recommend to the Governance Committee that the Annual Governance Statement includes more subheadings, a diagram to illustrate the governance structure of the health organisations across Sussex, a statement in relation to expectations of Members regarding equality, diversity and inclusion and a paragraph summarising the governance arrangements in place following the dissolution of SELEP.

7. INTERNAL AUDIT ANNUAL REPORT AND OPINION 2024/25

7.1 The Committee considered a report by the Chief Operating Officer which set out the opinion on the County Council's control environment for the year from 1 April 2024 to 31 March 2025 together with a summary of the internal audit and counter fraud activity completed during quarter 4.

7.2 The Chief Internal Auditor highlighted that an overall opinion of substantial assurance that East Sussex County Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2024 to 31 March 2025 was provided.

7.3 The Committee noted that there were no internal audit opinions of minimal assurance and only two opinions of partial assurance provided throughout the financial year.

7.4 The Committee discussed the follow up audit which provided an unchanged opinion of partial assurance in relation to vehicle use and noted that work is ongoing operationally to improve compliance with the governance arrangements and noted that a further follow up audit is scheduled.

7.5 The Committee RESOLVED to:

1) note the Internal Audit Service's opinion on the Council's control environment; and

2) confirm that the Council's arrangements for internal audit have proved effective during 2024/25.

8. COUNTER FRAUD ANNUAL REPORT 2024/25

8.1 The Committee considered a report by the Chief Operating Officer which set out irregularity investigations and proactive counter fraud work undertaken by Internal Audit between 1 April 2024 and 31 March 2025.

8.2 The Committee discussed the quantity of counter fraud work completed in 2024/25 compared to previous years and the extent to which the Council endeavours to recover funds lost through fraudulent activity.

8.3 The Committee RESOLVED to note the contents of the report.

9. AUDIT COMMITTEE ORACLE SUBGROUP UPDATE

9.1 The Committee considered a report by the Chief Operating Officer which provided an update to the Audit Committee of the Oracle Subgroup's most recent activity.

9.2 The Committee discussed the 'adopt not adapt' approach of the Oracle system and the positives and challenges encountered upon implementation of Phase 2 of the Oracle Implementation Programme.

9.3 The Committee RESOLVED to note that the Committee's Oracle Subgroup has regularly reviewed the Council's Oracle Implementation programme.

10. STRATEGIC RISK MONITORING - QUARTER 4 2024/25

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

10.2 The Committee requested that the RAG rating system is formatted so that it is clearer which risks were rated higher or lower within the same RAG rating.

10.3 The Committee RESOVLED to:

1) Note the process of strategic risk management; and

2) Note the current strategic risks and the risk controls and responses being proposed and implemented by Chief Officers.

11. AUDIT COMMITTEE: ANNUAL REPORT 2024/25

11.1 The Committee considered a report by the Chief Finance Officer which presented the draft Audit Committee: Annual Report 2024/25 to the Committee for review and comment.

11.2 The Committee discussed the challenges of recruiting Independent Co-opted Members to the Audit Committee.

11.3 The Committee RESOLVED to agree and endorse the Audit Committee: Annual Report 2024/25.

12. WORK PROGRAMME

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

12.2 The Committee RESOLVED to note the programme.

The meeting ended at 11.19 am.

Chair

Report to:	**Audit Committee**
Date:	**19 September 2025**
By:	**Chief Finance Officer**
Title of report:	**External Auditor's Report to those charged with governance and Annual Report 2024/25**
Purpose of report:	**To present the External Auditor's report on the 2024/25 East Sussex Pension Fund Accounts.**

RECOMMENDATION: The Audit Committee is recommended to note the draft External Auditor's (Grant Thornton - GT) report to those charged with governance of the East Sussex Pension Fund Accounts 2024/25.

1. Background

1.1 This report summarises the draft key findings arising from GT's audit work in relation to the East Sussex Pension Fund, in compliance with the requirement for administering authorities to deliver an audit of the pension fund separate from the Council's accounts. The audit of the Fund is substantially complete with no outstanding matters for modification of the audit opinion at the time of writing this report.

1.2 The accounts for the Pension Fund are incorporated within the East Sussex County Council's Statement of Accounts. The final audit opinion of the Pension Fund financial statements will not be issued until the completion of the East Sussex County Council audit later in the year.

2. Supporting Information

2.1 Accounting Requirements - The Pension Fund financial statements should be prepared in accordance with proper accounting practices set out in the CIPFA Code of Practice on Local Authority Accounting in the UK (the Code). The Code requires authorities to account for pension funds in accordance with IAS26 Retirement Benefit plans. IAS26 provides guidance on the form and content of the financial statements to be prepared by pension funds. It complements IAS19 Employee Benefits, which deals with the determination of the costs of retirement benefits in the financial statement of employers.

2.2 Under its terms of reference, it is the role of Audit Committee to "Review the annual statement of accounts and the external auditor's report to those charged with governance."

2.3 It is the role of the Pension Committee to approve the Pension Fund annual accounts and report having considered whether appropriate accounting policies have been followed and any issues raised by GT from the audit. The Pension Committee will receive the accounts and annual report at its meeting on 18 November 2025.

2.4 The draft GT report to those charged with governance is attached at Appendix 1. Whilst the report identifies one misstatement that impacts on the Net Assets Statement and the Fund Account, through the valuation of level 3 investments, at £8.2m the error is not material and, therefore, does not require an adjustment to the accounts. There are no specific management

actions identified within the report, and it is anticipated that an unqualified audit opinion will be issued.

2.5 The 2024/25 Proposed Audit Fee for the audit is £106,515, this will be reviewed and confirmed by the PSAA Ltd (Public Sector Audit Appointments).

3. Conclusion and reasons for recommendation

3.1 The Audit Committee is recommended to note the draft 2024/25 Audit Findings Report for the East Sussex Pension Fund.

IAN GUTSELL
Chief Finance Officer

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Grant Thornton

Audit Findings (ISA 260) Report for East Sussex Pension Fund

Year ended 31 March 2025

September 2025

East Sussex Pension Fund
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Dear Members of the Audit Committee,

Audit Findings for East Sussex Pension Fund for the 31 March 2025

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with Management, the Pensions Board, Audit Committee and the Pensions Committee.

As auditor, we are responsible for performing the audit, in accordance with International Standards on Auditing (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 for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2024-.pdf.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Parris Williams

Director
For Grant Thornton UK LLP

Contents

Headlines and status of the audit

Headlines

Financial statements

Introduction

These are the key findings and other matters arising from the statutory audit of East Sussex Pension Fund (the 'Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2025 for the attention of those charged with governance and both the Pensions Board and Committee.

ISA Requirements

Under the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2025 and of the amount and disposition at that date of the fund's assets and liabilities.
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Audit Work

Our audit work commenced as planned on the 16th June. Your pension fund team produced a good set of financial statements accompanied by a full suite of working papers in line with the agreed timetable. It is worth noting that our timetable was 2 weeks before the statutory deadline of the end of June.

The aimed completion of the work, as per our audit plan, is the end of September 2025 and we are currently on track for this. Similar to our experience in prior years, both the quality of information provided and the communication from your pension fund team has been exemplary, and we would therefore like to extend our gratitude to management for their continued efforts and cooperation during the audit.

As at the date of drafting this report, we have identified 1 misstatement that impacts the Net Assets Statement and the Fund Account. The misstatement relates to the valuation of level 3 investments where our testing identified a circa £8.2m understatement.

The error is a result of timing rather than any underlying control deficiency. Investment managers provide estimated values to enable management to produce the accounts. Since publication of the draft accounts, some investment managers revised their estimated values with better information. This is not something unique to your pension fund and is a common finding in many of our LGPS audits.

As the difference of £8.2m is not material, management have not updated their financial statements and we are therefore required to report this to you as an unadjusted misstatement as the difference exceeds triviality. See page 36 for more information.

We have also, identified a small number of presentation and disclosure misstatements which management have adjusted for, and these are set out on pages 38-39.

As at the date of drafting this report we have also raised 1 control recommendations for management, to ensure best practice which is detailed on page 40.

Continued overleaf . . .

Headlines

Audit Work - continued

Our work is currently in progress, however to date there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters:

- Items in progress with audit team:
  - completion of service auditor report reviews;
  - completion of our IAS 19 work, including sending assurance letters to relevant bodies; and
  - completion of IT Audit procedures.
- Items awaiting responses from pensions admin team:
  - response to follow up queries raised during testing of Benefits Payable - Lump Sum samples.
- Items awaiting responses from pensions fund team:
  - responses to queries in relation to Disclosure notes; and
  - publishing of the Draft Annual Report to allow for the annual report consistency check.
- Items relating to the conclusion of the audit:
  - receipt and review of the Pension Fund Annual Report;
  - senior engagement quality review;
  - receipt of management representation letter; and
  - review of the final set of financial statements.

Audit Opinions

Our anticipated opinion on the financial statements will be unmodified.

Whilst our work on the Pension Fund financial statements is substantially complete, we will be unable to issue our final audit opinion on the Pension Fund financial statements until the audit of the Administering Authority is complete.

We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements.

The statutory deadline for the Pension Fund Annual Report to be published is 1 December 2025. As the Administering Authority audit will not be finalised until after this date, we are unable to issue our final audit opinion on the Pension Fund financial statements until it is and therefore our consistency report has also not yet been produced. The Fund will publish the Annual Report without our report but with an explanation for the delay on its website. We intend to issue our consistency opinion on the annual report once the Administering Authority audit is finalised.

Headlines

Local & National Context

Local Context

'Fit for Future' impact

As per the Government's response to 'Fit for Future Consultation', the ACESS Pool, in which the Fund has significant investment in, is confirmed as not continuing beyond March 2026. The Fund are therefore required to transfer their investments to an alternative pool.

Since the Government's announcement, we are aware that the Fund has carried out significant work to move forward with this. As the letter provided by Government required authorities to respond and to be cognisant of Local Government Devolution and Reorganisation, East Sussex has been working with West Sussex to provide a "Sussex" recommendation. The Funds have been supported in this work by Barnett Waddingham and the culmination of this has been a report to the 24th July Pensions committee and announcement of the Funds preferred option being the Border to Coast Pensions Partnership.

Although this change has not impacted our current year audit work, we expect significant movements towards the end of the 25/26 year into 26/27.

Triennial valuation – 31 March 2025

Within the year the Pensions Admin Team have been progressing the Triennial Valuation for the 31st March 2025. To date the fund has submitted the appropriate data to Barnett Waddingham and they are now awaiting the formal results expected in early 2026.

This Triennial valuation has no impact on the current year statement of accounts and audit work; however, we expect the conclusion to impact both actuarial disclosures in the next year and the IAS 19 reports for Administering, Admitted and Scheduled Bodies.

National context

Government proposals around the backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027

The statutory instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

We are pleased to report that we anticipate issuing our opinion on the pension fund financial statements alongside that of the administering authority in December ahead of the statutory deadline.

Financial statements

Financial statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance and the Pensions Committee to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the NAO Code of Audit Practice (the 'Code'). Its contents will be discussed with management and both the Audit and Pensions Committee's.

As auditor, we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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 for the preparation of the financial statements.

For East Sussex Pension Fund, the Audit Committee fulfil the role of those charged with governance. We note that there us a separate Pensions Committee which considers the draft financial statements and audit findings report and is part of the overall member oversight process.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- an evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have had to alter our audit plan, as detailed later in this report on pages 12-13. This is due to a revision of materiality for the Fund Account and some changes to assertions on the significant classes of transactions upon consideration of the final account balances.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 19th September 2025. For the list of outstanding items and items still in progress, see the detailed list noted on Page 7.

Materiality

Our approach to materiality

As communicated in our Audit Plan dated 28th March 2025, we determined materiality at the planning stage as £63.8m based on 1.3% of Gross Investment Assets as at 31 March 2024. At year-end, we have reconsidered planning materiality based on the 2024/25 figures in the draft financial statements and concluded that we have not had to revise the materiality from the planned level. We have, however, revised our specific materiality for the Fund Account, this is detailed below.

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

- We have determined materiality at £63.8m based on professional judgement in the context of our knowledge of the Fund, including consideration of factors such as Business Environment and Other Sensitivities.
- We have used 1.3% of gross investment assets as at 31 March 2024 as the benchmark for our materiality.
- This figure was initially set during our planning phase. We have since compared it to the 2024/25 figures and concluded that there has been no significant change that would require an adjustment to the levels established at planning.
- In line with the approach taken in the previous year, materiality for the PF financial statements as a whole should not exceed the admitted body auditor's materiality once the share of assets is taken into account, we have therefore taken into account the materiality of the PF admitted bodies in determining materiality which has resulted in the value being capped at 1.3%.

Performance materiality

- We have determined performance materiality at £47.9m, this is based on 75% of headline materiality. We have not had to revise performance materiality from the planned level.

Reporting threshold

- We will report to you all misstatements identified in excess of £3.1m, in addition to any matters considered to be qualitatively material.

Specific materiality for the Fund Account

- We have determined a lower separate materiality for the fund account at £22.3m, this is based on 10% of gross expenditure (in the fund account) as at March 2025.
- We have also determined a performance materiality for the fund account at £16.7m, this is based on 75% of the lower headline materiality.
- The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for investment transactions, for which headline materiality will be applied. We have revised the fund account materiality as a result of an increase in gross expenditure within the 2025 financial year.

Our approach to materiality (continued)

A summary of our approach to determining materiality is set out below.

Description	Final (£)	As per audit plan (£)	As per Prior Year (£)	Qualitative factors considered
Materiality for the financial statements	**63,800,000**	63,800,000	59,000,000	In determining materiality, we have considered the following key factors: - Business environment: the Pension Fund operates in a generally stable, regulated environment. - Other sensitivities: there has been no change in key stakeholders, and no other sensitivities have been identified that would require materiality to be reduced. This benchmark is determined as a percentage of the Fund's Net Assets, and headline materiality equates to 1.3% of the Gross Net Assets per the prior year audited financial statements. Note that our firm approach is that materiality for the PF financial statements as a whole should not exceed the admitted body auditor's materiality once the share of assets is taken into account, we have therefore taken into account the materiality of the PF admitted bodies in determining materiality which has resulted in the value being capped at 1.3%.
Performance materiality	**47,900,000**	47,900,000	44,250,000	We determine a lower performance materiality as an amount less than materiality for the financial statements as a whole (i.e., planning materiality) to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. In determining performance materiality, the main considerations are our view and understanding of the pension fund control environment, whether there have been significant levels of errors in prior year audits. There is not a history of significant deficiencies or a high number of deficiencies in the control environment, and in prior years there have not been a large number or significant misstatements identified. Our performance materiality is therefore calculated at 75% of our headline materiality.
Trivial matters - reporting threshold	**3,100,000**	3,100,000	2,950,000	We are obliged to report uncorrected omissions or misstatements other than those which are "clearly trivial" to those charged with governance. We have calculated our "clearly trivial" threshold as 5% of the headline materiality.
Specific materiality for the fund account	**22,300,000**	19,500,000	19,580,000	This benchmark is determined as a percentage of the Fund's expenditure, which has been determined as 10%.
Specific Performance materiality for the fund account	**16,700,000**	14,600,000	14,685,000	Performance materiality is based on a percentage (75%) of the overall materiality of the fund account. The key considerations in determining this percentage are the same as those for our headline performance materiality

Overview of audit risks

Overview of audit risks

This section provides a high-level overview of the Significant and SCOT+ risks within our audit work.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Status of work
Management override of controls	Significant	↔	✓	🟢
Valuation of Level 3 Investments	Significant	↔	✗	🟢
Valuation of level 2 investments	SCOT+	↔	✗	🟢
Actuarial present value of promised retirement benefits disclosure – IAS 26	SCOT+	↔	✗	🟢
Cash and cash equivalents	SCOT+	↔	✗	🟢
Benefits payable	SCOT+	↔	✗	🟡
Contributions receivable	SCOT+	↔	✗	🟢
Financial instrument disclosures	SCOT+	↔	✗	🟢

↑ Assessed risk increased since audit plan

↔ Assessed risk consistent with audit plan

↓ Assessed risk decrease since audit plan

🟢 Work complete, subject to senior engagement quality review, not likely to result in material adjustment or change to disclosures within the financial statements

🟡 Work not yet complete, potential to result in material adjustment or significant change to disclosures within the financial statements

🔴 Issues with work completed to date, likely to result in material adjustment or significant changes to disclosures within the financial statements

Significant risks

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.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risk identified	Audit procedures performed	Key observations
Management override of controls In accordance with ISA (UK) 240, we have identified a risk of fraud in respect of management override of controls. Significant	As part of our audit procedures, we have: 1. Evaluated the design and implementation effectiveness of management relevant controls over journals; 2. Analysed the journals listing and determine the criteria for selecting high risk unusual journals; 3. Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; 4. Gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and 5. Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.	We have noted no material adjustments or findings in relation to management override of controls. We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology. Having assessed management judgements and estimates individually and in aggregate we are satisfied that there is no material misstatement arising from management bias across the financial statements. **Conclusion** There are no matters to bring to your attention in relation to this risk.

Significant risks (continued)

Risk identified	Audit procedures performed	Key observations
Valuation of level 3 investments (£1,120m) The valuations of level 3 investments are based on unobservable inputs and hence there is a risk of material misstatement due to error and/or fraud. **Significant** Relevant assertion(s) Valuation, Existence Applicable assertion(s) Rights & Obligations, Presentation, Completeness Planned level of control reliance None	As part of our audit procedures, we have: 1. Obtained an understanding of management's processes for valuing Level 3 investments; 2. Evaluated the design and implementation effectiveness of the associated relevant controls; 3. Obtained and reviewed the corresponding investment manager report as at 31 March 2025 comparing the balance with the Fund's financial statements; 4. For a sample of Level 3 investments, tested the valuation by obtaining and reviewing the audited accounts, (where available these are predominantly private equity and infrastructure funds) at the latest available date for individual investments and compared these to the fund manager reports and accounts stated valuations; 5. Note that the latest audit accounts for the individual investments are often not at the balance sheet date and so are not a satisfactory comparable for the valuation. In these cases, we have reconciled those values to the values at 31 March 2025 with reference to known movements in the intervening period (such as purchases and sales, and other cash movements on the fund) in order to arrive at an appropriate comparable to test against; 6. Reviewed purchase and sale transactions of the investment near the reporting date where appropriate; 7. Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and the Fund accounts; 8. Reviewed the methods and assumptions applied by the Fund managers; 9. Reviewed management's classification of the assets; and 10. Obtained and reviewed investment manager service auditor report on design and operating effectiveness of internal controls where appropriate. There where no instances where no audited statements were available to test therefore, we did not have to devise alternative procedures to obtain an appropriate comparable to test the valuation.	From the work completed to date we have noted no material adjustments or findings in relation to the valuation of level 3 investments. We have noted a non-trivial £8.18m under-statement in respect of the valuation of level 3 investments. This is due to timing differences between the production of the accounts and investment manager confirmations, which come through later. Further information can be found on page 36. We are satisfied that judgements made by management are appropriate and the valuations have been determined using consistent methodology. **Conclusion** Subject to the satisfactory completion of the outstanding matters set on page 7, there are no matters to bring to your attention in relation to this risk.

Significant Classes of Transactions

Significant classes of transactions, account balances, and disclosures (SCOT+s), are associated with risks of material misstatement but are not linked to a significant risk. This section provides commentary on the SCOT+ risks communicated in the Audit Plan.

Risk identified	Audit procedures performed	Key observations
Valuation of level 2 investments (£3,328m) The valuation of level 2 investments can be judgemental where they cannot be valued directly, as a result the valuation of level 2 investments has been identified as a significant class of transactions. SCOT+ Relevant assertion(s) Existence, Valuation Applicable assertion(s) Rights & Obligations, Presentation, Completeness Planned level of control reliance None	As part of our audit procedures, we have: 1. Gained an understanding of the Fund's process for valuing Level 2 investments; 2. Reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; 3. Agreed the valuation to the confirmation received from the investment manager; 4. Agreed the valuation to the confirmation received from the custodian; 5. Reviewed the reconciliation of information provided by the individual fund manager's custodian and the Pension Scheme's own records and seek explanations for variances; 6. Tested a sample of the underlying investments to independent sources of pricing information; and 7. Obtained and review a service auditor's report on internal controls for the custodian; 8. Reviewed management's classification in the fair value hierarchy for a sample of level 2 investments.	From the work completed to date we have noted no material adjustments or findings in relation to level 2 investments. We are also satisfied that the judgements made by management are appropriate and have been determined using consistent methodology. **Conclusion** Subject to the satisfactory completion of the outstanding matters set on page 7, there are no matters to bring to your attention in relation to this risk.

Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
Actuarial present value of promised retirement benefits disclosure – IAS 26 **(£4,990m)** The disclosure of the Fund's actuarial present value of promised retirement benefits is an accounting estimate and is sensitive to changes in key assumptions. As a result, it has been identified as a significant class of transactions. SCOT+ Relevant assertion(s) Valuation, Presentation Applicable assertion(s) None Planned level of control reliance None	As part of our audit procedures, we have: 1. Updated our understanding of the processes put in place by management to ensure that the Fund's Actuarial Present Value of Promised Retirement Benefits is not materially misstated; 2. Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; 3. Assessed the competence, capabilities and objectivity of the actuary who carried out the Fund's valuation; 4. Reviewed the judgements made by management and confirmed that the application of the roll forward method in the intervening year within the triennial valuation cycle has remained appropriate, and ensured we have sufficient assurance from our cyclical triennial membership testing. 5. Assessed the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability; 6. Tested the consistency of disclosures with the actuarial report from the actuary; 7. Undertook 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.	As part of our technical review of the accounts we noted that the presentation of this note should be updated, see page 38 for details. This is disclosure only and has no impact on the net reported position of the Pension Fund. Audit work within this area is ongoing, however we are not yet aware of any material adjustments or findings in relation to the actuarial present value of promised retirement benefits disclosure (IAS 26). As the work is ongoing, we are yet to conclude on if we are satisfied that the judgements made by management are appropriate and have been determined using consistent methodology. **Conclusion** Subject to the satisfactory completion of the outstanding matters set on page 7, there are no matters to bring to your attention in relation to this risk.

Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
Cash and cash equivalents **(Cash Deposits with Custodian £111m, Cash held by ESCC £2m)** The receipt and payment of cash represents a significant class of transactions occurring throughout the year, culminating in the year-end balance for cash and cash equivalents reported on the Net Asset Statement. SCOT+ Relevant assertion(s) Completeness, Existence, Accuracy Applicable assertion(s) Rights & Obligations, Presentation Planned level of control reliance None	As part of our audit procedures, we have: 1. Obtained direct confirmations for all bank accounts 2. Obtained monthly bank reconciliations as at the year-end and for one month post year-end, and 3. We have not noted any material reconciling items, therefore no testing to confirm clearance through the bank account after the year-end was required.	We have noted one recommendation in relation to a HSBC account which is used for foreign payment for benefits payable. Although audit team have confirmed that all transaction and charges are appropriately accounted for in relation to the account, the balance does not sit on the Pension Fund balance sheet. The balance in there is highly trivial (£1k), but we recommend this balance should sit on the Balance Sheet for completeness. We have noted no material adjustments or findings in relation to the cash and cash equivalents balance. **Conclusion** Aside from the recommendation above, there are no matters to bring to your attention in relation to this risk.

Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
Benefits Payable **(£177m)** Pension benefits payable represents a significant percentage of the Fund's expenditure. As a result, it has been identified as a significant class of transactions. SCOT+ Relevant assertion(s) Completeness, Accuracy, Occurrence Applicable assertion(s) Presentation Planned level of control reliance None	As part of our audit procedures, we have: 1. Evaluated the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness; 2. Gained an understanding of the Fund's system for accounting for pension benefits expenditure and evaluated the design of the associated controls; 3. Tested relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained. 4. Selected a sample of lump sums and associated individual pensions in payment by reference to member files, for which we are awaiting final query responses for.	Our work in this area is awaiting evidence to be provided by the Pensions Admin Team, ahead of us being able to conclude in this area. **Conclusion** Subject to the satisfactory completion of the outstanding matters set on page 7, there are no matters to bring to your attention in relation to this risk.

Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
Contributions receivable **(£164m)** Contributions from employers and employees represents a significant percentage of the Fund's revenue. As a result, it has been identified as a significant class of transactions. SCOT+ Relevant assertion(s) Completeness, Accuracy, Occurrence Applicable assertion(s) Presentation Planned level of control reliance None	As part of our audit procedures, we have: 1. Evaluated management's accounting policy for the recognition of contributions. 2. Evaluated the design and implementation of relevant controls around management's process for the contributions receivable balance. 3. Tested a sample of contributions to source data to gain assurance over their accuracy and occurrence. 4. Tested relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in member body payrolls and the number of contributing employees to ensure that any unusual trends are satisfactorily explained.	From the work completed to date we have noted we have noted no material adjustments or findings in relation to the contributions receivable balance. **Conclusion** Subject to the satisfactory completion of the outstanding matters set on page 7, there are no matters to bring to your attention in relation to this risk.

Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
Financial instrument disclosures Financial instrument disclosures provide crucial information to allow users to understand and evaluate: • The entity's financial position and performance; • The nature and extent of risks from financial instruments during, and at the close of, the reporting period; and • how the Fund manages these risks. SCOT+ Relevant assertion(s) Accuracy, Completeness, Valuation, Presentation Applicable assertion(s) None Planned level of control reliance None	As part of our completed audit procedures, we have: 1. Updated our understanding of the processes and controls put in place by management to prepare the financial instrument disclosures 2. Documented and evaluated the Fund's accounting policies for appropriateness and consistency 3. Evaluated the instructions issued by management to their management expert/information provider for these disclosures 4. Tested the consistency of disclosures with the actuarial report from the actuary; 5. For all material financial instrument disclosures confirm they are disclosed in accordance with IFRS 7, measured in accordance with IFRS 9 and classified in accordance with CIPFA guidance on IFRS 9 Financial Instruments	As part of our technical review of the accounts one non-trivial adjustment has been noted in relation to the financial instrument disclosures. From the work completed to date, we have noted no material adjustments or findings in relation to the financial instrument disclosures. **Conclusion** Subject to the satisfactory completion of the outstanding matters set on page 7, there are no matters to bring to your attention in relation to this risk.

Other findings

Other findings – key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Summary of management's approach

Level 3 investments - £1,120m

The Pension Fund has Level 3 investments in the following:

- Pooled Investment Fund totalling £28m of the net assets statement at year-end.
- Pooled Property Investments which make up £314m of the net assets statement at year-end.
- Private Equity/Infrastructure giving £778m of the net assets statement at year-end.

Management receive quarterly performance reports which are reviewed and subsequently presented to the Pension Board, providing scrutiny of estimates. Investment managers will periodically provide update reports for committee meetings – providing an opportunity for officers and members to challenge unusual movements or assumptions.

These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. To determine the value, management rely on the valuations provided by the investment managers.

Audit comments

In response to management's approach, for a sample of Level 3 investments we have:

1. Reviewed the audited financial statements of the investment accounts. Where there were different reporting dates, cashflows have been considered in the comparison.
2. Ensured consistency of the investment management report with the financial statements
3. Obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls (where appropriate)
4. Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and fund accounts

continued overleaf

Other findings – key judgements and estimates (continued)

Audit comments (continued)
5. Considered the completeness and accuracy of the underlying information used to determine the estimate 6. Considered the impact of any changes to valuation method from the prior period 7. Evaluated the reasonableness of any increase/decrease in valuation of the estimate, using relevant indices (where appropriate) We are yet to finalise our procedures for all level 3 assets sampled; however, no significant errors have been brought to our attention in the work completed to date. From the work that we have completed we are satisfied with the sensitivities disclosed in the notes to the accounts and believe that once finalised we can provide assurance that they are reasonable and in line with the Code, and the estimate is adequately disclosed in the financial statements.

Assessment
We are yet to finalise the procedures for all level 3 assets sampled; therefore, we are not yet able to provide an assessment.

Assessment Key

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Other findings – key judgements and estimates (continued)

Summary of management's approach

Level 2 investments - £3,328m

The Pension Fund has Level 2 investments in Unquoted bonds, Forward foreign exchange derivatives, Overseas bond options and Pooled investments (Equity, Fixed Income and Diversified Growth Funds), which total £3,328m on the net assets statement at year-end.

Management receive quarterly performance reports which are reviewed and subsequently presented to the Pension Board, providing scrutiny of estimates. Investment managers will periodically provide update reports for committee meetings – providing an opportunity for officers and members to challenge unusual movements or assumptions.

These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. To determine the value, management rely on the valuations provided by the investment managers.

Audit comments

While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly.

In response to management's approach, for a selection of Level 2 investments we have:

1. Reviewed the audited financial statements of the investment accounts. Where there were different reporting dates, cashflows have been considered in the comparison.
2. Ensured consistency of the investment management report with the financial statements
3. Compared the valuation to quoted prices at year-end where available.
4. Obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls (where appropriate)

continued overleaf

Other findings – key judgements and estimates (continued)

Audit comments (continued)
5. Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and fund accounts 6. Considered the completeness and accuracy of the underlying information used to determine the estimate 7. Considered the impact of any changes to valuation method from the prior period 8. Evaluated the reasonableness of any increase/decrease in valuation of the estimate, using relevant indices (where appropriate) We are yet to finalise our procedures for all level 2 assets sampled; however, no significant errors have been brought to our attention in the work completed to date. Additionally, we have not yet concluded on the sensitivities disclosed in the notes to the accounts and cannot yet provide assurance that they are reasonable and in line with the Code, and the estimate is adequately disclosed in the financial statements.

Assessment
We are yet to finalise the procedures for all level 2 assets sampled; therefore, we are not yet able to provide an assessment

Assessment Key

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Other findings – Information Technology

This section provides an update of the work being carried out on Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit.

IT application	Level of assessment to be performed	Update on work in progress
SAP	ITGC assessment (design effectiveness only)	Work in this area is set to be completed in September in line with the Administering Authority.
Altair	ITGC assessment (design effectiveness only)	Work in this area is ongoing and mostly complete, subject to one enquiry with the Pensions Admin and Payroll Teams. From the work completed so far, the conclusions are expected to be in line with previous years.

Assessment:

- [Red] Significant deficiencies identified in IT controls relevant to the audit of financial statements
- [Amber] Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- [Black] Not in scope for assessment

Communication requirements and other responsibilities

Other communication requirements

	Issue	Commentary
1	Matters in relation to fraud	• We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period, and no other issues have been identified during the course of our audit procedures
2	Matters in relation to related parties	• We are not aware of any related parties or related party transactions which have not been disclosed, however our work in this area is yet to be finalised.
3	Matters in relation to laws and regulations	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations, and we have not identified any incidences from our audit work.
4	Written representations	• We are awaiting the completion of the Administering Authority Audit to issue the Letter of Representation; this will be taken to committee with our Audit Opinion, alongside the Administering Authority's.
5	Confirmation requests from third parties	• We requested from management permission to send confirmation requests to their custodian and investment managers. This permission was granted, and the requests were sent.
6	Disclosures	• From review to date we are satisfied that there are no material unadjusted omissions in the final set of accounts.
7	Audit evidence and explanations	• Audit work is still in progress; however, to date we are satisfied all information and explanations requested from management have been provided.

Other communication requirements (continued)

Going Concern

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Commentary

In performing our work on going concern, we will reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.

Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:

- the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities
- for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting.

Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10.

continued overleaf

Other communication requirements (continued)

Going Concern

Commentary (continued)
The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Pension Fund and the environment in which it operates • the Pension Fund's financial reporting framework • the Pension Fund's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities

Issue	Commentary
Other information	The Pension Fund is administered by East Sussex County Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements. We are required to read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. The audit of the Administering Authority is yet to conclude therefore we cannot give an opinion on these procedures at this point in time.
Matters on which we report by exception	We are required to give a separate consistency opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. The statutory deadline for the Pension Fund Annual Report to be published is 1 December 2025. As the Administering Authority audit will not be finalised until after this date we are unable to issue our final audit opinion on the Pension Fund financial statements until it is and therefore our consistency report has also not yet been produced. The Fund has will publish the Annual Report without our report but with an explanation for the delay on its website. We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.

Audit adjustments

Adjusted & Unadjusted Misstatements

We are required to report all non-trivial misstatements to those charged with governance.

Impact of adjusted misstatements

From our audit work to date we have not identified any adjusted misstatements for year ending 31st March 2025.

Impact of unadjusted misstatements

From our audit work to date we have identified the following unadjusted misstatements for year ending 31st March 2025.

	Pension Fund Account		Net Asset Statement £'000			
Detail	Debit £'000	Credit £'000	Debit £'000	Credit £'000	Impact on total net assets £'000	Reason for not adjusting
Total net assets per final accounts					**4,988,539**	
Level 3 Misstatement – Key Value Within the Level 3 investment testing, £927,434k of Key Items have been selected for testing, within that there was a net difference of £8,183k, leading to an understatement of Level 3 Investments in the accounts. This is due to the timing differences between the production of the accounts and the receipt of the finalised investment managers statements for 31/03/2025. The finalised statements are not available until after the accounts have been produced and are therefore unable to be factored in.	Nil	(8,183)	8,183	Nil	8,183	Immaterial difference, due to timing.
Total net assets – recalculated to include unadjusted misstatements					**4,996,722**	

Impact of Prior Year Unadjusted Misstatements

This is a summary of unadjusted misstatements identified during the prior year audit, which impact the current year financial statements.

Detail	Pension Fund Account Debit £'000	Pension Fund Account Credit £'000	Impact on total net assets £'000	Reason for not adjusting
Level 3 Misstatement – Key Value In 23/24 as part of the Level 3 investment testing as part of the £731,825k Key Items selected for testing there was a net difference of £7,649k, due to timing, between balances in the accounts and those confirmed by Investment Managers Leading to an immaterial but reportable understatement in the PY Financial Statements. In year we note that this has no impact on the total net assets as valued at 31st March 2025, however, it will lead to an equivalent overstatement of the Gain/Loss on Valuation as the PY impact of this is included in the CY movement.	Gain/Loss on valuation of investments 7,649	Nil	Nil impact on net asset statement as at 31 March 2025	Immaterial impact on Statement of Accounts
Level 3 Misstatement – Extrapolation In 23/24 as part of the Level 3 investment testing within the residual population of £413,288k selected for sampling there was an extrapolated net difference of £5,604k, due to timing, between balances in the accounts and those confirmed by Investment Managers. This led to an immaterial, but reportable understatement in the PY Financial Statements. In year we note that this has no impact on the total net assets as valued at 31st March 2025, however, it will lead to an equivalent overstatement of the Gain/Loss on Valuation as the PY impact of this is included in the CY movement.	Gain/Loss on valuation of investment 5,604	Nil	Nil impact on net asset statement as at 31 March 2025	Immaterial impact on Statement of Accounts and the misstatement was extrapolated
Total Impact:	**13,253**	Nil	Nil	**Immaterial Impact**

Disclosure misstatements

This is a summary of disclosure misstatements identified for the misstatements for year ending 31st March 2025. These have been adjusted for as part of the audit process.

Disclosure misstatement	Detail	Auditor recommendations
Actuarial Disclosure	As per code 6.5.2.9, within Note 3.12 and the narration under the net asset statement Option B of disclosing the actuarial present value of promised retirements benefits in the notes to the accounts has been used. However, within note 20 it has been disclosed as per Option C.	The initial disclosure of this note was not in line with the CIPFA code and therefore it has been recommended that this note should be updated to ensure Option B has been presented consistently across the accounts. **Management response** The Fund accepts that the disclosure in Note 20 was not clear and that the change provides greater clarity to the users of the accounts.
Financial Instruments	The debtors balance disclosed in Note 17 - financial instruments includes "Contributions receivable" of £13,394k (PY: £13,068kk). Also, the creditors balance disclosed in note 15 includes benefits payable (Pension Payments) of £744k (PY: £549k). These areas are not contracted and therefore should not have been included as a financial instrument.	As this is a non-trivial balance within the accounts, the audit team have recommended this note should be updated. **Management response** The is s technical accounting definition and the Fund had been reporting this in line with other LGPS Pension Funds, we recognise that the technical definition requires the removal of this item from the Note 17 disclosure and have removed this.

Disclosure misstatements

Disclosure misstatement	Detail	Auditor recommendations
Audit Fees	There is an error identified, which the Fund had incorrectly included the additional £7,840 in relation to the audit which had already been included within the GT Scale Fee, which had already been recognised appropriately as of £101,515. The initial disclosure also omitted balances relating to the Audit related non-audit services for NAO IAS19 assurance letters outside the scope of the PSAA Contract.	As per GT's independence within the Audit it is crucial that the Audit Fees disclosed in the accounts are in line with our AFR, therefore it has been recommended that this note should be updated in the final version of accounts. **Management response** There was a change in the way this particular fee item was charged between 23/24 and 24/25 which was not identified during the year end process when this was identified it was agreed that we would amend this item.
Various	Detailed review of the financial statements during the audit identified some trivial typographical errors within the disclosure notes of the accounts.	These have been taken to management for their decisions as to if they would like to update these throughout. **Management response** The Fund will amend trivial typographical errors when identified to ensure that the accounts are as clear as possible for the user.

Action plan

To date we have not identified 1 recommendation for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management, and we will report on progress on these recommendations during the course of the 2025/26. Any matters to be reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Issue and risk	Recommendations
1	● [Green]	HSBC bank account for which international holds trivial amount of 1k is not recorded in the GL. Although this amount is highly trivial, as it is not being recorded within the GL, if it grew to that of a non-trivial nature it would be missed.	Audit team recommends that an account code is set up on the balance sheet for this account, so ensure that any assets or liabilities in relation to it are captured within the General Ledger. **Management response** The Fund has not in the past needed to hold a trivial balance within the HSBC bank account as it is required to facilitate foreign pension payments HSBC have started charging fees on the account, so a small balance is placed here to ensure that the fees are covered. We accept that this now changes the nature of this account and will look to include this on the balance sheet.

Assessment key:
- ● [Red] High – Significant effect on financial statements
- ● [Amber] Medium – Limited effect on financial statements
- ● [Green] Low – Best practice

Follow up of prior year recommendations

There were no recommendations for the Pension Fund to follow up in year in relation to 23/24, as there were no issues identified during the prior year audit,

Independence considerations

Independence considerations

- Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers [and network firms]). In this context, we confirm there are no independence matters that we would like to report to you.
- We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard
- Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

As part of our assessment of our independence we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Fund that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Fund or investments in the Fund held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Fund.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Fund's committees, senior management or staff (that would exceed the threshold set in the Ethical Standard).

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Fees and non-audit services

The following tables overleaf set out the total fees for non-audit services that we have been engaged to provide or charged from the beginning of the financial year to December 2025, to ensure inclusion of the expected fees in relation to known IAS 19 Assurance letters required for Admitted Bodies outside of the NAO Code of Audit Practice for the 24/25 FY. It also includes the threats to our independence and safeguards have been applied to mitigate these threats.

The non-audit services are consistent with the Fund's policy on the allotment of non-audit work to your auditor.

None of the services were provided on a contingent fee basis

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to East Sussex Pension Fund. The table overleaf summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees in that the level of this recurring fee taken on its own is not considered a significant threat to independence as the total fee.

Our firm also provides audit and non-audit services to the Administering Authority. The fees in relation to these services and the related ethical considerations are reported in the Audit Findings Report issued to 'Those Charged With Governance' (TCWG) for that entity. Consequently, such fees are disclosed in the Council's financial statements rather than the Pension Fund's.

Fees and non-audit services

Audit fees	Proposed fee for 2024/25 (£)	Audit Fee for 2023/24 (£)
Audit of Pension Fund (Scale Fee)	101,515	90,337
ISA 315	Included in scale fee	7,530
Audit related non-audit services (see aside)	5,000	0
Total	**106,515**	**97,867**

The above fees are exclusive of VAT and out of pocket expenses.

The fees reconcile to the financial statements as follows:

- Updated fees as per financial statements: **127,515**
  - £17k: Non-accrued additional approved PSAA fee payable in respect of external audit for 2021/22
  - £4k: Non-accrued additional additional approved PSAA payable in respect of external audit for 2022/23
- Total fees per above: **106,515**

Audit related non-audit services	£	Threats identified	Safeguards applied
23/24 FY - IAS 19 Assurance letters for Admitted Bodies outside of the NAO Code of Audit Practice	**2,500**	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the total fee for this work is £2,500 per year and £5,000 in total, in comparison to the total proposed fee for the audit of £101,515 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.
24/25 FY - IAS 19 Assurance letters for Admitted Bodies outside of the NAO Code of Audit Practice	**2,500**	Self-Interest (because this is a recurring fee)	As at this stage NAO have not formally requested this letter, however we have had communication with them as to this being their intention so are including for completeness.
Total	**5,000**		

This covers all services provided by us and our network to the Fund, its directors and senior management, that may reasonably be thought to bear on our integrity, objectivity or independence.

Appendices

A. 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	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
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	●	●
Views about the qualitative aspects of the Fund's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
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		●

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

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

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

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.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

Report to: **Audit Committee**

Date: **19 September 2025**

By: **Chief Operating Officer**

Title of report: **Internal Audit Progress Report – Quarter 1 (01/04/25 – 30/06/25)**

Purpose of report: **To provide the Audit Committee with an update on all internal audit and counter fraud activity completed during the quarter, including a summary of all key findings. To also provide an update on the performance of the internal audit service during the period.**

RECOMMENDATIONS: Audit Committee is recommended to note the report and consider any further action required in response to the issues raised.

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1. Background

1.1 This progress report covers work completed between 1 April 2025 and 30 June 2025.

2. Supporting Information

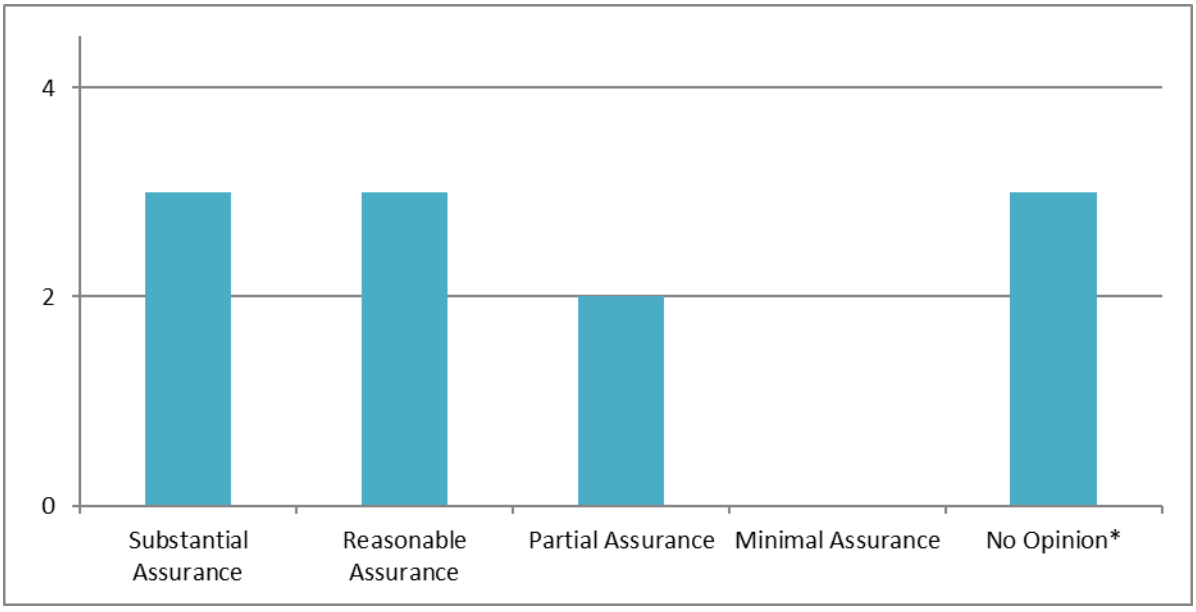
2.1 The current annual plan for internal audit is contained within the Internal Audit Strategy and Annual Plan 2025-26 which was approved by Audit Committee on 28 March 2025.

3. Conclusion and Recommendations

3.1 Key audit findings from final reports issued during Quarter 1 are summarised in Annexe A.

3.2 Overall, of the 8 audits finalised during the quarter in which a formal audit opinion was given, 3 received audit opinions of 'substantial assurance', 3 received 'reasonable assurance' opinions, and there were 2 partial assurance opinions in the areas of Home Care Contract Management, and Home to School Transport. There were no minimal assurance opinions.

Graph to show assurance levels of formal audits completed in Quarter 1



*No opinion – typically, this tends to be proactive advice and support activity where, due to the advisory nature of the audit work, provision of formal assurance-based opinions is not appropriate. It also includes grant certification work.

3.3 Although the same range of internal audit opinions is issued for all audit assignments (where an opinion is relevant), it is necessary to also consider the level of risk associated with each area under review when drawing an opinion on the Council's overall control environment. Taking into account these considerations, the Chief Internal Auditor continues to be able to provide assurance that the Council has in place an effective framework of governance, risk management and internal control.

3.4 The overall conclusion above has, therefore, been drawn based on all audit work completed in the year to date and considers the management response to audit findings and the level of progress in subsequent implementation. As at the end of quarter 1, it was confirmed that 11 of the 12 (91.6%) high-risk actions due to be implemented on a 12-month rolling basis had been actioned. Full implementation was not achieved as a result of one agreed action remaining outstanding. Further detail regarding this is provided at 3.1 of the report at Annex A.

3.5 Progress against performance targets (focussing on a range of areas relating to the internal audit service) can also be found in Annexe A (section 5). Whilst the majority are rated as on target (green), there are 2 where the target for the quarter has not been achieved. One of these relates to the implementation of high-priority actions (as above). The other is in respect of audit days delivered where the team are slightly down on days for the quarter. This is partly due to one member of the audit team going on maternity leave (and slightly earlier than expected). The team will endeavour to address this slight shortfall during the remainder of the year through utilising resources from across Orbis Internal Audit.

ROS PARKER
Chief Operating Officer

Contact Officers: Russell Banks, Orbis Chief Internal Auditor, Tel: 07824 362739,
Nigel Chilcott, Audit Manager, Tel: 07557 541803

BACKGROUND DOCUMENTS:

Internal Audit Strategy and Annual Plan 2025/26

Annex A

Internal Audit and Counter Fraud Quarter 1 Progress Report 2025/26

CONTENTS

1. Summary of Completed Audits

East Sussex Pension Fund

1.1 The Council is the designated statutory administering authority of the East Sussex Pension Fund ("the Fund"). It has statutory responsibility to administer and manage the Fund in accordance with the Local Government Pension Scheme (LGPS) regulations and has delegated the management and responsibility of the Fund to the East Sussex Pension Committee, supported by the Pensions Board and Chief Finance Officer (S151 officer).

1.2 The Fund is responsible for managing assets for the long-term benefit of scheme members in accordance with statutory regulations and is a member of ACCESS, a collaboration of 11 LGPS administering authorities, which work together to reduce investment costs and gain economies of scale.

1.3 During quarter 1, we completed the remainder of the work in the 2024/25 Pension Fund audit plan (delivery of which slipped slightly due to internal audit resources being used to provide audit assurance over the implementation of Oracle during the quarter), as follows:

Pension Fund Investments and Accounting

1.4 The purpose of this audit was to provide assurance that:

- The Fund's assets are safeguarded and managed in accordance with regulatory requirements;
- The performance of the Fund's investments meets its objectives;
- Investment returns are received in full in a timely manner; and
- Previously agreed actions for improvement have been implemented.

1.5 In completing this work, we were able to provide an opinion of **substantial assurance**. We found that:

- The ESCC Pension's Team comprises experienced officers, who are supported by investment consultants, to ensure that investment performance is monitored, that new investment opportunities are explored, and that appropriate due diligence takes place before making new investments.
- Robust processes are in place to ensure that assets are safeguarded; and
- Regular reconciliations take place to provide assurance that transactions are accurately reflected in the general ledger and within a reasonable timeframe.

1.6 There were only two low risk findings and improvement actions were agreed with management in relation to these.

Pension Fund Compliance with Regulations

1.7 The purpose of this audit was to provide assurance that:

- Scheme governance arrangements, including clear separation between the Council's and the Fund's responsibilities, meet regulatory requirements;
- Employers' responsibilities are fulfilled to ensure the Fund complies with regulatory requirements.

1.8 In providing an opinion of **reasonable assurance**, we found that:

- The Pension Fund and Council are financially separate, with independent bank accounts and no borrowing or lending taking place between the two organisations;
- Both the Pension Board and Committee are regularly presented with the Complaints, Breaches and Internal Dispute Resolution Process (IDRP) Log, and are able to comment on, or raise challenge in relation to, its content, as required;
- There is an appointed Investment Manager in place with appropriate skills to provide the required advice; and
- Payments to Fund Managers are subject to robust checking and paid in a timely manner.

1.9 Some opportunities for improvement were, however, identified, including the need to ensure that:

- There is a Service Level Agreement in place between the Fund and the Council to ensure that performance standards are clearly defined;
- Key information within the Pensions Team is clearly documented in policy or procedure notes;
- Pension Board members and officers working with the Fund have up to date conflict of interest declarations; and
- Members of Pension Board and Pension Committee are reminded of the importance of participating in the training courses available.

1.10 Appropriate improvement action was agreed with management in respect of these findings.

Treasury Management

1.11 Treasury management is the management of the Authority's cash flow through investments and borrowing. The Council's treasury management activities are conducted within the framework of the Chartered Institute of Public Finance and Accountancy (CIPFA), which require the Council to approve a treasury management strategy before the start of each financial year.

1.12 The overall objective of the audit was to review the adequacy of key controls and procedures across the Council's treasury management arrangements, including in relation to cash flow, forecasting, financial investments and the use of treasury advisors.

1.13 In completing our work, we found that robust controls were in place and operating effectively. Consequently, we were able to provide an opinion of **substantial assurance** with only two low risk findings. Appropriate action was agreed with management to address these.

Risk Management

1.14 This audit assessed compliance with the Council's agreed Risk Management Framework. It sought to gain assurance that risks are appropriately mitigated within departments and at a strategic level.

1.15 Overall, we were able to provide an opinion of **reasonable assurance** in this area. We found that there is an up-to-date Risk Management Framework in place which clearly defines roles and responsibilities. Risk registers are maintained with risks subject to review by a risk owner on at least a

quarterly basis, and there is a consistent approach across the Council to the process of risk identification, analysis and rating. In addition, risks are regularly reported to departmental management teams, the Corporate Management Team and Audit Committee, where there is appropriate oversight and opportunity for challenge. We also found that risks are supported by appropriate mitigations.

1.16 We did, however, identify some areas where improvement was required, including ensuring that those involved in the risk management process complete the corporate risk management training that is available, and for risk management training to form part of the induction process for new managers. Actions for improvement were agreed with management in relation to these and other lower risk areas.

Mobile Phone Application Management

1.17 Mobile Phone Application Management is the systematic process of requesting, reviewing, approving, and issuing of an organisation's mobile applications. This process is crucial for the Council to ensure the security of mobile devices and to safeguard the Council's data from accidental or malicious use.

1.18 The Council's mobile phones are all maintained through Microsoft Intune, an endpoint management system. This allows for the authentication and security management over Council issued iPhones to be maintained by the Council remotely. It is through the Intune Company Portal app on the individual iPhones that staff are able to download and install pre-approved mobile applications.

1.19 This audit reviewed the effectiveness of the control environment to ensure that the overall delivery and deployment of applications to mobile phones is managed appropriately. As part of the scope, we considered application security, compliance with data protection legislation and risk management processes.

1.20 In completing this review, we were able to provide an opinion of **reasonable assurance**. We found that:

- There is a level of trust placed within the proprietary app store which has a rigorous set of security checks that application developers must follow to upload their apps;
- Reviews of new app requests by Information Security and Procurement prior to approval by the risk owner ensures compliance with the Council's security and data protection policies;
- There is a specific set of privileged users that can obtain application licences, deploy applications, and change security groups; and
- There is a low volume of applications being requested, approximately 20 in the past year, and there is an increasing number of applications that are becoming web-based, which will likely result in fewer requests.

1.21 We identified one area for improvement, where there is a need to review the apps available to staff to ensure they remain safe to use and remove those no longer in use to help mitigate the risks and lessen the resource impact of managing available apps. Actions were agreed in relation to this medium risk finding.

IT&D Project Management

1.22 IT project management is used to help ensure that the Council can deliver technology solutions via defined projects or programmes which support business change. It also helps to ensure technology change is appropriately managed and governed.

1.23 This audit reviewed the effectiveness of the control environment to ensure the overall delivery of major IT&D projects across the Council.

1.24 Overall, we were able to provide an opinion of **substantial assurance** in this area. We found that:

- The service has several decision-making boards and groups which oversee the management of each project;
- For each project, Risk, Assumption, Issues and Dependency (RAID) logs are used to track current and ongoing risks within individual projects;
- Major projects are allocated an oversight board or group, providing sufficient governance arrangements;
- All projects follow a similar path and are reported in a way which allows sufficient oversight by major stakeholders;
- Delivery assurance indicators are in place to monitor project performance;
- A 'Pathfinder' group meets weekly to discuss ongoing and future upcoming projects; key members of this group include project managers, architects and project support staff;
- An 'End Project Report' is produced at the end of each project which captures lessons learned; and
- Training is available to officers involved in project management from both internal and external providers.

1.25 Only one minor area for improvement was identified, relating to the need to ensure a central record of project management related training is maintained. An appropriate action to address this was agreed with management.

Home Care Contract Management

1.26 The Council's Adult Social Care (ASC) Department commissions home care from a range of providers, equating to approximately £37m per annum. The Home Care contract was re-tendered with provision commencing in January 2023 for a term of six years, with the option to extend by 48 months.

1.27 The Home Care contract is an Approved List where approved providers have the opportunity to be commissioned by ASC to provide home care services. The approved service provider list consists of approximately 43 providers hierarchically assigned. Lead providers (covering nine geographical areas), have a requirement to deliver 90% of the service requirements.

1.28 The objective of this audit was to provide assurance that robust contract management arrangements are in place and are operating as expected to manage key risks and ensure delivery of home care provision to adult social care clients.

1.29 In completing this work, we were only able to provide an opinion of **partial assurance**. We found that the integrity and accuracy of data upon which payments to care providers are made needed

to be improved to ensure all payments are accurate, contracted services are delivered as expected and to strengthen the reliability of performance management. In addition, we found that there was no contract management plan in place; the implementation of which would provide greater clarity and definition over roles and responsibilities to help ensure key activities are completed to achieve the objectives of the contract.

1.30 These areas were discussed with management and actions for improvement were agreed in a formal management action plan. Given the partial assurance opinion, we will complete a follow-up audit to confirm that the agreed actions for improvement have been implemented.

Home to School Transport

1.31 The Department for Education provides statutory guidance to Local Authorities setting out requirements to provide home to school transport (HTST) for eligible children in the authority's area to facilitate their attendance at school. Eligibility for HTST is determined by Children's Services Department (CSD), which holds the budget for HTST, although service delivery is administered by the Communities, Economy and Transport (CET) Department. Costs are recharged by CET to CSD on a quarterly basis.

1.32 Budget reporting during 2024/25 consistently predicted that the budget for HTST would be overspent by more than £4.7m, against the budget of £23.8m. As a result, the Corporate Management Team (CMT) requested that an audit of HTST be carried out.

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

- Clear and effective governance arrangements ensure only eligible children and young people are provided with Home to School Transport, are provided with transport in accordance with their assessed needs, and deliver the service within budget.
- Effective procurement results in contracts for the provision of home to school transport that deliver value for money; and
- Robust contract management arrangements deliver the full value for money offered by contracts.

1.34 We found that there are no fundamental weaknesses in control that have resulted in the over-spend, which was caused, principally, by an increase in demand. We also identified several areas of good practice. However, we did find examples of non-compliance with policies and weaknesses in processes to secure value for money and, based on the testing undertaken, we were only able to provide an opinion of **partial assurance**.

1.35 Areas for improvement were identified relating to the need to:

- Define more clearly the respective roles and responsibilities of the CSD and CET Departments, including by the provision of a Service Level Agreement (SLA) or similar, and updating the terms of reference of the HTST Board;
- Strengthen guidance available for officers to promote a consistent and robust approach to applying the Council's HTST Policy;
- Review the budget settling process to ensure that the budget is set on the most up-to-date and realistic basis, including an analysis of demand;

- Ensure that the procurement of new routes complies with the Council's Procurement and Contract Standing Orders; and
- Expedite the process to the recovering of costs incurred for transporting children placed in East Sussex schools by other authorities.

1.36 A robust action plan to address these, along with a small number of other low risk areas, was agreed. A follow-up audit will be undertaken to assess the extent to which the agreed actions for improvement have been implemented. We also noted that a project had been initiated by both departments to review and control home to school transport costs.

Exceat Bridge Project

1.37 Exceat Bridge is a single-lane road bridge that spans the Cuckmere River on the A259 and is part of the Major Road Network. Historically, the bridge has been a pinch point between Seaford and Eastbourne and, in 2021, ESCC was awarded £8m of Levelling Up Funding (LUF) towards the then estimated total cost of £10.6m for its replacement, with a new two-way bridge to be built alongside the existing structure to enable to A259 to remain open during the works.

1.38 Since then, costs increased considerably and there were delays to the project. As a result, a pared back scheme was proposed, involving the replacement of the bridge in situ by another single-lane bridge, which would have involved the closure of the A259 for 22 weeks and significant disruption to traffic, including several important bus routes. In response, it was agreed that Bus Service Improvement Plan funding be transferred from other projects to bridge the gap between the existing budget and then projected costs of the original project which, by then, had increased to £21m.

1.39 The Council's highways contractor, Balfour Beatty Living Spaces, was approached to provide updated costs with a view to reinstating the original project and these formed the basis of a report to be presented to Cabinet for its consideration, prior to a public enquiry on the project.

1.40 In view of the importance of this project, the climate of economic uncertainty and the tightness of the budget, the Corporate Management Team (CMT) asked Internal Audit to review the process by which the project's costs were forecast and to provide assurance that:

- A recognised cost modelling tool was used;
- An analysis of materials, labour and project risks, as well as a defined schedule of works, have been used to underpin the cost estimate;
- Appropriate inflation and price indices have been used to future-poof the cost;
- Income streams and their timetables are realistic;
- The relevant parties have been involved in the process; and
- Appropriate risk contingencies have been identified.

1.41 The work did not review the detailed analysis of the costs or the engineering solution of the proposed project.

1.42 Overall, we found that the principal construction costs of the project had been assessed by a major consultant and:

- Were based on a recognised cost modelling tool;
- Contained an analysis of material, labour and was based on a schedule of works;

- Included provision for inflation, based on an industry-standard price index, in relation to the expected timescales; and
- Included appropriate contingency for risk.

1.43 We also found that the income streams had been confirmed, and all relevant parties appeared to have been consulted.

1.44 However, we drew CMT's attention to a small number of risk areas to enable it to consider them when making its decision. These related to:

- A small proportion of costs that were based on officers' professional judgement;
- The increasingly uncertain economic outlook;
- The increased rates of employer's national insurance contributions; and
- The need to manage the contracts with both consultants and contractors effectively to ensure delivery risks are minimised and costs are controlled.

1.45 It is important to note that we were asked to undertake this work within a very short timescale and to acknowledge the resultant limitations on testing.

Grant Related Audit Work

Multiply Grant

1.46 The Multiply Programme is a government programme aimed at improving numeracy in adults aged 19 and above. The Department of Education provides local authorities with grant funding, in the form of the Multiply Grant, to enable them to support the programme by delivering targeted interventions to improve adult numeracy. Grant funding was received for three years until the programme and grant were withdrawn on 1 April 2025.

1.47 We were required to confirm that the grant conditions had been complied with and that monies had been appropriately approved and spent. A random sample of transactions for the 2024/25 financial year were selected for review, which confirmed that the transactions met the purpose of the grant and had been appropriately approved and spent. As a result, we were able to return a signed declaration to the Department of Education.

Core Growth Hub Grant

1.48 The Core Growth Hub Funding Grant is provided by the Department for Business and Trade (DBT) to support the delivery of Growth Hubs across England. The East Sussex Growth Hub is a service providing free and independent business support for local businesses across the County and was in receipt of £104,000.

1.49 Sample testing was undertaken and we found that evidence of eligible expenditure had been retained and was commensurate with the conditions of the grant.

1.50 Based on this review, we were able to return a signed declaration to the DBT that spending met the purpose and conditions set out in the application and awarding letter.

2. Counter Fraud and Investigation Activities

Counter Fraud Activities

2.1 The team continue to monitor intel alerts and share information with relevant services when appropriate.

2.2 In addition, the team are currently reviewing recent matches released as part of the National Fraud Initiative. High risk matches will be prioritised for investigation and support provided to services reviewing the reports.

3. Action Tracking

3.1 All high priority actions agreed with management as part of individual audit reviews are subject to action tracking, whereby we seek written confirmation from services that these have been implemented. As at the end of quarter 1, it was confirmed that 11 of the 12 (91.6%) high-risk actions due to be implemented on a 12-month rolling basis had been actioned. The one outstanding action, relating to the need to introduce a declaration to the staff loan application process, that requires staff to confirm that they have considered the affordability of the loan, has still not yet been implemented (this was an outstanding action reported at the end of quarter 4). We understand that progress is being made in this area and a revised implementation date of 31 July 2025 has been agreed.

4. Amendments to the Audit Plan

4.1 In accordance with proper professional practice, the internal audit plan for the year remains under regular review to ensure that the service continues to focus its resources in the highest priority areas based on an assessment of risk. Through discussions with management, the following reviews have been added to the audit plan so far this year:

Review	Rationale for Addition
Exceat Bridge	See 1.39 above.
Cherwell Replacement Project – Governance Arrangements Healthcheck	Added to the plan in response to a request from the service for additional assurance over a large and complex project.
Core Growth Hub Grant	A new grant requiring certification.

4.2 To-date, no audits have been removed from the 2025/26 audit plan.

4.3 The following audit work is currently in progress at the time of writing this report (including those at draft report stage, as indicated):

- Emergency Planning (draft report)
- Oracle Support Arrangements (draft report)
- Surveillance Cameras (draft report)
- Payroll
- Direct Payments

- Mental Health Services – Compliance with Corporate and Local Procedures Follow-Up
- Neighbourhood Support Team Cultural Compliance
- Transport for the South-East - Governance Arrangements
- Section 17 Payments
- Denton Community Primary School
- Grievance Arrangements
- Whistleblowing Arrangements
- Childcare Expansion Capital Grant
- Digital Literacy and Skills Training
- Pension Fund Governance Arrangements
- Oracle Transition from Hypercare into Business as Usual
- Oracle Segregation of Company Accounts
- Oracle Permissions and Management Trails
- Oracle Integrations and Interfaces
- Cherwell Replacement Project

5. Internal Audit Performance

5.1 Public Sector Internal Audit Standards (PSIAS), replaced on 1 April 2025 by new Global Internal Audit Standards (GIAS), required the internal audit service to be reviewed annually against the Standards, supplemented with a full and independent external assessment at least every five years. The results of our most recent self-assessment are included in the table below.

5.2 Our last quality review exercise in November 2023, identified no major areas of non-conformance. The need to ensure consistency in the quality of the evidence contained within a small number of audit working papers was highlighted, and this has been addressed at service development days in 2024/25.

5.3 In addition to our periodic self-assessments of effectiveness, the performance of the service is monitored on an ongoing basis against a set of agreed key performance indicators as set out in the following table:

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score (RAG)	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee	By end April	G	2025/26 Internal Audit Strategy and Annual Audit Plan noted by Audit Committee on 28 March 2025.
	Annual Audit Report and Opinion	By end July	G	2024/25 Internal Audit Annual Report and Audit Opinion noted by Audit Committee on 4 July 2024.

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score (RAG)	Actual Performance
	Customer Satisfaction Levels	90% satisfied	G	100%
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	G	27.9% achieved by the end of Q1, against a Q1 target of 22.5%.
	Percentage of audit plan days delivered	90%	A	20.5% achieved by the end of Q1, against a Q1 target of 22.5%.
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	G	April 2025 - Self Assessment against the recently introduced Global Internal Audit Standards (GIAS) completed. No major areas of non-conformance identified. Some areas to ensure full compliance have been identified, including the update of the Audit Charter.
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms	G	No evidence of non-compliance identified.
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	97% for high priority agreed actions	A	91.7% - see section 3.1 above.
Our staff	Professionally Qualified/Accredited	80%	G	82%*

*Includes part-qualified staff and those undertaking professional training.

Appendix B

Audit Opinions and Definitions

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

Report to: **Audit Committee**

Date: **19 September 2025**

By: **Chief Operating Officer**

Title of report: **Global Internal Audit Standards Self-Assessment and Quality Assurance and Improvement Plan**

Purpose of report: **To set out the results of the Internal Audit Service's self-assessment against the new Global Internal Audit Standards along with details of any actions arising, as set out with the Service's ongoing Quality Assurance and Improvement Plan. The Internal Audit Charter has been updated in response to the new Standards and is attached to this report as Appendix C for approval.**

RECOMMENDATIONS: Audit Committee is recommended to note the:

1) **results of the self-assessment against the new Global Internal Audit Standards and the resulting Quality Assurance and Improvement Plan;**
2) **updated Internal Audit Charter.**

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1. Background

1.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities '*must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance*.' From 1 April 2025, the previous Public Sector Internal Audit Standards (PSIAS) were replaced with new Global Internal Audit Standards (GIAS), supported by the Chartered Institute of Public Finance and Accountancy (CIPFA) 'Application Note – Global Internal Audit Standards in the UK Public Sector'.

2. Supporting Information

2.1 Whilst there are some changes required for Internal Audit as a result of the new Standards, it is generally recognised that an internal audit service that conforms with the previous PSIAS will have most of the required practices already in place, especially in terms of undertaking audit assignments. The primary changes therefore relate to minor amendments and updates to key documentation, in particular, the Internal Audit Charter.

2.2 In order to provide senior management and the Audit Committee with assurance in respect of conformance with GIAS, a comprehensive self-assessment has been conducted, which has included the identification of any actions arising, all of which are incorporated into the service's Quality Assurance and Improvement Plan. Given the size and detailed nature of the GIAS (120 pages) and the associated self-assessment (144 pages), these have not been shared in full as part of this report. A full list of the GIAS content, showing all of the areas covered is, however, attached as Appendix A, and a full copy is available upon request.

2.3 Overall, the self-assessment found extremely high levels of conformance, with none of the identified actions being considered significant. Furthermore, immediate progress has been made in the implementation of these, with many already addressed at the time of writing

this report. Attached as Appendix B (Internal Audit Quality Assurance and Improvement Plan) is a summary of all the actions included within the service's improvement plan, which incorporates those arising from the self-assessment as well as general service development activities.

2.4 In total, of the 26 actions identified, 24 have either been fully implemented or are in progress at the time of writing. The remaining actions are either ongoing or will be addressed over the remainder of the year on a priority basis, recognising that some of these relate to general service development rather than professional compliance. Further updates on this activity will be provided over the course of year and reflected within the Annual Internal Audit Report and Opinion for 2025/26.

2.5 Finally, attached as Appendix C is an updated Internal Audit Charter, which has been reviewed to ensure that it correctly reflects and references the new GIAS. None of the amendments are material, with the main changes relating to:

- Referencing the GIAS and Local Government Application Note, to replace PSIAS throughout;
- Section 2 'Internal Audit Purpose' has been updated to include specific references to the GIAS;
- Section 4 heading has been updated to 'Internal Audit Mandate' in order to make it consistent with the language in GIAS;
- Section 7 'Reporting' has slightly more detail included on administrative reporting and functional reporting; and
- Section 11 'Due Professional Care' updated to reference the GIAS' Ethics and Professionalism domain.

3. Conclusion and Recommendations

3.1 The results of the Internal Audit Service's self-assessment against the new GIAS demonstrate a high level of conformance with only a small number of relatively minor actions arising. One such action relates to the updating of the Internal Audit Charter to reflect the new Standards which has now been completed.

3.2 Audit Committee is recommended to note the results of the self-assessment against the new GIAS and note the updated Internal Audit Charter.

ROS PARKER
Chief Operating Officer

Contact Officers: Russell Banks, Orbis Chief Internal Auditor, Tel: 07824 362739,
Nigel Chilcott, Audit Manager, Tel: 07557 541803

APPENDIX A

Global Internal Audit Standards – Content List

- **Domain I: Purpose of Internal Auditing**
- **Domain II: Ethics and Professionalism**
  - **Principle 1 Demonstrate Integrity**
    - Standard 1.1 Honesty and Professional Courage
    - Standard 1.2 Organization's Ethical Expectations
    - Standard 1.3 Legal and Ethical Behaviour
  - **Principle 2 Maintain Objectivity**
    - Standard 2.1 Individual Objectivity
    - Standard 2.2 Safeguarding Objectivity
    - Standard 2.3 Disclosing Impairments to Objectivity
  - **Principle 3 Demonstrate Competency**
    - Standard 3.1 Competency
    - Standard 3.2 Continuing Professional Development
  - **Principle 4 Exercise Due Professional Care**
    - Standard 4.1 Conformance with the Global Internal Audit Standards
    - Standard 4.2 Due Professional Care
    - Standard 4.3 Professional Scepticism
  - **Principle 5 Maintain Confidentiality**
    - Standard 5.1 Use of Information
    - Standard 5.2 Protection of Information
- **Domain III: Governing the Internal Audit Function**
  - **Principle 6 Authorized by the Board**
    - Standard 6.1 Internal Audit Mandate
    - Standard 6.2 Internal Audit Charter
    - Standard 6.3 Board and Senior Management Support
  - **Principle 7 Positioned Independently**
    - Standard 7.1 Organizational Independence
    - Standard 7.2 Chief Audit Executive Qualifications
  - **Principle 8 Overseen by the Board**
    - Standard 8.1 Board Interaction
    - Standard 8.2 Resources
    - Standard 8.3 Quality
    - Standard 8.4 External Quality Assessment
- **Domain IV: Managing the Internal Audit Function**
  - **Principle 9 Plan Strategically**
    - Standard 9.1 Understanding Governance, Risk Management, and Control Processes
    - Standard 9.2 Internal Audit Strategy
    - Standard 9.3 Methodologies
    - Standard 9.4 Internal Audit Plan
    - Standard 9.5 Coordination and Reliance
  - **Principle 10 Manage Resources**
    - Standard 10.1 Financial Resource Management
    - Standard 10.2 Human Resources Management
    - Standard 10.3 Technological Resources

- **Principle 11 Communicate Effectively**
    - Standard 11.1 Building Relationships and Communicating with Stakeholders
    - Standard 11.2 Effective Communication
    - Standard 11.3 Communicating Results
    - Standard 11.4 Errors and Omissions
    - Standard 11.5 Communicating the Acceptance of Risks
- **Principle 12 Enhance Quality**
    - Standard 12.1 Internal Quality Assessment
    - Standard 12.2 Performance Measurement
    - Standard 12.3 Oversee and Improve Engagement Performance
- **Domain V: Performing Internal Audit Services**
    - **Principle 13 Plan Engagements Effectively**
        - Standard 13.1 Engagement Communication
        - Standard 13.2 Engagement Risk Assessment
        - Standard 13.3 Engagement Objectives and Scope
        - Standard 13.4 Evaluation Criteria
        - Standard 13.5 Engagement Resources
        - Standard 13.6 Work Program
    - **Principle 14 Conduct Engagement Work**
        - Standard 14.1 Gathering Information for Analyses and Evaluation
        - Standard 14.2 Analyses and Potential Engagement Findings
        - Standard 14.3 Evaluation of Findings
        - Standard 14.4 Recommendations and Action Plans
        - Standard 14.5 Engagement Conclusions
        - Standard 14.6 Engagement Documentation
    - **Principle 15 Communicate Engagement Results and Monitor Action Plans**
        - Standard 15.1 Final Engagement Communication
        - Standard 15.2 Confirming the Implementation of Recommendations or Action Plans

APPENDIX B

Internal Audit Quality Assurance and Improvement Plan

Ref	Improvement Activity	RAG Status of Activity	Target Date
1.	Complete full self-assessment against GIAS and LG Application Note and incorporate into QAIP. (Compliance with GIAS)	Complete	
2.	Review Orbis IA Charter and update for new GIAS and Application Note. (Compliance with GIAS)	Complete	
3.	Obtain approval for updated Charter from all partner and client audit committees. (Compliance with GIAS)	Complete	
4.	Share new GIAS with all Orbis IA staff and obtain a formal declaration from each confirming understanding of their responsibilities. In particular, direct staff to Domain V 'Performing Internal Audit Services'. (Compliance with GIAS)	Complete	
5.	Review training and development documentation and other procedure/guidance documents to ensure sufficient coverage and references to GIAS and ethics related aspects. (Compliance with GIAS)	Ongoing	October 2025
6.	Schedule and deliver awayday/training and development day focussed on new GIAS, including ethics related aspects/responsibilities and CPD requirements. (Compliance with GIAS)	Complete – Ongoing Activity	
7.	Confirm that client liaison guidance and activity includes obtaining feedback on service quality etc. (Improvement Activity)	Complete	
8.	Issue reminder to all Orbis IA staff regarding their responsibilities to log training and maintain CPD logs as required. (Improvement Activity)	Complete	
9.	Review all key Orbis IA guidance and procedure documentation to ensure consistent with new GIAS. (Compliance with GIAS)	In Progress	December 2025
10.	Clarify reporting arrangements to senior management and audit committees in relation to GIAS self-assessment and QAIP progress. (Compliance with GIAS, to report to committee and senior management)	Complete	
11.	Refresh and update the Orbis IA Service Objectives document and ensure all staff have in place underpinning personal objectives. (Improvement Activity)	Outstanding	December 2025

Ref	Improvement Activity	RAG Status of Activity	Target Date
12.	Review 2026/27 audit planning arrangements to cover requirements of the GIAS, specifically in terms of potential requirement to maintain a separate formal IA risk assessment. (Compliance with GIAS)	In Progress	March 2026
13.	Confirm that all audit plans include details of the engagements that were not included in the plan but could be added if capacity becomes available. (Improvement Activity)	Complete	
14.	Review assurance mapping arrangements, including how we assess the adequacy of other sources of assurance that we chose to rely on. (Improvement Activity)	In Progress	March 2026
15.	Following re-organisation and all appointments made, review statutory officer liaison arrangements. (Improvement Activity)	Complete	
16.	Progress arrangements to develop and publish internal audit and counter fraud bulletin for all partners and clients. (Improvement Activity)	In Progress	March 2026
17.	Review audit reporting guidance and protocols to confirm sufficiently clear reference to risk acceptance and escalation arrangements. (Improvement Activity)	Complete	
18.	Review Orbis IA KPIs in light of previous EQA and potential to include something about relationship between IA coverage and organisation's strategic risks. Adequacy/extent of IA coverage. Also, possible new KPI around % of follow up audits generating improved audit opinions. (Improvement Activity)	Complete	
19.	Ensure service training and development programme includes root cause identification and evaluation. (Improvement Activity)	In Progress	October 2025
20.	Introduce additional narrative in standard report template that the audit work has been conducted in conformance with GIAS and LG Application Note. (Compliance with GIAS)	Complete	
21.	Work through completed GIAS to ensure that all areas of evidence can be located, are up to date and are clearly linked with self-assessment. (Improvement Activity)	In Progress	October 2025
22.	Liaise with management to ensure that 2025/26 AGS includes specific reference to organisational compliance with Code of Practice for the Governance of Internal Audit in UK Local Government. (Improvement Activity)	In Progress	March 2026
23.	Confirm that each authority's financial regulations or equivalent confirm Internal Audit's mandate as set out in Accounts and Audit Regulations. (Improvement Activity)	Complete	

Ref	Improvement Activity	RAG Status of Activity	Target Date
24.	Update the Internal Audit Charter to specifically include administrative reporting arrangements for internal audit and the Chief Internal Auditor. (Compliance with GIAS)	Complete	
25.	Liaise with management to consider whether, and how, audit committee chairs should provide direct input to the CIA's performance evaluation. (Compliance with GIAS)	Outstanding	March 2026
26.	Clarify arrangements within each partner council for undertaking an audit committee effectiveness review based on CIPFA guidance. (Improvement Activity)	Complete	

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APPENDIX C

INTERNAL AUDIT CHARTER

1. Introduction

This Charter describes for the Council the purpose, authority and responsibilities of the Internal Audit function in accordance with the Global Internal Audit Standards (GIAS) and the Local Government Application Note.

The GIAS require that the Charter must be reviewed periodically and presented to "the board" for approval. In addition, senior management have a key role in providing input to the board and the Chief Internal Auditor. For the purposes of this charter "senior management" will be the Corporate Management Team (CMT) and the board will be the Audit Committee (or equivalent).

The Charter shall be reviewed annually and approved by CMT and the Audit Committee. The Chief Internal Auditor is responsible for applying this Charter and keeping it up to date.

2. Internal Audit Purpose

The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

The purpose statement included in the GIAS states "Internal auditing strengthens the organisation's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight".

Internal auditing enhances the organisation's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Internal auditing is most effective when:

- It is performed by competent professionals in conformance with the Global Internal Audit Standards, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the board.
- Internal auditors are free from undue influence and committed to making objective assessments.

Internal Audit supports the whole Council to deliver economic, efficient and effective services and achieve the Council's vision, priorities and values.

3. Statutory Requirement

Internal audit is a statutory service in the context of the Accounts and Audit Regulations 2015, which require every local authority to maintain an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account GIAS or guidance.

These regulations require any officer or Member of the Council to:

- make available such documents and records; and
- supply such information and explanations; as are considered necessary by those conducting the audit.

This statutory role is recognised and endorsed within the Council's Financial Regulations.

In addition, the Council's S151 Officer has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the authority's financial affairs. To perform that duty the Section 151 Officer relies, amongst other things, upon the work of Internal Audit in reviewing the operation of systems of internal control and financial management.

4. Internal Audit Mandate

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

Internal Audit is not responsible for control systems. Responsibility for effective internal control and risk management rests with the management of the Council.

Internal audit activity must be free from interference in determining the scope of activity, performing work and communicating results.

The scope of Internal Audit includes the entire control environment and therefore all of the Council's operations, resources, services and responsibilities in relation to other bodies. In order to identify audit coverage, activities are prioritised based on risk, using a combination of Internal Audit and management risk assessment (as set out within Council risk registers). Extensive consultation also takes place with key stakeholders and horizon scanning is undertaken to ensure audit activity is proactive and future focussed.

Internal audit activity will include an evaluation of the effectiveness of the organisation's risk management arrangements and risk exposures relating to:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Efficiency and effectiveness of operations and activities;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

5. Independence

Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a way that allows them to make impartial and effective professional judgements and recommendations. Internal auditors should not have any operational responsibilities.

Internal auditors will not review specific areas of the Council's operation in which they have previously worked, until a period of at least 12 months has elapsed.

Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. The Chief Internal Auditor has direct access to, and freedom to report in their own name and without fear of favour to, all officers and Members and particularly those charged with governance. This independence is further safeguarded by ensuring that the Chief Internal Auditor's formal appraisal/performance review is not inappropriately influenced by those subject to audit. This is achieved by ensuring that both the Chief Executive and the Chairman of the Audit Committee have the opportunity to contribute to this performance review.

All Internal Audit staff are required to make an annual declaration of interest to ensure that objectivity is not impaired and that any potential conflicts of interest are appropriately managed.

6. Appointment and Removal of the Chief Internal Auditor

The role of Chief Internal Auditor is a shared appointment across the 3 Orbis partner authorities (East Sussex County Council, Surrey County Council and Brighton & Hove City Council). In order to ensure organisational independence is achieved, all decisions regarding the appointment and removal of the Chief Internal Auditor will be made following appropriate consultation with Member representatives from each of the authorities' audit committees.

7. Reporting Lines

Regardless of line management arrangements, the Chief Internal Auditor has free and unfettered access to report to the S151 Officer; the Monitoring Officer; the Chief Executive; the Audit Committee Chair; the Leader of the Council and the Council's External Auditor. This includes periodic administrative reporting arrangements to an individual in the organisation who can support the internal audit function's pursuit of the internal audit mandate.

There is a functional reporting relationship between the Chief Internal Auditor and the Audit Committee, who will receive reports on a periodic basis – as agreed with the Chair of the Audit Committee – on the results of audit activity and details of Internal Audit performance, including progress on delivering the audit plan.

These reporting arrangements feed into and support the maintenance of the independence of the function.

8. Fraud & Corruption

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.

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.

Internal Audit will promote an anti-fraud and corruption culture within the Council to aid the prevention and detection of fraud.

9. Consultancy Work

Internal Audit may also provide consultancy services, generally advisory in nature, at the request of the organisation. In such circumstances, appropriate arrangements will be put in place to safeguard the independence of Internal Audit and, where this work is not already included within the approved audit plan and may affect the level of assurance work undertaken; this will be reported to the Audit Committee.

In order to help services to develop greater understanding of audit work and have a point of contact in relation to any support they may need, Internal Audit has put in place a set of service liaison arrangements that provide a specific named contact for each service; and, regular liaison meetings. The arrangements also enable Internal Audit to keep in touch with key developments within services that may impact on its work.

10. Resources

The work of Internal Audit is driven by the annual Internal Audit Plan, which is approved each year by the Audit Committee. The Chief Internal Auditor is responsible for ensuring that Internal Audit resources are sufficient to meet its responsibilities and achieve its objectives.

Internal Audit must be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its objectives and to professional standards. Internal Auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme.

The Chief Internal Auditor is responsible for appointing Internal Audit staff and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills. The Chief Internal Auditor may engage the use of external resources where it is considered appropriate, including the use of specialist providers.

11. Due Professional Care

The work of Internal Audit will be performed with due professional care and in accordance with the GIAS, the Local Government Application Note, the Accounts and Audit Regulations (2015) and with any other relevant statutory obligations and regulations.

In carrying out their work, internal auditors must exercise due professional care by considering:

- The extent of work needed to achieve the required objectives;
- The relative complexity, materiality or significance of matters to which assurance procedures should be applied;
- The adequacy and effectiveness of governance, risk management and control processes;
- The probability of significant errors, fraud or non-compliance; and
- The cost of assurance in proportion to the potential benefits.

Internal auditors will also have due regard to the Seven Principles of Public Life – Selflessness; Integrity, Objectivity; Accountability; Openness; Honesty; and Leadership, as well as the GIAS' Ethics and Professionalism domain and the principles underpinning this of: integrity, objectivity, competency, due professional care and confidentiality.

12. Quality Assurance

The Chief Internal Auditor will control the work of Internal Audit at each level of operation to ensure that a continuously effective level of performance – compliant with the GIAS and Local Government Application Note, is maintained.

A Quality Assurance Improvement Programme (QAIP) is in place which is designed to provide reasonable assurance to its key stakeholders that Internal Audit:

- Performs its work in accordance with its charter;
- Operates in an effective and efficient manner; and,
- Is adding value and continually improving the service that it provides.

The QAIP requires an annual review of the effectiveness of the system of Internal Audit to be conducted. Instances of non-conformance with the GIAS, including the impact of any such nonconformance, must be disclosed to the Audit Committee. Any significant deviations must be considered for inclusion in the Council's Annual Governance Statement.

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Report to:	**Audit Committee**
Date of meeting:	**19 September 2025**
By:	**Chief Finance Officer**
Title:	**CIPFA Financial Management Code**
Purpose:	**To provide the annual overview of Financial Management Code compliance.**

RECOMMENDATION:

Audit Committee is recommended to note the annual overview of Financial Management Code compliance.

---

1. Background

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code (FM Code), attached at Appendix 1, sets out the expected standards of financial management for local authorities. It is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.

1.2 Local authorities should be able to demonstrate that they are compliant with the FM Code. While the Code is not statutory, CIPFA would encourage councils to adopt its principles into practice and should be considered as a resource to support improvement internally. There is currently no formal form of assessment of the Code.

1.3 CIPFA is clear that the FM Code should not be considered in isolation and accompanying tools, including the use of objective quantitative measures of financial resilience, should form part of the suite of evidence to demonstrate sound decision-making. The FM Code will be included in the annual assessment of the Corporate Governance Framework and Annual Governance Statement process.

2. Principles, Standards and Compliance

2.1 In determining financial sustainability and sound decision making the Code looks at evidence that demonstrate 6 standards; organisational **leadership** and **accountability**, that financial management is undertaken with **transparency,** the promotion of professional **standards,** sources of **assurance** (including political scrutiny and the results of external audit, internal audit and inspection) and that the long-term **sustainability** of local services is at the heart of all financial management processes, evidenced by the prudent use of public resources.

2.2 Compliance to these standards is then focussed on 7 key areas, which are converted into compliance statements A to Q (see pages 15-16 of the FM Code in Appendix 1). The 7 areas are summarised below:

- **The responsibilities of the Chief Finance Officer** – evidence that the authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government and that the leadership team can demonstrate service Value for Money.
- **Governance and Management** – that the process is understood and that internal controls are in place.
- **Medium to long medium-term financial management** - The authority has carried out a credible and transparent Financial Resilience Assessment, it has a Capital Strategy, it complies with the Prudential Code and it has a multi-year Medium Term Financial Plan (MTFP).
- **The annual budget** - The authority complies with its statutory obligations in respect of the budget setting process and setting a balanced budget.
- **Stakeholder engagement and business cases** - The authority has engaged with key stakeholders in developing its long-term financial strategy, MTFP and annual budget.
- **Performance monitoring** - The authority acts using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.
- **External financial reporting** - The Chief Finance Officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom.

2.3 The evidence to demonstrate compliance to the areas set out above is wide ranging, including but are not limited to: Financial regulations and schemes of delegation; Governance procedures and the roles of the relevant Committees; Training, including member training; The outcomes of internal and external audits, including the annual Value for Money (VfM) audit; The Reconciling Policy, Performance and Resources (RPPR) process, together with the annual Budget Summary, the annual Statement of Accounts and various benchmarking activities carried out by services.

3. Outcomes and next steps

3.1 East Sussex County Council (ESCC)'s self-assessment has been updated in August 2025 and is attached as Appendix 2.

3.2 Overall, the authority can establish that documents, processes, and procedures are in place that provide assurance and evidence that all 6 FM Code standards have been met, by scores of 3 and above. Good practice has been identified in several areas, notably the Council's compliance with statutory obligations and relevant codes of practice.

3.3 On 17 April 2025, the Council went live with phase 2 of its Oracle implementation. Finance data and functions were migrated from SAP to Oracle in order that financial planning, reporting and monitoring be undertaken in the new system. While there are no material issues with the integrity of the system that would impact the self-assessment, there are some areas where work will continue as the new system is embedded, to ensure that ESCC remains compliant with the code. In particular, the development and maintenance of training materials for managers in Finance, to support new users from go-live and as a resource for new starters.

3.4 On 10 June 2025, the Lead Member for Resources and Climate Change approved the commissioning of CIPFA to undertake a resilience and governance review in relation to the financial challenge faced by the Council. The review is currently being undertaken and the outcome will be reported to Cabinet on 21 October 2025.

3.5 Achieving long term financial sustainability has become increasingly challenging due to ongoing demand and inflationary pressures in social care and a lack of multi-year sustainable funding settlement. However, the self-assessment has demonstrated that the Council is taking all reasonable steps to address the financial challenges through the availability of transparent and timely information for key decision makers, the maintenance of long-term financial plans, and ongoing lobbying and consultation through partner networks.

3.6 The scores (1-5) are summarised in Table 1 below:

Table 1 ESCC compliance assessment score

FM Code 6 standards	Relevant compliance statement/criteria	ESCC Average score 2024	ESCC Average score 2025
Leadership	**A+B+O**	**4.00**	**4.00**
Accountability	**D+P+Q**	**5.00**	**5.00**
Transparency	**L+M**	**3.50**	**3.50**
Adherence to professional standards	**H+J+K**	**5.00**	**5.00**
Sources of Assurance	**C+F+N**	**4.00**	**4.00**
Long Term Sustainability	**E+G+I**	**4.00**	**4.00**

4. Conclusion and Reason for Recommendation

4.1 The FM Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. CIPFA encourages councils to adopt the principles of the Code into practice. Audit Committee is therefore recommended to review and note the content of the report showing compliance with the Code.

IAN GUTSELL

Chief Finance Officer

Contact Officer: Tom Alty (thomas.alty@eastsussex.gov.uk)

BACKGROUND DOCUMENTS

None

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CIPFA The Chartered Institute of Public Finance & Accountancy

financial management code

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed. As the world's only professional accountancy body to specialise in public services, CIPFA's qualifications are the foundation for a career in public finance. We also champion high performance in public services, translating our experience and insight into clear advice and practical services. Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance.

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CIPFA The Chartered Institute of Public Finance & Accountancy

financial management code

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Executive summary

The tightening fiscal landscape has placed the finances of local authorities under intense pressure. Where finance in local government works well there is often a common understanding and ownership of issues supported by good financial management.

While organisations have done much to transform services, shape delivery and streamline costs, for these approaches to be successful it is crucial to have good financial management embedded as part of the organisation. Good financial management is an essential element of good governance and longer-term service planning, which are critical in ensuring that local service provision is sustainable.

The Financial Management Code (FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. For the first time the FM Code sets out the standards of financial management for local authorities.

Local government finance in the UK is governed by primary legislation, regulation and professional standards as supported by statutory provision. The general financial management of a local authority, however, has not until now been supported by a professional code. The FM Code has been introduced because the exceptional financial circumstances faced by local authorities have revealed concerns about fundamental weaknesses in financial management, particularly in relation to organisations that may be unable to maintain services in the future. There is much good practice across the sector, but the failures of a small number threatens stakeholders' confidence in local government as a whole. Most importantly, the financial failure of just one local authority is one too many because it brings with it a risk to the services on which local people rely.

This publication has several components. The first is an introduction explaining how the FM Code applies a principles-based approach and how it relates to other statutory and good practice guidance on the subject. This is a good starting point for those new to the FM Code.

This introduction is followed by the CIPFA Statement of Principles of Good Financial Management. These six principles have been developed by CIPFA in collaboration with senior leaders and practitioners who work within or have a stake in good local authority financial management. These principles are the benchmarks against which all financial management should be judged. CIPFA's view is that all financial management practices should comply with these principles.

To enable authorities to test their conformity with the CIPFA Statement of Principles of Good Financial Management, the FM Code translates these principles into financial management standards. These financial management standards will have different practical applications according to the different circumstances of each authority and their use should therefore reflect this. The principle of proportionality is embedded within this code and reflects a non-prescriptive approach.

The purpose of the FM Code itself is to establish the principles in a format that matches the financial management cycle and supports governance in local authorities. A series of financial management standards set out the professional standards needed if a local authority is to meet the minimal standards of financial management acceptable to meet fiduciary duties to taxpayers, customers and lenders. Since these are minimum standards, CIPFA's judgement is that compliance with them is obligatory if a local authority is to meet its statutory responsibility for sound financial administration. Beyond that, CIPFA members must comply with it as one of their professional obligations.

While the statutory local authority budget setting process continues to be on an annual basis, a longer-term perspective is essential if local authorities are to demonstrate their financial sustainability. Short-termism runs counter to both sound financial management and sound governance.

Reflecting on the importance of longer term financial planning, one of the objectives of the FM Code is to support organisations to demonstrate that they have the leadership, capacity and knowledge to be able to plan effectively. This must be balanced against retaining the integrity of the annual budget preparation process when the need to make difficult decisions may threaten its integrity.

CIPFA recognises that local authorities may need additional practical guidance on some aspects of the FM Code. Such 'hands on' guidance will be produced by CIPFA to meet practitioner demand.

Contents

Introduction

The Financial Management Code (FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code therefore for the first time sets the standards of financial management for local authorities.

One of the strengths of UK local government is its diversity, with authorities having a different organisational culture – even those of the same size and type. It is this that allows a close relationship between local authorities and the communities that they serve. Its style of financial management should reflect, for example, its reliance on local tax income or scope to utilise additional grant or generate trading income. This code is therefore not prescriptive.

The FM Code is based on a series of principles supported by specific standards which are considered necessary to provide the strong foundation to:

- financially manage the short, medium and long-term finances of a local authority
- manage financial resilience to meet unforeseen demands on services
- manage unexpected shocks in their financial circumstances.

The FM Code is consistent with other established CIPFA codes and statements in being based on principles rather than prescription. This code incorporates their existing requirements on local government so as to provide a comprehensive picture of financial management in the authority.

Each local authority (and those bodies designated to apply the FM Code) must demonstrate that the requirements of the code are being satisfied. Demonstrating this compliance with the FM Code is a collective responsibility of elected members, the chief finance officer (CFO) and their professional colleagues in the leadership team. It is for all the senior management team to work with elected members in ensuring compliance with the FM Code and so demonstrate the standard of financial management to be expected of a local authority. In doing this the statutory role of the section 151 officer will not just be recognised but also supported to achieve the combination of leadership roles essential for good financial management.

While CIPFA has provided leadership, the development of the FM Code reflects a recognition that self-regulation by the sector must be the preferred response to the financial management failures that have the potential to damage the reputation of the sector as a whole. The FM Code has sought therefore to rely on the local exercise of professional judgement backed by appropriate reporting. To ensure that self-regulation is successful, compliance with the FM Code cannot rest with the CFO acting alone.

Significantly, the FM Code builds on established CIPFA Prudential and Treasury Management Codes which require local authorities to demonstrate the long-term financial sustainability of their capital expenditure, associated borrowing and investments. The introduction of the Prudential Framework based on the CIPFA codes enabled local authorities to make their own capital finance decisions on matters that had hitherto been subject to central government

control. The FM Code should not be considered in isolation and accompanying tools, including the use of objective quantitative measures of financial resilience, should form part of the suite of evidence to demonstrate sound decision making.

The CIPFA Statement of Principles of Good Financial Management

The FM Code applies a principle-based approach. It does not prescribe the financial management processes that local authorities should adopt. Instead, this code requires that a local authority demonstrates that its processes satisfy the principles of good financial management for an authority of its size, responsibilities and circumstances. Good financial management is proportionate to the risks to the authority's financial sustainability posed by the twin pressures of scarce resources and the rising demands on services. The FM Code identifies these risks to financial sustainability and introduces an overarching framework of assurance which builds on existing best practice but for the first time sets explicit standards of financial management. These are minimum standards, which for many in the sector are self-evident. Recent experience in some local authorities suggests, however, that they are by no means universally achieved.

The underlying principles that inform the FM Code have been developed in consultation with senior practitioners from local authorities and associated stakeholders. The principles have been designed to focus on an approach that will assist in determining whether, in applying standards of financial management, a local authority is financially sustainable.

- Organisational **leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
- Adherence to professional **standards** is promoted by the leadership team and is evidenced.
- Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
- The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

The FM Code has been developed and tested in partnership with a range of different types of local authorities. However, given the diversity of UK local government, it is not possible (or desirable) for the FM Code to anticipate all eventualities. If any doubt arises as to whether

or how the FM Code should be applied, then reference should be made to these Principles of Good Financial Management to establish whether the proposed financial management practice is acceptable. A financial management practice that conflicts with one or more of these principles will not be acceptable if not explicitly ruled out by the financial management standards contained in the FM Code.

The applicability and structure of the Financial Management Code

CIPFA's intention is that the Financial Management Code (FM Code) will have the same scope as the *Prudential Code for Capital Finance in Local Authorities* (CIPFA, 2017), which promotes the financial sustainability of local authority capital expenditure and associated borrowing. So, although the FM Code does not have legislative backing, it applies to all local authorities, including police, fire, combined and other authorities, which:

- in England and Wales are defined in legislation for the purposes of Part 1 of the Local Government Act 2003
- in Scotland are defined in legislation for the purposes of Part 7 of the Local Government in Scotland Act 2003, or to the larger bodies (such as integration joint boards) to which Section 10 of this Act applies
- in Northern Ireland are defined in legislation for the purposes of Part 1 of the Local Government Finance Act (Northern Ireland) 2011.

While the FM Code applies to all local authorities, it recognises that some have different structures and legislative frameworks. Where compliance with this code is not possible, adherence to the principles is still considered appropriate.

In addition to its alignment with the *Prudential Code for Capital Finance in Local Authorities* (CIPFA, 2017), the FM Code also has links to the *Treasury Management in the Public Sector Code of Practice and Cross Sectoral Guidance Note* (CIPFA, 2017) and the annual *Code of Practice on Local Authority Accounting in the United Kingdom*. In this way the FM Code supports authorities by re-iterating in one place the key elements of these statutory requirements.

Although it may be expressed differently across the different jurisdictions of the UK, the FM Code is also further supported by statutory requirement, or all local authorities to have sound financial management.

Section 151 of the Local Government Act 1972 requires that every local authority in England and Wales should "... make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs."

Section 95 of the Local Government (Scotland) Act 1973 substantially repeats these words for Scottish authorities.

In Northern Ireland, Section 54 of the Local Government Act (Northern Ireland) 1972 requires that "a council shall make safe and efficient arrangements for the receipt of money paid to it

and the issue of money payable by it and those arrangements shall be carried out under the supervision of such officer of the council as the council designates as its chief finance officer."

CIPFA's judgement is that compliance with the FM Code will assist local authorities to demonstrate that they are meeting these important legislative requirements.

In addition to the requirements of primary legislation and associated CIPFA Codes, an authority's prudent and proper financial management is informed by a framework of professional codes of practice and guidance, including:

- the CIPFA *Statements of Professional Practice (SOPP) (including ethics)*
- the CIPFA *Statement of the Role of the Chief Financial Officer*
- the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government*
- the CIFFA *Statement on the Role of the Chief Finance Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable*.

CIPFA considers the application of the FM Code to be a professional responsibility of all its members, regardless of their role in the financial management process. More specifically, the FM Code clarifies CIPFA's understanding of how CFOs should satisfy their statutory responsibility for good financial administration. The responsibilities of the CFO are both statutory and professional. Notwithstanding these specific expectations of CIPFA members, the primary purpose of the FM Code is to establish how the CFO – regardless of whether or not they are a CIPFA member – should demonstrate that they are meeting their statutory responsibility for sound financial administration.

The code has clear links to a number of value for money characteristics such as sound governance at a strategic, financial and operational level, sound management of resources and use of review and options appraisal. Where an overriding duty of value for money exists, this serves to give indirect statutory support to important elements of this code.

The manner in which compliance with the FM Code is demonstrated will be proportionate to the circumstances of each local authority. Importantly, however, contextualising the FM Code cannot be done according only to the size of the authority but also according to the complexity and risks in its financial arrangements and service delivery arrangements.

CIPFA considers application of the FM Code to be a collective responsibility of each authority's organisational leadership team.

CIPFA believes that this FM Code merits the type of statutory backing given to some other CIPFA codes and furthermore there is support for this approach within local government and its stakeholders. Equally, however, CIPFA recognises that such backing demands enabling primary legislation that at present has not been identified. CIPFA will continue to work with the jurisdictions of the different parts of the UK to provide statutory backing to the FM Code. At present it is difficult to envisage circumstances in which the absence of statutory backing for the FM Code would provide a reason for non-compliance.

APPLICATION DATE

Local authorities are required to apply the requirements of the FM Code with effect from 1 April 2020. This means that the 2020/21 budget process provides an opportunity for assessment of elements of the FM Code before April 2020 and to provide a platform for good financial management to be demonstrable throughout 2020/21. Local authorities will need to ensure that their governance and financial management style are fit in advance for this purpose. CIPFA has also considered the ambition within this code, the timescale and of course the wider resource challenges facing local authorities. Consequently CIPFA considers that the implementation date of April 2020 should indicate the commencement of a shadow year and that by 31 March 2021, local authorities should be able to demonstrate that they are working towards full implementation of the code. The first full year of compliance with the FM Code will therefore be 2021/22. Earlier adoption is of course encouraged.

It is the duty of each local authority to adhere to the principles of financial management. To enable authorities to test their conformity with the CIPFA Principles of Good Financial Management, the FM Code translates these principles into financial management standards. These financial management standards will have different practical applications according to the different circumstances of each authority.

The structure of the FM Code

The CIPFA financial management standards are presented and explained in Sections 1 to 7 of the FM Code.

Sections 1 and 2 address important contextual factors which need to be addressed in the first instance if sound financial management is to be possible. The first deals with the responsibilities of the CFO and leadership team, the second with the authority's governance and financial management style. From a professional perspective, these factors are the most challenging to codify as they largely concern 'soft skills' and behaviours. Nonetheless, it will be seen that even for these factors, there are recognised standards of best practice that authorities must adopt if their organisational culture is to be favourable for sound financial management. A 'tick box' compliance with these standards alone, however, will not be sufficient if they do not promote the behaviours necessary for good financial management.

The remaining Sections 3 to 7 address the requirements of the financial management cycle, with Section 3 stating the need for a long-term approach to the evaluation of financial sustainability. To make well informed decisions all these elements of the cycle need to be fit for purpose. The development of a high-quality long-term financial strategy will not itself promote financial sustainability if, for example, the authority's annual budget setting process (Section 4), stakeholder engagement and business cases (Section 5) and performance monitoring arrangements (Section 6) are inadequate. The cycle is completed by Section 7, which shows how high-quality financial reporting supports the financial management cycle by ensuring that it rests on sound financial information.

CIPFA's expectation is that authorities will have to comply with all the financial management standards if they are to demonstrate compliance with the FM Code. It is again most important that practitioners recognise that, while compliance with the CIPFA financial management standards is obligatory, the FM Code is not prescriptive about how this is achieved.

In the accompanying guidance notes CIPFA sets out practices that local authorities can adopt to ensure compliance with the FM Code. These practices are not prescribed by the FM Code, but rather offered as a starting point for local authorities needing to raise their approach to financial management to the minimum standard set out in the FM Code. CIPFA may issue support and clarify application of the FM Code. Authorities can develop their own good practice and are encouraged to do so.

As high-level statements, the overarching CIPFA financial management standards apply to the police service. CIPFA recognises, however, that this type of organisation has in some respects different practices from other local authorities. In addition, the creation of bespoke combined authorities means that some flexibility is required in the application of the FM Code for their circumstances. This may be achieved by applying some standards to each of the component bodies and others directly to the combined authority itself. In all cases, when an authority has unique governance arrangements the CIPFA Principles of Financial Management should be used to resolve any doubt about the application of articular financial management standards.

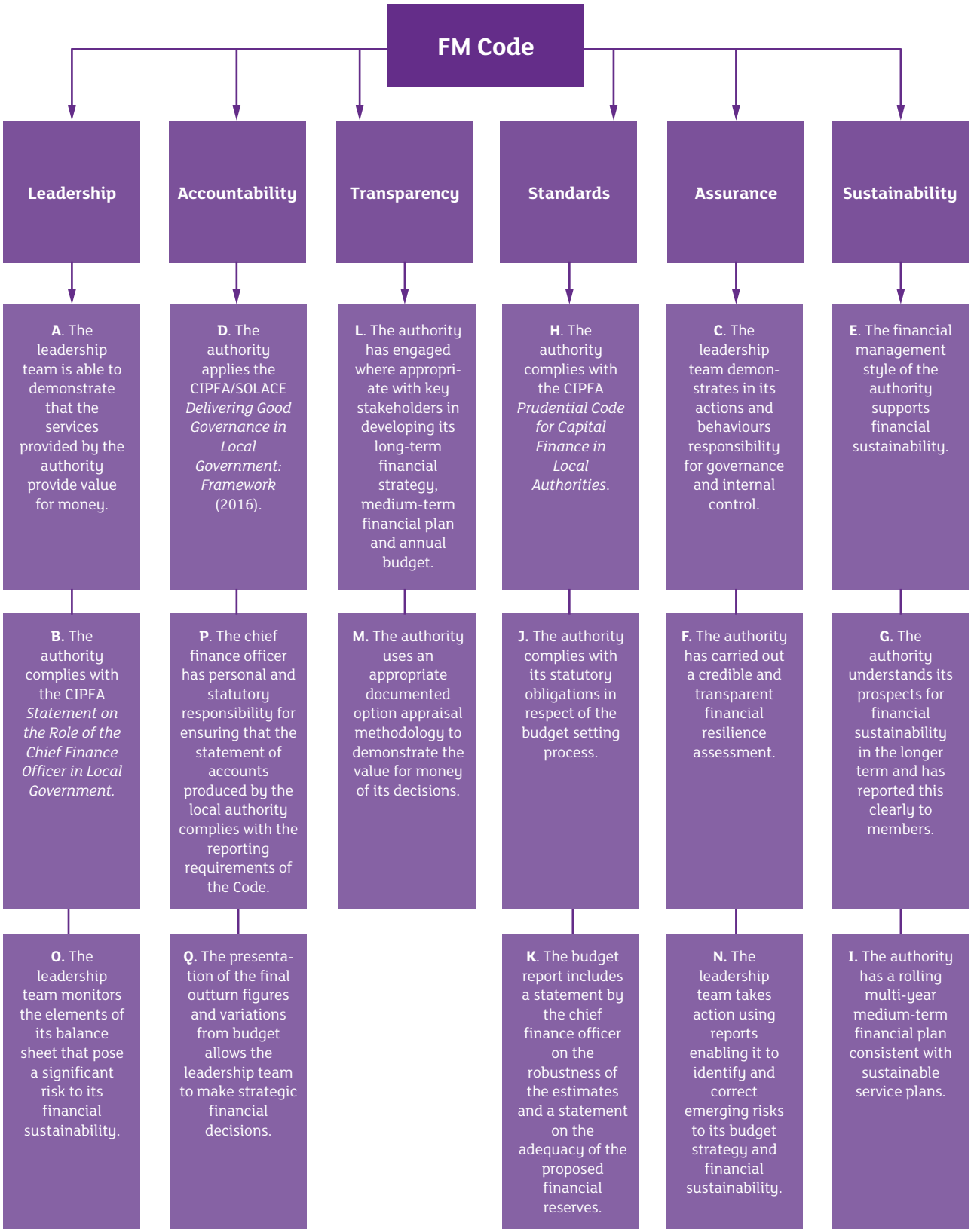
Financial management standards are to be guided by proportionality. It is appropriate for different financial management approaches to apply to high-value/high-risk items that alone may determine the financial sustainability of the organisation as distinct from low-value/low-risk items. In satisfying the demands of the financial management standards it may be appropriate to apply different standard practices according to the scale and risks of each category of income or expenditure. The intention is that authorities demonstrate a rigorous approach to the assessment and mitigation of risk so that financial management expertise is deployed effectively given the circumstances faced by the authority.

Nonetheless, in acknowledging the need for proportionality in applying some aspects of the FM Code, an authority still needs to recognise that when aggregated, a failure to manage individual low-value/low-risk items may still threaten financial sustainability. The FM Code seeks to promote the good financial management of the standard, typical or familiar local authority activities just as much as it promotes the good financial management of the unusual, exceptional and unfamiliar. Essentially, the FM Code recognises that getting the routine business right is crucial for good financial management.

The CIPFA financial management standards

Summary table of CIPFA financial management standards

FM standard reference	CIPFA financial management standards
	Section 1: The responsibilities of the chief finance officer and leadership team
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money.
B	The authority complies with the CIPFA *Statement on the Role of the Chief Finance Officer in Local Government.*
	Section 2: Governance and financial management style
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.
D	The authority applies the CIPFA/SOLACE *Delivering Good Governance in Local Government: Framework* (2016).
E	The financial management style of the authority supports financial sustainability.
	Section 3: Long to medium-term financial management
F	The authority has carried out a credible and transparent financial resilience assessment.
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.
H	The authority complies with the CIPFA *Prudential Code for Capital Finance in Local Authorities.*
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.
	Section 4: The annual budget
J	The authority complies with its statutory obligations in respect of the budget setting process.
K	The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.
	Section 5: Stakeholder engagement and business plans
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.
	Section 6: Monitoring financial performance
N	The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.
O	The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.
	Section 7: External financial reporting
P	The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the *Code of Practice on Local Authority Accounting in the United Kingdom.*
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.


FM Code
Leadership
Accountability
Transparency
Standards
Assurance
Sustainability
A. The leadership team is able to demonstrate that the services provided by the authority provide value for money.
D. The authority applies the CIPFA/SOLACE *Delivering Good Governance in Local Government: Framework* (2016).
L. The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.
H. The authority complies with the CIPFA *Prudential Code for Capital Finance in Local Authorities*.
C. The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.
E. The financial management style of the authority supports financial sustainability.
B. The authority complies with the CIPFA *Statement on the Role of the Chief Finance Officer in Local Government.*
P. The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code.
M. The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.
J. The authority complies with its statutory obligations in respect of the budget setting process.
F. The authority has carried out a credible and transparent financial resilience assessment.
G. The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.
O. The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.
Q. The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.
K. The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.
N. The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.
I. The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.

SECTION 1

The responsibilities of the chief finance officer and leadership team

Local authorities in the UK use different democratic models. While the committee and the cabinet system are the most common there are also a number of direct elected mayors in England. Regardless of the model, responsibility for corporate financial sustainability rests with those responsible for making executive decisions with the support of their professional advisors. Elected members need to work effectively with officers and other stakeholders to make difficult decisions and to identify and deliver savings when required.

While the legislative context differs across the different jurisdictions of the UK, all local authorities must deliver value for money. This is an overarching requirement that informs the application of the other financial management standards in the FM Code.

Financial Management Standard A

The leadership team is able to demonstrate that the services provided by the authority provide value for money.

The role of the leadership team

The delivery of value for money will ultimately be dependent on decisions made by elected members. It is for the leadership team to ensure that the authority's governance arrangements and style of financial management promote financial sustainability. It is the elected members who are held to account by local people when a local authority fails, but an important element of collective decision making is to understand the risks and appreciate the different statutory responsibilities of those involved. Good financial management is the responsibility of the whole leadership including the relevant elected members. It is the responsibility of the senior officers within the management team to enact this.

The FM Code follows the practice of the CIPFA *Statement of the Role of the Chief Financial Officer in Local Government* in referring to this collective group of elected member and officers with this collective financial responsibility as the leadership team. In local authorities, therefore, the concept of the 'leadership team' will include executive committees, elected mayors, portfolio holders with delegated powers and other key committees of the authority and senior officers.

In the police service this leadership is provided by police and crime commissioners and chief constables, which operate jointly according to the policing protocol, which requires the maintenance of an efficient force.

The role of the chief finance officer

The statutory of the role of the chief finance officer (CFO) is a distinctive feature of local government in the UK (except in Northern Ireland). This role cannot be performed in isolation and requires the support of the other members of the leadership team.

The leadership team must recognise that while statutory responsibility for the financial management of the authority rests with the CFO, the CFO is reliant on the actions of the leadership team, both collectively and individually as elected members and senior officers. A situation in which the CFO is forced to act in isolation is characteristic of authorities in which financial management has failed and financial sustainability is threatened.

Equally, the CFO must ensure that they fulfil their personal legal and professional responsibilities in the public interest and in recognition of the other statutory service responsibilities of the authority. In the leadership team the CFO must provide timely, relevant and reliable financial advice, in accordance with the law and professional standards.

It is important to appreciate that while the section 151 or similar legislative provisions require the authority to appoint a suitably qualified officer responsible for the proper administration of its affairs, responsibility for proper financial administration still rests ultimately with elected members. The local authority itself has a statutory responsibility for maintaining a system of internal control including the management of risk, an effective internal audit and preparing annual accounts.

CIPFA has issued its *Statement on the Role of the Chief Financial Officer in Local Government*. This statement sets out CIPFA's understanding of the role to support both the CFO and local authorities.

Financial Management Standard B

The authority complies with the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government*.

For the purposes of the FM Code, the CIPFA *Statement on the Role of the Chief Finance Officer of the Police and Crime Commissioner* and the *Chief Finance Officer of the Chief Constable* (2012) should be substituted for references to the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government.*

CIPFA's *Statement on the Role of the Chief Financial Officer in Local Government* describes the roles and responsibilities of the CFO. It sets out how the requirements of legislation and professional standards should be fulfilled by the CFO as they carry out their duties. The statement is designed to assist those carrying out the role to meet its specific responsibilities while at the same time reiterating CIPFA's *Statement of Professional Practice* with which all CIPFA members are required to comply. The statement also requires that if different organisational arrangements are adopted the reasons should be explained publicly in the authority's annual governance statement, together with how they deliver the same impact.

SECTION 2

Governance and financial management style

Without good governance a local authority cannot make the changes necessary for it to remain financially sustainable. As such, financial sustainability must be underpinned by the robust stewardship and accountability to be expected of public bodies. Good governance gains the trust of taxpayers and other funders by giving them confidence that money is being properly spent. Good governance ensures better informed and longer-term decision making and therefore is essential for good financial management.

Good governance

Responsibility for good governance also rests with the leadership team. The team must ensure that there are proper arrangements in place for governance and financial management, including a proper scheme of delegation that ensures that frontline responsibility for internal and financial control starts with those who have management roles. This delegation ensures that those responsible for the delivery of services are also explicitly held responsible for the financial management of the associated expenditure and income. Nonetheless, it is for the leadership team to demonstrate that the authority always meets exacting standards of probity, accountability and demonstrable efficiency in the use of public resources.

The CFO is not the only officer with specific statutory responsibilities for good governance. The head of paid service (in practice the chief executive) is responsible for the proper recruitment and organisation of a local authority's staff. The monitoring officer has the specific duty to ensure that the council, its officers and its elected members maintain the highest standards of conduct in all they do (the legal basis of the head of paid service's role is found in Section 4 of the Local Government and Housing Act 1989 and that of the monitoring officer in Section 5 of the same act).

All parts of the governance structure of an organisation play an important role, but the audit committee is a key component, providing independent assurance over governance, risk and internal control arrangements. It provides a focus on financial management, financial reporting, audit and assurance that supports the leadership team and those with governance responsibilities.

Good governance is evidenced by actions and behaviours as well as formal documentation and processes. The tone and action at the top are critical in this respect, and rest with the leadership team – both senior officers and elected members, as well as the CFO. A successful leadership team has a culture of constructive challenge that excludes an optimism bias in favour of a realism bias and is built on a rigorous examination of goals, underlying assumptions and implementation plans.

The Committee on Standards in Public Life has set out *Seven Principles of Public Life* which it believes should apply to all in the public services (often referred to as the Nolan Principles). The last of the Nolan Principles – that holders of public office should promote and support these principles by leadership and example – is especially relevant to the leadership team.

Financial Management Standard C

The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.

By international standards, local government in the UK is distinguished by high standards of governance. Citizens expect financial accountability, press and parliamentary scrutiny, integrity and the absence of corruption. These expectations are largely met, but local authorities should guard against complacency.

The CIPFA/IFAC *International Framework: Good Governance in the Public Sector* (Annex A to this FM Code) is intended to encourage sustainable service delivery and improved accountability by establishing a benchmark for aspects of good governance in the sector. The application of this international framework in the context of UK local government is reinforced by specific regulatory requirements and sector specific guidance. The CIPFA/SOLACE *Delivering Good Governance in Local Government: Framework* (2016 edition) supports local authorities in developing and maintaining their own codes of governance and to discharge their accountability for the proper conduct of business.

Financial Management Standard D

The authority applies the CIPFA/SOLACE *Delivering Good Governance in Local Government: Framework* (2016).

This CIPFA/SOLACE framework recommends that the review of the effectiveness of the system of internal control that local authorities in England, Wales, Scotland and Northern Ireland are required to undertake by their respective accounts and audit regulations should be reported in an annual governance statement.

Financial management style

The financial management challenges faced by many local authorities are unprecedented in recent history and show no signs of easing. This is significant because it means that different styles of financial management are necessary. Financial sustainability will not be achieved by continuing with the behaviours of the past since these do not meet the demands of the present – or the future, which may be even more challenging. To remain financially sustainable authorities need to develop their financial management capabilities.

Financial Management Standard E

The financial management style of the authority supports financial sustainability.

CIPFA believes that the strength of financial management within an organisation can be assessed by a hierarchy of three 'financial management (FM) styles':

- delivering accountability
- supporting performance
- enabling transformation.

These different styles are used in the CIPFA Financial Management Model to describe the different standards of financial management which may be found in local authorities. They represent a hierarchy in which enabling transformation is only achieved by a financial management style that supports performance and which in turn delivers accountability. Once these basic foundations have been soundly established, authorities need to move up through a hierarchy of financial management styles in response to increasing risk. This is especially important as risks have increased for many local authorities; on the one hand reduced expenditure leaves less margin for error while on the other hand, in seeking to generate new income, local authorities take on unfamiliar risks.

This hierarchy of financial management styles loosely maps onto the now deeply embedded recognition of the necessity for economy, efficiency and effectiveness to achieve value for money. In delivering accountability the finance team ensures that their authorities spend less and so achieve economy. In supporting performance, the finance team works with the authority to spend well by maximising the output from goods or services and so achieves efficiency. Finally, in enabling transformation the finance team supports the effective use of public money.

CIPFA recognises that while the highest standards of financial management should be the expectation, in practice some local authorities are at different stages of development. In these circumstances, compliance with the FM Code may initially be achieved by credible proposals to raise financial standards beyond the basic delivery of accountability.

The first two sections of this code have addressed the pre-conditions that must be satisfied for sound financial management. The following sections turn to the practical operation of the successive stages of the financial management cycle.

SECTION 3

Medium to long-term financial management

While the statutory local authority budget setting process continues to be on an annual basis (see Section 4) a longer-term perspective is essential if local authorities are to demonstrate their financial sustainability. Short-termism runs counter to both sound financial management and sound governance.

CIPFA does not believe however that the time horizon of local authority financial planning is determined by the time horizon of the financial support from central government. The greater the uncertainty about future central government policy then the greater the need to demonstrate the long-term financial resilience of the authority given the risks attached to its core funding.

An authority must ensure that while the formal publication of the medium-term financial plan (MTFP) may only reflect government settlements, it is the responsibility of the leadership of the organisation, including elected members, senior management and the section 151, to have a long-term financial view acknowledging financial pressures.

Authorities with a high level of capital investment and associated external borrowing should adopt a correspondingly long-term approach. The Prudential Code requires that a local authority capital strategy sets out the long-term context in which capital expenditure and investment decisions are made. For example all authorities with PFI, service contracts and other similar contractual arrangements will need to demonstrate their ability to finance these arrangements over the whole period of the contracts. Housing Revenue Account (HRA) business plans in England and Wales are already based on a 30-year time horizon.

Financial resilience and long-term financial strategy

If an authority has not tested and demonstrated its long-term financial resilience then its financial sustainability remains an open question. Authorities must critically evaluate their financial resilience. It is possible that the existing strategy is financially sustainable, but this must still have been tested and demonstrated in a financial resilience assessment.

In this financial resilience assessment the authority must test the sensitivity of its financial sustainability given alternative plausible scenarios for the key drivers of costs, service demands and resources. It will require an analysis of future demand for key services and consideration of alternative options for matching demand to resources. Testing will focus on the key longer-term revenues and expenses and the key risks to which the authority will be exposed.

With an awareness that risks will vary, consideration should be given to tools such as the Financial Resilience Index that may help organisations identify these pressure points. Without such stress testing an authority cannot be regarded as financially sustainable and will be deemed to have failed that test.

Financial Management Standard F

The authority has carried out a credible and transparent financial resilience assessment.

Having carried out the finance resilience assessment, the authority will need to demonstrate how the risks identified have informed a long-term financial strategy. A local authority needs an over-arching strategic vision of how it intends to deliver outputs and achieve outcomes for which it is responsible. This should include a statement that sets out both the vision and the underlying strategy, together with the mix of interventions that the organisation will adopt in delivering services to achieve the intended outcomes. In many cases a basis for this will already exist in a corporate plan.

A key part of the strategy should be a visioning exercise to understand the potential shape of services in the future. It will need to be sufficiently comprehensive to offer a convincing demonstration that the authority has identified a way of achieving financial sustainability. At the same time it needs to provide a relatively fixed point of reference which is subject to periodic review and to revision and fundamental change only when it is no longer fit for purpose.

Financial Management Standard G

The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.

CIPFA is not at present being prescriptive about the time period of this long-term financial strategy. Different authorities will face different levels of political and financial stability which may have become embedded in different management cultures. However, CIPFA would promote ambition and stress the need for a financial strategy that matches the requirement for a strategic approach to service planning. The underlying key demand cost drivers, especially those linked to the age profile of the community, can be foreseen at least in broad terms for a decade and more ahead.

The Prudential Code for Capital Finance in Local Authorities

The statutory requirements of the Prudential Code underpins elements of the long and medium-term financial management considered in this section of the FM Code. While the minimum requirement is for three-year rolling capital and investment plans, *The Prudential Code for Capital Finance in Local Authorities* (2017 edition) stresses that a longer-term approach is necessary to ensure that capital strategy and asset management plans are sustainable.

Financial Management Standard H

The authority complies with the CIPFA *Prudential Code for Capital Finance in Local Authorities.*

One of the requirements of the Prudential Code is a capital strategy. This capital strategy is a fundamental component of good financial management. It should set out how the organisation is currently managing its assets and more importantly its future plans linked to available resources. Balance sheet management in local authorities is about the better management of assets and liabilities to support service delivery and capital strategy. A long-term vision is needed for the configuration of service delivery and investment properties because timely asset disposals and/or investments will be dependent on complex interdependencies.

A long-term vision should also be reflected in any commercial investment activity undertaken by the organisation. Guided by the Prudential Code and relevant guidance on borrowing for acquisitions of commercial properties, a local authority should not put public money and services at risk.

Practical medium-term financial planning

CIPFA does not anticipate that a long-term financial strategy would provide sufficient detail to shape the annual budget setting process. Local authorities will need to translate their long-term financial strategies into a medium-term financial plan (MTFP) for budget setting.

The MTFP is the mechanism or framework by which the annual budget process relates directly to the long-term strategy establishing the financial sustainability of the authority. While not prescriptive about time frame, the MTFP should support financially sustainable decision making.

Importantly, performance against the plan will enable recent success and/or failures in delivering financial objectives to be taken into account in the annual budget process. A symptom of financial stress is the emergence of unanticipated overspends in recent years from the MTFP. While the long-term strategy needs to be a stable point of reference, the MTFP needs to be rolled forward annually to ensure that it reflects the latest detailed information. By taking this approach to medium-term financial planning the annual budget is aligned to longer-term goals.

The MTFP should enable the leadership team to have confidence in its long-term strategy for its financial sustainability. Importantly, financial and operational plans must be demonstratively aligned to the strategy at all levels. Without clear service plans it is impossible to place the forecast within the context of currently agreed policies and their implications for future demand and resources.

Financial Management Standard I

The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.

SECTION 4

The annual budget

One of the objectives of this FM Code is to end the practice by which the annual budget process has often become the focal point if not the limit of local authority financial planning. However the annual budget preparation process needs to be protected at a time when the need to make difficult decisions may threaten its integrity.

Local authorities need to ensure that they are familiar with the legislative requirements of the budget setting process. In times of routine business compliance this is relatively straightforward, but in times of financial stress there may be pressures for delay or obfuscation in budget setting. These difficulties can be acute when council tax setting is reliant on decisions by independent precepting bodies. In these circumstances it is likely that the CFO will need to work closely with the chief executive, monitoring officer and the leadership team to ensure statutory processes and a timetable necessary to set a legal budget are understood. The monitoring officer is the custodian of the constitution, which acts as a safeguard to prevent councillors and officers from getting into legal difficulties in the exercise of their role and uphold and ensure fairness in decision making.

Financial Management Standard J

The authority complies with its statutory obligations in respect of the budget setting process.

The annual report setting out the proposed budget for the coming year is a key document for the authority. It will also demonstrate compliance with CIPFA's Prudential Code (Financial Management Standard H). The best budget plans are those owned and articulated by the whole leadership team and senior managers, not simply the CFO.

Reserves are acknowledged in statute. Local authorities are directed to have regard to the level of reserves when considering their budget requirement. Consequently, reserves are a recognised and intrinsic part of financial planning and budget setting. The assessment of 'adequate' and 'necessary' levels of reserves is a matter for local authorities to determine. It is the responsibility (with statutory backing in England and Wales) of the CFO to advise the local authority on the appropriate level of reserves and the robustness of the estimates.

Financial Management Standard K

The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.

The budget report should include details of the earmarked reserves held, and explain the purpose of each reserve, together with the estimated opening balances for the year, details of planned additions/withdrawals and the estimated closing balances.

A well-managed authority, with a prudent approach to budgeting, should be able to operate with a level of general reserves appropriate for the risks (both internal and external) to which it is exposed. Compliance with the FM Code will give important reassurance that the authority's financial management processes and procedures are able to manage those risks. These should be maintained at a level appropriate for the profile of the authority's cash flow and the prospect of having to meet unexpected events from within its own resources. Even where, as part of their wider role, auditors have to report on an authority's financial position, it is not their responsibility to prescribe the optimum or minimum level of reserves for individual authorities or authorities in general.

The successful execution of the annual budget will depend on both the good governance and internal controls already codified in Section 2 as well as financial monitoring addressed in Section 6.

SECTION 5

Stakeholder engagement and business cases

Financial sustainability requires citizens to understand that resources are not limitless and that decisions have to be made about both the relative priority of different services and the balance between service provision and taxation levels. The leadership team collectively has an important role in reviewing priorities to enable resources to be redirected from areas of lesser priority; it is not possible to rely principally on pro rata cuts to generate the savings necessary for financial sustainability in an era of austerity.

The leadership team needs to challenge not only how services are delivered, but also what is delivered. These decisions must be made with a clear understanding of the statutory requirements and of wider legal implications of any decisions.

Stakeholder engagement

Stakeholder consultation can help to set priorities and reduce the possibility of legal or political challenge late in the change process. Stakeholder consultation helps to encourage community involvement not just in the design of services but in their ongoing delivery. This is especially the case when a local authority adopts an enabling approach to public service delivery which, along with the active involvement of the third sector, may facilitate future reductions in service costs.

Financial Management Standard L

The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.

Business cases

Financial sustainability will be dependent upon difficult and often complex decisions being made. The authority's decisions must be informed by clear business cases based on the application of appropriation option appraisal techniques. Professional accountants can be expected to comply with the IFAC/PAIB Project and Investment Appraisal for Sustainable Value Creation reproduced in Annex B to this FM Code.

Financial Management Standard M

The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.

It is the responsibility of the CFO to ensure that all material decisions are supported by an option appraisal which in its rigour and sophistication is appropriate for the decision being made. It is likely that the authority's documented option appraisal methodology will include a relatively simplistic approach for decisions of low value and/or low risk.

SECTION 6

Performance monitoring

To remain financially sustainable an authority must have timely information on its financial and operational performance so that policy objectives are delivered within budget. Early information about emerging risks to its financial sustainability will allow it to make a carefully considered and therefore effective response.

Financial Management Standard N

The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.

Significant unplanned overspends and/or carrying forward undelivered savings into the following year might be a sign that an authority is not translating its policy decisions into actions. It also creates the conditions for further financial pressures and possible service reductions in subsequent years. However, the warning signs could also be in other non-financial performance measures, such as backlogs and other indications that current resources are not matching the expectations of service users. These trends should inform the decisions taken on the medium and long-term financial planning addressed by Section 3 of this code.

It is a requirement of this code that authorities should more closely monitor the material elements of their balance sheet that may give indications of a departure from financial plans. This is especially important for local authorities with significant commercial asset portfolios. Legislation requires local authorities to maintain adequate accounting records of their assets and liabilities. Regulations also require that the appropriate (chief finance) officer certifies or confirms that the statements of accounts provide a true and fair view of the financial position (ie the amounts in the balance sheet) of the authority at 31 March in the year of account.

Financial Management Standard O

The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability.

Contingencies and commitments are monitored to identify any items where a balance sheet provision may have crystallised. Key drivers of provisions (eg asset decommissioning decisions, legal claims, reorganisation activities) should be monitored to identify whether an actual or constructive obligation has arisen. Finally, cash flow is managed through application of *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes* (CIPFA, 2017).

SECTION 7

External financial reporting

Taxpayers and citizens have a legitimate stake in understanding how public money has been used in providing the functions and services of the authority. The audited statements of account, which present the authority's financial position and financial performance, play an integral part in demonstrating this to them. The statutory accounts provide a secure base for financial management. They support accountability and thus good financial management by allowing the users of the financial statements and other stakeholders to do the following:

- Discover how much is spent in a year on services and whether this has increased or decreased from previous years.
- Consider the indebtedness of an organisation and how that might impact on future taxpayers.
- Recognise the value and therefore usefulness of the assets that the organisations hold.
- Assess what the future commitments and liabilities are, for example, for pensions or leases, and again how these are likely to impact on future generations and taxpayers.

CIPFA's *Statement on the Role of the Chief Finance Officer in Local Government* sets out the chief finance officer's statutory responsibilities for producing the accounts and maintaining the financial records for those accounts. The CIPFA Statement requires that the statements of account are published on a timely basis to communicate the authority's activities and achievements, its financial position and performance. It also requires certification of the accounts by the chief finance officer. The confirmation that the accounts present a 'true and fair' view is one of the fundamental roles of the statutory chief finance officer. Across the UK the *Code of Practice on Local Authority Accounting in the United Kingdom* produced by the CIPFA/LASAAC Local Authority Code Board establishes proper (accounting) practices under which that 'true and fair' view will need to be confirmed/certified.

Financial Management Standard P

The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the *Code of Practice on Local Authority Accounting in the United Kingdom.*

The statutory and professional frameworks for the production and publication of the accounts underpin their importance and demonstrate that they have a key part to play in accountability to taxpayers and other stakeholders in showing how public money is used. Financial reporting therefore should not take place in a vacuum. The financial statements provide the accountability link between planned performance, resources used and the outcomes – financial and more – that are achieved. The authority, its management and the CFO both in its financial statements and the narrative reports that accompany them must

provide the user with the links between the consumption of resources and the value that has been created.

It is key to ensure that the authority and its leadership understand how effectively its resources have been utilised during the year, including a process which explains how material variances from initial and revised budgets to the outturn reported in the financial statements have arisen and been managed. The success of these arrangements will be demonstrated by the ability of the leadership team to make decisions from them. In some circumstances this will lead to a reappraisal of the achievability of the long-term financial strategy and the financial resilience of the authority (see Section 3).

Financial Management Standard Q

The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.

Annex A

IFAC/CIPFA GUIDANCE ON IMPLEMENTING THE PRINCIPLES FOR GOOD GOVERNANCE IN THE PUBLIC SECTOR (EXTRACT)

Principles for good governance in the public sector

Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

The fundamental function of good governance in the public sector is to ensure that entities achieve their intended outcomes while acting in the public interest at all times.

Acting in the public interest requires:

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

B. Ensuring openness and comprehensive stakeholder engagement.

In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance in the public sector also requires effective arrangements for:

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

D. Determining the interventions necessary to optimise the achievement of the intended outcomes.

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

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

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

Annex B

IFAC/PAIB PROJECT AND INVESTMENT APPRAISAL FOR SUSTAINABLE VALUE CREATION

Extract from IFAC website.

Principles in project and investment appraisal

The key principles underlying widely accepted good practice are:

A. When appraising multi-period investments, where expected benefits and costs and related cash inflows and outflows arise over time, the time value of money should be taken into account in the respective period.

B. The time value of money should be represented by the opportunity cost of capital.

C. The discount rate used to calculate the NPV [net present value] in a DCF [discounted cash flow] analysis, should properly reflect the systematic risk of cash flows attributable to the project being appraised, and not the systematic risk of the organisation undertaking the project.

D. A good decision relies on an understanding of the business and should be considered and interpreted in relation to an organisation's strategy and its economic, social, environmental, and competitive position as well as market dynamics.

E. Project cash flows should be estimated incrementally, so that a DCF analysis should only consider expected cash flows that could change if the proposed investment is implemented. The value of an investment depends on all the additional and relevant changes to potential cash inflows and outflows that follow from accepting an investment.

F. All assumptions used in undertaking DCF analysis, and in evaluating proposed investment projects, should be supported by reasoned judgment, particularly where factors are difficult to predict and estimate. Using techniques such as sensitivity analysis to identify key variables and risks helps to reflect worst, most likely and best case scenarios, and therefore can support a reasoned judgment.

G. A post-completion review or audit of an investment decision should include an assessment of the decision making process and the results, benefits, and outcomes of the decision.

H. Capital and revenue reports need to be closely linked so there is an understanding of how each capital scheme is financed, and in particular which require revenue contributions.

Borrowing costs need to be spelt out. Low interest rates are not in themselves a compelling reason to borrow. Capital budgets should be clear about how individual schemes are financed and which ones add pressure to revenue.

Glossary

Accounting standards	Rules set by the International Accounting Standards Boards that set out how transactions are to be shown in an organisation's accounts.
Annual statement of accounts	The statement of accounts presents the authority's transactions on an annual basis as of 31 March of the relevant year of account. The complete set of financial statements in the annual accounts for local authorities comprises: ■ comprehensive income and expenditure statement for the period ■ movement in reserves statement for the period ■ balance sheet as at the end of the period ■ cash flow statement for the period, and ■ notes, comprising significant accounting policies and other explanatory information.
Asset management plan	Asset management plans align the asset portfolio with the needs of the organisation.
Audit committee	A special committee of the council that reviews the financial management and accounts of the council.
Balance sheet	A financial statement presenting a summary of the authority's financial position as of 31 March each year. In its top half it contains the assets and liabilities held or accrued. As local authorities do not have equity shares, the bottom half is comprised of reserves that show the location of the authority's net worth between its usable and unusable reserves.
Capital budget	The money a council plans to spend on investing in new buildings, infrastructure and other equipment.
Capital financing charges	The amount a council has to pay to support its borrowing to pay for the purchase of major assets.
Capital receipt	The money a council receives for selling assets that can only be used to repay debt or for new capital expenditure.
Chief financial officer	The most senior finance person in a council responsible for ensuring the proper financial management of the council.
CIPFA FM Model	The CIPFA FM Model is the tool that helps public service organisations apply their financial resources to achieve their goals.
Code of Practice on Local Authority Accounting in the United Kingdom	A code produced by the CIPFA/LASAAC Local Authority Code Board. It specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position, financial performance and cash flows of a local authority, including the group accounts where a local authority has material interests in subsidiaries, associates or joint ventures. The Local Authority Accounting Code is established as a proper practice by the four relevant administrations across the UK.
Earmarked reserve	Money set aside for future use on a specific area of expenditure. It remains a part of the general reserves of the authority.

Financial management	Financial management encompasses all the activities within an organisation that are concerned with the use of resources and that have a financial impact. CIPFA has defined financial management for public bodies as "the system by which the financial aspects of a public body's business are directed and controlled to support the delivery of the organisation's goals".
General fund balance (also council fund or police fund)	The general fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. The general fund balance therefore summarises the resources that the authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year.
Governance	The framework by which a council can gain assurance that it is setting and achieving its objectives and ensuring value for money in the proper way.
Housing Revenue Account (HRA)	An account used to record the income and expenditure related to council housing.
IFAC (International Federation of Accountants)	IFAC is the global organisation for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. CIPFA is a member.
Internal audit	An internal review of the organisation's systems to give assurance that they are appropriate and being complied with.
Leadership team	Executive committees, elected mayors, portfolio holders with delegated powers and other key committees of the authority. In the police service this leadership is provided by police and crime commissioners and chief constables.
Non-domestic rates	A tax paid by local businesses to their council.
Public Sector Internal Audit Standards	These standards, which are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.
Provision	A provision is a present liability whose timing or amount of settlement is uncertain. For example, it may be a charge for liabilities that are known to exist, but have to be estimated.
Prudential Code	A code produced by CIPFA that councils are required to follow when deciding upon their programme for capital expenditure.
Revenue budget	The amount that a council spends on its day-to-day running of services through the financial year.
Ringfencing	A term for the earmarking of money (eg a grant or fund) for one particular purpose, so as to restrict its use to that purpose.
Society of Local Authority Chief Executives (SOLACE)	SOLACE's purpose is to develop the highest standards of leadership in local government and the wider public sector.
Treasury management	CIPFA has adopted the following as its definition of treasury management activities: ■ the management of the organisation's borrowing, investments and cash flows ■ its banking ■ money market and capital market transactions ■ the effective control of the risks associated with those activities ■ the pursuit of optimum performance consistent with those risks.

Treasury Management Code	A professional and statutory code produced by CIPFA that councils are required to follow in managing their treasury management activity.
Treasury management strategy	An annual document approved by full council that sets out how a council will manage its cash and borrowings.

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FM Code Reference	FM Code Statements	Example Evidence and Link to Most Relevant Public Document	Score 1-5
Section 1 The Responsibilities of the Chief Finance Officer			
A	**The leadership team demonstrates that the services provided by the authority provide value for money.**	Local MTFPs VFM Audit Scrutiny Committee External auditor's Audit Findings Report	**4**
B	**The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government**	Constitution & Scheme of Delegation, Financial Regulations Training for Staff and Members Professional Qualifications and Continued Professional Development The Constitution of the Council | East Sussex County Council	**4**
Section 2 Governance and Management Style			
C	**The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.**	Terms of reference for FMT, DMT, SMT, CMT & SOG Annual Governance Assessment Reports to Audit Committee Committee details - Audit Committee | East Sussex County Council	**4**

FM Code Reference	FM Code Statements	Example Evidence and Link to Most Relevant Public Document	Score 1-5
D	**The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016)**	Audit Committee Minutes Public Sector Internal Audit Standards. ESCC is subject to an external assessment Browse meetings - Audit Committee | East Sussex County Council	**5**
E	**The Financial Management Style of the authority supports financial sustainability**	RPPR and Medium-Term strategy Head of Finance attendance at DMT / SMT Quarterly integrated reporting Council Monitoring Q4 2024/25	**4**
Section 3: Long to Medium Term Financial Management			
F	**The authority has carried out a credible and transparent Financial Resilience Assessment.**	MTFP scenarios Service Growth and Demography models Robustness Statement (includes previous benchmarking; LGA analysis; CIPFA resilience index) Robustness Statement - Budget 2025/26	**4**
G	**The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members**	MTFP 10 Year Capital Programme responses to lobbying and consultation MTFP Update Cabinet 28.01.25	**4**

FM Code Reference	FM Code Statements	Example Evidence and Link to Most Relevant Public Document	Score 1-5
H	**The authority complies with the CIPFA Prudential Code**	Treasury Management Annual Report and Strategy to Full Council Half-yearly reporting Regular monitoring Treasury Management Strategy 2025-26	**5**
I	**The authority has a rolling multi-year Medium Term Financial Plan**	RPPR papers MTFP Update Cabinet 28.01.25	**4**
Section 4: The Annual Budget			
J	**The authority complies with its statutory obligations in respect of the budget setting process**	Budget Setting to Full Council Budget setting guidance Robustness Statement - Budget 2025/26	**5**
K	**The budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves.**	Reserves and Robustness Statement Reserves and Robustness statement 2024	**5**
Section 5: Stakeholder Engagement and Businesses Cases			
L	**The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium term financial plan and annual budget.**	RPPR stakeholder meetings and other engagement Feedback from Engagement Exercises - Budget 2025/26	**4**

FM Code Reference	FM Code Statements	Example Evidence and Link to Most Relevant Public Document	Score 1-5
M	**The authority uses appropriate documented option appraisal methodology to demonstrate the VFM of its decisions**	Pressures Protocol RPPR scenarios Inflation and Growth & Demography models County Hall Asset Review - Lead Member Report	**3**
Section 6: Performance Monitoring			
N	**The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.**	BMT, monthly and quarterly monitoring reports Risk-based approach which has been signed off as acceptable by CMT Reports to CMT on financial risks, reserves and areas of search. Council Monitoring Q4 2024/25	**4**

FM Code Reference	FM Code Statements	Example Evidence and Link to Most Relevant Public Document	Score 1-5
O	**The authority monitors the elements of its balance sheet which pose a significant risk to its financial stability**	Full Reserves monitoring twice a year Developer Contributions Working Group Bad Debt Monitoring Council Monitoring Q4 2024/25	**4**
Section 7 External Financial Reporting			
P	**The Chief Finance Officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom.**	Statement of Accounts Audit Opinion Statement of Accounts | East Sussex County Council	**5**
Q	**The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions.**	Q4 monitoring reports to DMT/SMT/CMT. Council Monitoring Q4 2024/25	**5**

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Report to:	**Audit Committee**
Date:	**19 September 2025**
By:	**Chief Operating Officer**
Title of report:	**Strategic Risk Monitoring – Quarter 1 2025/26**
Purpose of report:	**To update the Committee on current strategic risks faced by the Council, their status and risk controls / responses and to describe the current Risk Management process.**

RECOMMENDATIONS: Audit Committee is recommended to:

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

---

1. Background

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

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

2. Supporting Information

<u>The Risk Management Process</u>

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

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

Strategic Risk Register – Quarter 1 2025/26

2.3 The Council's Strategic Risk Register, which is attached as Appendix 1, is formally reviewed by the CMT on a quarterly basis. Members should note that this version of the Strategic Risk Register, which relates to Quarter 4 of 2024/25, was reviewed by CMT on 27 August 2025 and is due to be presented to Cabinet on 24 October 2025 as part of the quarterly council monitoring process. Appendix 1 also includes additional summary information to present historic RAG (Red, Amber, Green) ratings, as well as current pre and post mitigation RAG ratings.

2.4 The previous update to this Committee was in July 2025 to present the Strategic Risk Register as at Quarter 4 2024/25. There have been various updates to the Strategic Risk Register to reflect the Council's risk profile as follows:

- **Risk 12 (Cyber Attack)**, **Risk 15 (Climate)**, and **Risk 9 (Workforce)** have updated risk definitions and risk controls
- **Risk 4 (Health)**, **Risk 5 (Reconciling Policy, Performance and Resources)**, **Risk 20 (Placements for Children and Young People in Our Care)**, **Risk 1 (Roads)**, **Risk 18 (Data Breach)**, and **Risk 6 (Local Economic Growth)** have updated risk controls.

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

3. Conclusion and Recommendation

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

ROS PARKER
Chief Operating Officer

Contact Officer:
Thomas Alty: Deputy Chief Finance Officer
Tel: 07701 394836

Local Member: All

Background documents: None

Strategic Risks - Historic Post Mitigation Rag Ratings													
Ref	**Strategic Risks**	**22/23 Q2**	**22/23 Q3**	**22/23 Q4**	**23/24 Q1**	**23/24 Q2**	**23/24 Q3**	**23/24 Q4**	**24/25 Q1**	**24/25 Q2**	**24/25 Q3**	**24/25 Q4**	**25/26 Q1**
5	Reconciling Policy, Performance & Resources	R	R	R	R	R	R	R	R	R	R	R	R
12	Cyber Attack	R	R	R	R	R	R	R	R	R	R	R	R
22	Delivery of Oracle Implementation										R	R	R
15	Climate	R	R	R	R	R	R	R	R	R	R	R	R
20	Placements for Children and Young people in our Care			R	R	R	R	R	R	R	R	R	R
19	Schools and iSEND	R	R	R	R	R	R	R	R	R	R	R	R
1	Roads	A	R	R	A	A	R	R	R	R	R	R	R
4	Health	A	A	A	A	A	A	A	A	A	A	R	R
23	Local Government Reorganisation and Reform											A	A
9	Workforce	R	R	R	R	R	R	R	R	A	A	A	A
18	Data Breach	A	A	A	A	A	A	A	A	A	A	A	A
6	Local Economic Growth	G	G	G	G	G	A	A	A	A	A	A	A
21	Care Act Reviews and DoLS Assessments									A	A	A	A
17	Safeguarding of Children and Young People*	R	R										
8	Capital Programme**	A	A	A	A	A	A	A	A	A			
14	Post European Union (EU) Transition	G											

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

** Risk 8 (Capital Programme) was removed from the Strategic Risk Register as a stand-alone risk and incorporated into Risk 5 (Reconciling Policy, Performance & Resources)

Strategic Risks - Pre (■) and Post Mitigation (♦) RAG Ratings												
Ref	**Strategic Risks**	**High Risk**										**Low Risk**
5	Reconciling Policy, Performance & Resources	■ ♦										
12	Cyber Attack	■	♦									
22	Delivery of Oracle Implementation	■	♦									
15	Climate	■	♦									
20	Placements for Children and Young people in our Care	■	♦									
19	Schools and iSEND	■	♦									
1	Roads		■ ♦									
4	Health	■		♦								
23	Local Government Reorganisation and Reform	■			♦							
9	Workforce	■			♦							
18	Data Breach		■		♦							
6	Local Economic Growth		■			♦						
21	Care Act Reviews and DoLS Assessments		■				♦					

Strategic Risk Register – Q1 2025/26

Ref	Strategic Risks	Pre Mitigation RAG rating		Risk Control / Response and Post Mitigation RAG score	Post Mitigation RAG rating	
Strat-5	**RECONCILING POLICY, PERFORMANCE & RESOURCES** There is ongoing uncertainty in relation to future funding levels, the longer-term local government funding regime and the impact of national reforms, particularly across Children's Social Care and Adult Social Care. The impact of a period of high inflation/cost of living are leading to higher demand for Council services and have increased the direct cost of providing services. Together these create a risk of insufficient resources being available to sustain service delivery at the agreed Core Offer level to meet the changing needs of the local community. Our revenue budget for 2024/25 includes a draw from the Financial Management Reserve to provide a balanced budget. In year pressures in 2024/25 are likely to require an additional draw on reserves. Our proposed budget for 2025/26 includes additional savings and further use of our limited reserves. We are reliant on the multi-year settlement in 2026/27, fair funding review and business rates review delivering sufficient funding to meet the needs of our residents. Additionally, there are risks and uncertainties regarding the capital programme over the current Medium Term Financial Plan period and beyond, which could impact on the ability to deliver the Council's priorities and set a balanced budget. Funding uncertainty (including capital grants, receipts and developer contributions), inflation, supply chain issues and high interest rates could all constrain our ability to implement our Capital Strategy and increase the pressure on the revenue budget via increased borrowing costs.	R	↔	We employ a robust Reconciling Policy, Performance and Resources (RPPR) process for business planning, which ensures a strategic corporate response to resource reductions, demographic change, and regional and national economic challenges; and directs resources to priority areas. We take a commissioning approach to evaluating need and we consider all methods of service delivery. We work with partner organisations to deliver services and manage demand, making best use of our collective resources. We take a 'One Council' approach to delivering our priorities and set out our targets and objectives in the Council Plan. We monitor our progress and report it quarterly. The Council reviews and updates its 20-year Capital Strategy annually as part of the RPPR process, which sets the framework in which the capital programme is planned and allows the Council to prioritise investment to support its objectives. The development and delivery of the capital programme is overseen by a Capital Strategic Asset Board (CSAB), which is a cross departmental group, who also hear from Departmental Capital Board/Sub Boards who oversee priority areas. Our plans take account of known risks and pressures, including social, economic, policy and demographic changes and financial risks. However, we continue to operate in changing and uncertain contexts. Current and forecast economic conditions continue to shape a very challenging financial outlook both for the Council itself and many of the county's residents and businesses. Alongside this we continue to face ongoing challenges as a result of the persistent legacy of Covid, the increased cost of living and other national and international factors. We will continue to use the latest information available on these challenges to inform our business planning. On 10 June 2025, the Lead member for Resources and Climate Change approved the commissioning of CIPFA to undertake a resilience and governance review in relation to the financial challenge faced by the Council. Officers will consider the recommendations in the report and take forward actions accordingly. We will also continually review our performance targets, priorities, service offers and financial plans, and will update these as required. As part of this we will continue to take action wherever we can to mitigate financial and service delivery pressures – making best use of new technology, investing in our workforce, seeking efficiencies, and checking that our services are effective and provide value for money. We lobby, individually and in conjunction with our networks and partners, for a sustainable funding regime for local government in general and for children's social care and adult social care specifically, to meet the needs of the residents of East Sussex. If the funding reforms do not lead to an increase in funding for our services, we will need to consider further options, including seeking Exceptional Financial Support.	R	↔

Ref	Strategic Risks	Pre Mitigation RAG rating		Risk Control / Response and Post Mitigation RAG score	Post Mitigation RAG rating	
Strat-12	**CYBER ATTACK** The National Cyber Security Centre (NCSC) has highlighted the enduring and significant threat to UK infrastructure. From ransomware attacks to AI-enabled intrusion, malicious actors are looking to maximise their disruptive and destructive efforts in an increasingly connected world. Cyber-attacks are growing more frequent, sophisticated, and damaging when they succeed. Ransomware remains the most significant cyberthreat to the UK, primarily driven by financially motivated organised crime groups. The UK's Strategic Defence Review acknowledges daily cyber-attacks as a persistent threat and emphasises a shift towards digital warfare capabilities. Amid a rise of state aligned groups, whilst the UK is not disproportionately targeted, there is an increase in aggressive cyber activity and ongoing geopolitical challenges. There is an accelerated need to keep pace with the dynamic threat landscape. Furthermore, while AI presents huge opportunities, it is also transforming the threat landscape. Cyber criminals are adapting their business models to embrace this rapidly developing technology - using AI to increase the volume and impact of cyber attacks against citizens and organisations. Meanwhile the proliferation of advanced cyber intrusion tools is lowering the barrier for entry to criminals and states alike.	R	↔	Most attacks leverage software flaws, gaps in boundary defences or social engineering-based insertion methods (such as legitimate looking emails which trigger viral payloads or impersonation of Service Desk support). These are becoming harder to identify and filter and rely on user security vigilance in tandem with technical controls. IT&D use modern security tools to assure our security posture: Monitoring network activity and identifying security threats; Keeping software up to date with regular patching regimes; Continually monitoring evolving threats and re-evaluating the ability of our toolset to provide adequate defence against them; Ongoing communication with the security industry to find the most suitable tools and systems to secure our infrastructure. IT&D continues to invest in new tools, which use pre-emptive technology to identify threats and patterns of abnormal behaviour. Services hosted in ISO 27001 accredited Orbis Data Centres. As well as mitigations against attack, the following measures are currently in place to minimise the impact should there be a successful attack: • Behavioural analysis systems defend against hostile activity • Resilient systems enhanced with immutable backups enable quick recovery • Robust protocols for response escalation and communication	R	↔

Ref	Strategic Risks	Pre Mitigation RAG rating		Risk Control / Response and Post Mitigation RAG score	Post Mitigation RAG rating	
Strat-22	**DELIVERY OF ORACLE IMPLEMENTATION** There is a risk that the implementation of Oracle may not achieve the outcomes planned which results in:•higher delivery costs•longer timescales•a reduced quality of back office services from a substandard technical implementation•risk of not meeting statutory or contractual requirements such as payments of Pay as You Earn (PAYE) / National Insurance (NI), pensions, suppliers and employees•an inadequate control environment•lack of user buy-in and adoption due to a lack of organisational readiness impacting on core business processes•additional pressure on business as usual capacity from high resource demands during delivery•risk to employee wellbeing from high workloads and delivery timescaleFailure to implement would result in the use of an unsupported and unlicenced system (or subject to ransom charges on some level of support) as the SAP system passes its expiry date and would miss out on efficiencies that can be gained through the new system.	R	↔	Phases 1 and 2 of the implementation, covering Enterprise Performance Management, Finance, Procurement, Oracle Helpdesk and Recruitment, are now live and have successfully exited the period of 'hypercare' (effectively the warranty period for the build quality of the system). These areas of Oracle functionality are now in BAU and the operational risks are therefore being managed on a day-to-day basis through the functional areas and through the Oracle system support team, with the support from the Oracle programme where required. This includes keeping documentation and training materials up to date, managing the Oracle quarterly updates and resolving any queries or issues that may arise, as for any other BAU type activity. Phase 3 (payroll, and employee and manager self-service) is currently in its planning stage. An earliest realistically achievable go-live date for this phase is currently being considered, the delivery of which will include appropriate governance (including risk identification and mitigation, as well as audit), technical implementation, organisational readiness and plans for post go-live support. To complete the phase 3 implementation, it is necessary to ensure that sufficient programme resource is in place, and this is therefore kept under constant review. In addition, a positive ongoing working relationship with our implementation partner, Infosys, needs to be in place. The project lead and other key stakeholders therefore have regular conversations with Infosys senior staff and escalate issues where necessary. It is also necessary for the organisation to prioritise programme activity at key points in time and this is also therefore kept under constant review	R	↔

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Strat-15	**CLIMATE** Mitigation: the Council needs to play its part in meeting both the international agreement to keep the average global temperature increase under 1.5°C above pre-industrialisation levels, as well as the legally binding national target to reach 'net zero' by 2050. Adaptation: the Council needs to adapt relevant services to the predicted impacts of climate change in East Sussex, including more frequent and intense flooding, drought, episodes of extreme heat, and accelerated coastal erosion. If services are not sufficiently adapted to climate change this will lead to an increase in heat related deaths (particularly amongst the elderly), damage to essential infrastructure, property damage from flooding, and disruption to supply chains.	R	↔	**Climate change mitigation:** the Council's science-based target is to reduce scope 1 and 2 carbon emissions by 50% every 5 years (equating to 13% per year). The focus is on buildings, as they contributed 79% of carbon emissions in 2020/21, though funding constraints mean that the target is extremely challenging to meet. The target for 2025/26 is for the delivery of a further 10 capital schemes, as part of business-as-usual asset management work. In Q1 a total of 5 schemes were completed. A pipeline of additional projects is being developed. The estimated outturn is for 10 capital schemes to be completed this year. **Climate change adaptation:** the Council is working to ensure that all relevant Council service areas will integrate adaptation into their service planning by 2030 (within the constraint of the resources available). In addition, the Council has some direct responsibilities for county-wide climate change adaptation, for example as the Lead Local Flood Authority. The target for 2025/26 is to develop service-based guidance and tools on integrating climate adaptation and trial with 3 services. The 3 service areas are currently being identified. The corporate Climate Emergency Board oversees progress for both mitigation and adaptation. Ultimately there is not sufficient funding available for the Council to be able to keep pace with the science-based target to half emissions every five years. Although grant funding will be sought to mitigate against this, it is unlikely to be sufficient. The council will continue to work on what it can to reduce emissions with the funding it has available including working with its supply chain on Scope 3 emissions.	R	↔

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Strat-20	**PLACEMENTS FOR CHILDREN AND YOUNG PEOPLE IN OUR CARE** Inability to secure sufficient high quality placements for children in our care, suitable accommodation for care experienced young people and respite provision, leading to significant financial pressure and poorer outcomes for children/young people.The risk of the failure of one or more key providers in the independent sector is an increasing concern, set against necessary regulatory tightening of profit which might further impact the market.	R	↔	Effective demand management, robust management of front door Delivery of early help services, implementation of Family Hub programme throughout 2023-24, and Level 2 Family Keyworkers Implementation, monitoring and evaluation of Edge of Care 'Connected Families', The Family Hubs programme has been implemented across East Sussex delivering early intervention and support within communities, Connected Families (Connected Coaches and Intensive Practitioners), Foundations, SWIFT are delivering intensive evidence based interventions alongside Social Workers to maximise the opportunity for children to be cared for within their own family. There has been a 14% reduction in the number of children subject to child protection plans since February 2024, this is as a direct result of the launch of the Connected Families Intensive Practitioners (CFIP service). Further delivery of kinship/Special Guardianship Order placements. Capital bid for Sorrel Drive. In 2023/24 Children's Services worked with IMPOWER to enhance our approach to using data to shape placement sufficiency. We have developed trajectory planning, implemented the 'Valuing Care' approach to ensure children receiving the right care for their needs and value for money achieved, and improved support for in house foster carers, including an investment in allowances. An analysis of the children becoming Looked After during Q1 2024-2025, indicates that a high proportion (81%) are entering into foster care or kinship care provision rather than residential care. Fostering Recruitment & Retention Strategy completed. East Sussex County Council is part of the South East Sector Led Improvement Programme, Regional Fostering Strategy and piloting Mockingbird hub. Uplift to fostering allowance (for in house carers, Special Guardianship Orders, Kinship carers) approved by the Chief Management Team to help secure sufficient supply of in house foster carers as an alternative to more expensive care packages. The valuing care tools have been embedded into the business as usual with a strong focus on reunification. In Q4 A strategic group was set up to drive forward the valuing care agenda which will report into the Transformation Board chaired by the Director of Children's Services. Fostering allowance uplift has been made part of the recruitment drive. Both elements are attempting to mitigate the increased costs due to the lack of placements for Looked After Children. Q1 has seen a significant rise in foster carer applications in this period. The new Duty and Commissioning team have added capacity to the service and we are already seeing impact with placements and prices. Q2 has continued the trajectory above with tighter discussions and process, however the market continues to present a challenge.	R	↔

Ref	Strategic Risks	Pre Mitigation RAG rating		Risk Control / Response and Post Mitigation RAG score	Post Mitigation RAG rating	
Strat-19	**SCHOOLS AND INCLUSION, SPECIAL EDUCATIONAL NEEDS AND DISABILITIES (ISEND)** For Children with Special Educational Needs. Inability to secure statutory provision due to lack of availability of specialist placement within the county and increasing demand for placements in this sector. This would put the Council at risk of judicial review and/or negative Local Government Ombudsman judgements for failing to meet our duties within the Children and Families Act 2014, with associated financial penalties and reputational damage.	R	↔	Effective use of forecasting data to pre-empt issues. Work with statutory partners to develop contingency plans. Work with the market to increase provision where needed. Expanding internal interim offer for children.	R	↔

Ref	Strategic Risks	Pre Mitigation RAG rating		Risk Control / Response and Post Mitigation RAG score	Post Mitigation RAG rating	
Strat-1	**ROADS** Extreme weather events over recent years, including the last winter, have caused significant damage to many of the county's roads, adding to the backlog of maintenance in the County Council's Asset Plan: and increasing the risk to the Council's ability to stem the rate of deterioration and maintain road condition.	R	↔	The changing climate is now influencing the rate of road deterioration, with more extreme events such as warmer wetter winters; and drier summers punctuated by unseasonal heavy downpours (drying and shrinking the substructure of roads). Additional funding over the last few years has helped maintain road condition, however, the latest condition and funding modelling showed the potential for continued deterioration over the next 10 years. The highway's maintenance budget for 2025/26 only includes government grant. In previous years we have increased spend through borrowing. We no longer have the flexibility to borrow because of the broader revenue pressure on Council services. This means the level of funding available is below the £25 million needed each year to keep our roads in a steady condition. This funding shortfall, alongside rising costs, presents a considerable challenge in maintaining current standards across the whole network. As a result, we are now taking a more targeted approach to managing network condition—prioritising routes of highest importance to ensure we maintain a safe and resilient core network. This means making difficult decisions about where limited resources can have the greatest impact. In East Sussex, we are focusing on A and B roads and key non-principal routes* that form part of our resilient network, because they are vital for emergency services, public transport, and the local economy. Mitigations include encouraging road users to report potholes so we can intervene as soon as possible in accordance with our policies; closely managing the operational performance of the highway contractor; and lobbying Government for additional investment as, without it, it will be increasingly difficult to manage the risks of further decline. In conjunction with this, new technologies and materials are being trialled to introduce improvements to practices and ensure works are as efficient as possible. This includes introducing a new Asset Management system with enhanced capabilities for data management and funding modelling, and introducing smart street lighting systems that allow greater control over levels of lighting, reducing energy consumption. * Due to poor delivery planning by the appointed contractor, the routine Coarse Visual Inspection (CVI) survey of the U-road network, used to produce data for maintenance planning, is recommended to Cabinet to have a 'zero return' for 2024. This area will be re-surveyed, by a new highway condition survey contractor, in 2026 to re-establish a reliable condition baseline for that area. See Appendix 6 for full details.	R	↔

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Strat-4	**HEALTH** Failure to secure maximum value from partnership working with the National Health Service (NHS). If not achieved, there will be impact on social care, public health and health outcomes and increased social care operational and cost pressures, as well as shared Integrated Care System objectives for jointly managing patient flow through our System.An increase in activity and complexity in the presentation of patients through our acute hospital sites, has resulted in an increase in the NCTR (No Criteria to Reside) numbers and presents a system risk in respect of adequate patient flow. Integrated Care Board (ICB) operating costs and programme funding will need to reduce by 50% by Q3 2025/26 as per a national mandate. For NHS Sussex this means a reduction of 53% which presents a risk to the way ESCC works with the NHS to jointly commission services locally and get the best value out of the collective resources available for our population, and could have implications for the Sussex Integrated Care System (ICS) which would impact on alignment with the Sussex Combined Mayoral Authority Devolution plans.	R	↔	East Sussex was allocated £5,088m, as part of the national Government Discharge Fund Grant for 2024/25, to support local authorities to build additional adult social care and community-based reablement capacity to reduce hospital discharge delays by delivering sustainable improvements to services for individuals - focussed on improving discharge to home, alongside increased therapy and assessment provision and associated plans to reduce the use of bedded discharge pathways. Collaborative work continues with ICB and NHS colleagues on our Hospital Discharge Transformation work and how as a system we can support and expedite discharges from both local and out of county hospitals, to address the increase in the number of patients who no longer meet the Criteria to Reside (NTCR) in an acute hospital bed. In light of this, two Hospital Social Work Teams currently support discharge either through established routes via SPOT purchase or Discharge To Assess beds in the community. Additional capacity has been provided through joint ESCC and ICB investment. This was utilised through a temporary increase of D2RA ('discharge to recover and assess') and spot-purchased beds in the community to the end of Q1 2025/26. An additional scheme to expedite discharges of self-funding patients from acute sites was commissioned with Xyla. This supports 15 placements a month and oversight of this is through place-based Operational Executive (OPEX). System funding allocations have been agreed for Q1 2025/26 for Hospital Discharge Schemes, the use of which is being monitored at Place. Building on our ICT development work in 2024/25, we have now established the shadow leadership infrastructure for our 5 Integrated Community Teams (ICTs) in East Sussex across primary, community and social care, linking with mental health, VCSE and housing. This will enable the development of joint local action plans based on population needs and challenges and aligned to the strategic objectives of our health and care system, building on relevant tests of change and other pilot activity to support integrated care through closer working at the neighbourhood level. Over time this is expected to reduce the need for urgent and unplanned attendance and admission to hospital, through moving to a model of better coordinated and proactive multi-disciplinary care for people with complex health and care needs, for example due to multiple long term conditions and frailty. In March 2025 it was nationally mandated that Integrated Care Board (ICB) operating and programme funding costs will need to reduce by 50% by Q3 2025/26, with running costs of £18.76 per head of weighted population set as a national target for ICBs, excluding certain services. This target means each ICB, or the regions they are a part of, must reduce their overall spend per head of weighted population to this level. For NHS Sussex this equates to a reduction of 53%, and comes on top of already having recently restructured significantly to deliver a 30% running costs reduction in 24/25. This presents a risk to the way ESCC works with the NHS to jointly commission services locally and get the best value out of the collective resources available for our population. This could also have implications for the Sussex Integrated Care System (ICS) more broadly, for example if the ICS footprint changes to a larger scale to accommodate the reduction, which would impact on alignment with the Sussex Combined Mayoral Authority Devolution plans. A national ICB model blueprint has recently been produced which describes the future strategic role of ICBs, and signals potential transfers of current Continuing Healthcare, SEND and safeguarding functions, all of which would need primary legislation to enact (and would therefore be post cost reductions). Notwithstanding feedback about the lack of engagement with Local Government (LG) as a key partner, and the importance of coterminous footprints with the NHS for a future Sussex MCA, NHS Sussex will ‘cluster’ with NHS Surrey Heartlands and NHS Frimley from Q3 2025/26 prior to the creation of a combined NHS Surrey and Sussex ICB from Q1 2026/27. Discussions are ongoing to	R	↔

Ref	Strategic Risks	Pre Mitigation RAG rating		Risk Control / Response and Post Mitigation RAG score	Post Mitigation RAG rating	
				secure appropriate (East Sussex) Place based decision making, resource allocation and local authority representation within the new NHS organisation.		

Ref	Strategic Risks	Pre Mitigation RAG rating		Risk Control / Response and Post Mitigation RAG score	Post Mitigation RAG rating	
Strat-23	**Local Government Reorganisation and Devolution** Both the proposed creation of a new Mayoral County Combined Authority for Sussex and the proposed transition from a two tier local authority arrangement to a unitary government model for East Sussex will have a significant effect on our workforce. These are likely to lead to additional workloads for staff over the next few years. The timescales for implementation are challenging and will place considerable additional pressures on teams. This could have result in resources being diverted from the ongoing delivery of services and a consequential deterioration in service delivery	R	↔	Through our RPPR process we will continue to review the resources required to support Devolution and Local Government Reorganisation and will lobby Government for additional funding to help support the significant additional workload this will place on the Council. We will also continue our work on supporting staff through change and will ensure all staff are aware of the full range of support available to them. Additional mitigations will be implemented as the potential impact on both the Council and our local area becomes clearer.	A	↔

Ref	Strategic Risks	Pre Mitigation RAG rating		Risk Control / Response and Post Mitigation RAG score	Post Mitigation RAG rating	
Strat-9	**WORKFORCE** An inability to attract and retain the high calibre staff needed in key services and roles could lead to a reduction in the expertise and capacity required to deliver statutory services to our residents, including to prevent harm to children, young people and vulnerable adults at the required level and standards, impacting on the achievement of the Council's strategic objectives.	R	↔	A number of strategies have been put in place to support our recruitment and retention aims. Work being undertaken includes: - ongoing use of apprenticeships, traineeships, intern arrangements and more flexible work arrangements etc as a way of bringing in new talent to the Council. - the launch of a new recruitment website 'East Sussex County Council Careers' which contains a range of engaging content about working for the Council as well as step by step guidance on applying for our jobs. - the delivery of mentoring to young people in care by Adecco (the Councils Agency supplier) as part of their social value offer. - engagement with employees at ESCC who are under 25, to get feedback on what attracted them to the Council as an employer; and to begin establishing a forum for young people to highlight any issues, and to attract candidates from a younger demographic to the Council. - continued delivery of inclusive recruitment training to managers. - ongoing promotion of guidance to managers on making reasonable adjustments for disabled candidates. - guidance on the use of volunteers as a route into the workplace is being developed. The intention is for such opportunities to support people who are out of work to come back into the workplace through gaining confidence and experience of work. - a review of the current leadership development offer following the delivery of our two leadership development programmes: 'Ladder to Leadership' and 'Head of Service Masterclasses'.	A	↔

Ref	Strategic Risks	Pre Mitigation RAG rating		Risk Control / Response and Post Mitigation RAG score	Post Mitigation RAG rating	
Strat-18	**DATA BREACH** A breach of security/confidentiality leading to destruction, loss, alteration, unauthorised disclosure of, or access to, personal data. This includes breaches that are the result of both accidental and deliberate causes. A personal data breach is a security incident that has affected the confidentiality, integrity or availability of personal data regardless of whether information has been accessed, altered or disclosed via electronic or manual means. Risks to individuals, reputational damage, fines from the Information Commissioner's Officer (ICO), compensation claims.	R	↔	Policy and guidance procedures in place to support practice. Data Protection Officer (DPO), Caldicott Guardians and Information Governance Officers monitor breach reporting and put in place mechanisms to minimise recurrence. Staff training to develop awareness. E-learning and policy delivery mechanism expanded to enhance skills and increase awareness of responsibilities under General Data Protection Regulation legislation. Technical security measures operated by Information Technology and Digital (IT&D), including access control and segregation of duties.	A	↔

Ref	Strategic Risks	Pre Mitigation RAG rating		Risk Control / Response and Post Mitigation RAG score	Post Mitigation RAG rating	
Strat-6	**LOCAL ECONOMIC GROWTH** The devolution of powers, responsibilities, functions and funding through a Mayoral Combined County Authority (MCCA) for Sussex will lead to significant changes, impacts and opportunities for East Sussex County Council (ESCC) in enabling and supporting the local economic growth for our residents, businesses and visitors. Possible consequences if the devolution is not managed successfully include: • Ineffective structures and mechanisms to position and make the case for local economic growth in East Sussex • The county unable to access future investment opportunities if East Sussex does not influence strategy development and adoption to determine strategic priorities at MCCA level • Lack of development of a credible pipeline of investments that will seek to maximise the levels of funding •Lack of funding secured from MCCA for major programmes, which then limits our ability to raise GVA and productivity in the area; • Loss of an effective 'business voice' through the current local economic growth board (Team East Sussex) and its various subgroups able to provide intelligence and set the strategic direction for the county.	R	↔	In July 2025 the Government approved the Sussex and Brighton MCCA, to cover East Sussex, West Sussex and Brighton and Hove, to be established from May 2026. At this stage the details are unclear as to how the devolved functions will operate between the new MCCA and existing upper tier authorities (and then subsequently the unitary authorities, as a result of Local Government Reorganisation from May 2027). Our risk control/response will be adjusted as information becomes available to consider the wider impact / opportunity this will have on the local economy through the development at a Sussex wide level of jointly agreed strategies and the resulting funded and commissioned programmes. As part of our initial response to mitigate these risks we are undertaking the following: • new Local Transport Plan 4 to 2050 is in place and we are developing a series of accompanying transport modal strategies, alongside investment plans to support the implementation of the devolved MCCA transport powers. • We and strategic partners are developing an investment plan in 2025 to accompany the 'East Sussex Prosperity to 2050' economic growth strategy to articulate our investment propositions and asks to the new devolved MCCA and Government, whilst also addressing the Governments emerging Industrial Strategy and Sector Plans. • We run the East Sussex Growth Hub services and Government have confirmed funding 2025/26 and in future years will provide a multi-year funding settlement for 2026-28. • We ensure the business voice continues to be heard through Team East Sussex, our local strategic advisory economic growth board for the county, which continues to meet on a quarterly basis. The Council is in a good position to mitigate risks on employment support and skills as it will be contributing to the development of the Get Sussex Working Plan by September 2025 and the Local Skills Improvement Plan by March 2026, alongside delivering major Government funded programmes for Connect to Work, Skills Bootcamps and Careers hub to name a few.	A	↔

Ref	Strategic Risks	Pre Mitigation RAG rating		Risk Control / Response and Post Mitigation RAG score	Post Mitigation RAG rating	
Strat-21	**CARE ACT REVIEWS AND DEPRIVATION OF LIBERTY SAFEGUARDING (DOLS) ASSESSMENTS** Demand exceeding capacity for annual Care Act reviews and Deprivation of Liberty Safeguarding (DoLS) assessments	R	↔	• These are known issues for virtually all local authorities with social care responsibilities as this activity falls within our duties under the Care Act 2014 and Mental Capacity Act 2005.• We have measures for Care Act reviews and DoLS assessments included in the Council Plan for scrutiny from Members and the public. As of Q4 2024/25, we are meeting our target for adult Care Act reviews (outturn is 6 days against a target of 6 days) and carer Care Act reviews (outturn is -1 day against a target of 6 days, meaning reviews started on average 1 day before their proposed start date). We are also meeting our target for the number of people with a DoLS episode awaiting allocation of a Best Interest Assessor (429 people against a target of 650). • We use regular benchmarking. For example, we have the 3rd lowest number of reviews overdue by more than 12 months out of 18 local authorities in the South East (comparing March 2025 data to August 2023 South East data, which is the latest available). Mitigations and actions:• We are continuing to increase the number of reviews completed year-on-year to help meet increasing demand, and to prioritise reviews according to people's needs. The number of adult Care Act reviews completed increased by 10% in 2024/25 compared to 2023/24, and the number of carer reviews increased by almost 9%.• A project to reduce Care Act waiting times began in April 2024. Since then, the median wait time for adult and carer reviews (combined) has reduced from 7 days to 3 days. As of March 2025, there were no carer reviews overdue by more than 12 months. • We have oversight of performance at all levels of the Council to ensure visibility, accountability and grip. Weekly and monthly reporting is sent to Operational Managers at all levels, and then scrutinised by the Waiting Times Steering Group and the Improvement and Assurance Board on a regular basis. • Since October, we have piloted the delegation portal with our strategic partner Care for the Carers, making it easier and quicker for them to process carer reviews. • Young carers reviews are undertaken by Imago Community, ensuring a timely assessment and review for this cohort.	A	↔

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Audit Committee – Work Programme

List of Suggested Potential Future Work Topics		
Issue	**Detail**	**Meeting Date**
Devolution and Local Government Reorganisation.	As the agenda develops.	TBC
Audit Committee Working Groups		
Working Group Title	**Subject area**	**Meeting Dates**
Oracle Implementation (MBOS) Sub-Group	Oversight of the Oracle Implementation programme.	11 Sep 2025
Training and Development		
Title of Training/Briefing	**Detail**	**Date**

Future Committee Agenda Items		Author
21 November 2025		
Update on Review of Annual Governance Report & 2024/25 Statement of Accounts	Update report of the external auditors regarding their audit of the Council's statutory accounts.	External Auditors/ Ian Gutsell, Chief Finance Officer

Update on Review of Annual Pension Fund Governance Report & 2024/25 Statement of Accounts	Update report of the external auditors regarding their audit of the Pension Fund.	External Auditors/ Ian Gutsell, Chief Finance Officer
Auditor's Annual (VFM) Report on East Sussex County Council 2024/25	To provide the Committee with Grant Thornton's Annual (Value for Money) Report for 2024/25	Ian Gutsell, Chief Finance Officer & External Auditors
Treasury Management Annual Report & Mid-Year Report 2025	To consider a report on the review of Treasury Management performance for 2024/25 and for outturn for the first six months of 2025/26, including the economic factors affecting performance, the Prudential Indicators and compliance with the limits set within the Treasury Management Strategy before it is presented to Cabinet.	Ian Gutsell, Chief Finance Officer
Internal Audit Progress Report	Internal Audit Progress report – Quarter 2, 2025/26 (01/07/25 – 30/09/25)	Nigel Chilcott, Audit Manager/Russell Banks, Chief Internal Auditor
CIPFA Code of Practice on the Governance of Internal Audit in the UK Public Sector – Self Assessment and Action Plan	To consider a report on the Council's self-assessment and action plan in response to the CIPFA Code of Practice on the Governance of Internal Audit in the UK Public Sector.	Russell Banks, Chief Internal Auditor / Ian Gutsell, Chief Finance Officer
Oracle Subgroup Update	Update from the Oracle (Previously MBOS) Subgroup.	Ros Parker, Chief Operating Officer
Committee Work Programme	Discussion of the future reports, agenda items and other work to be undertaken by the Committee.	Sophie Webb, Governance and Democracy Manager

13 February 2026		
Review of Annual Governance Report & 2024/25 Statement of Accounts	Report of the external auditors following their audit of the Council's statutory accounts. It allows the committee to review the issues raised and assess the management response.	External Auditors/ Ian Gutsell, Chief Finance Officer
Review of Annual Pension Fund Governance Report & 2024/25 Statement of Accounts	Report of the external auditors following their audit of the Pension Fund. It allows the committee to review the issues raised and assess the management response.	External Auditors/ Ian Gutsell, Chief Finance Officer
External Audit Plan 2025/26	This report sets out in detail the work to be carried out by the Council's External Auditors on the Council's accounts for the financial year 2025/26.	Ian Gutsell, Chief Finance Officer & External Auditors
External Audit Plan for East Sussex Pension Fund 2025/26	To consider and comment upon the External Audit Plan for the East Sussex Pension Fund for the financial year 2025/26.	Ian Gutsell, Chief Finance Officer & External Auditors
Internal Audit Progress Report	Internal Audit Progress report – Quarter 3, 2025/26 (01/10/25 – 31/12/25)	Nigel Chilcott, Audit Manager/Russell Banks, Chief Internal Auditor
Strategic Risk Monitoring	Strategic risk monitoring report – Quarters 2 and 3, 2025/26 (01/07/25 – 31/12/25)	Ros Parker Chief Operating Officer / Ian Gutsell, Chief Finance Officer
Annual Update on Property Investment Strategy and Key Sites 6 monthly Update	Consideration of an annual report on the implementation of the Property Asset Disposal and Investment Strategy.	Ros Parker, Chief Operating Officer

Committee Work Programme	Discussion of the future reports, agenda items and other work to be undertaken by the Committee.	Sophie Webb, Governance and Democracy Manager
3 July 2026		
Assessment of the Corporate Governance Framework and Annual Governance Statement for 2025/26	Sets out an assessment of the effectiveness of the Council's governance arrangements and includes an improvement plan for the coming year, and the annual governance statement (AGS) which will form part of the statement of accounts.	Philip Baker, Deputy Chief Executive
Internal Audit Strategy and Plan	Consideration of the Internal Audit Strategy and Plan for 2026/27	Russell Banks, Chief Internal Auditor/ Nigel Chilcott, Audit Manager
Internal Audit Services Annual Report and Opinion 2025/26	An overall opinion on the Council's framework of internal control, summarises the main audit findings and performance against key indicators (includes Internal Audit Progress reports – Quarter 4, 2025/26, (01/01/26 – 31/03/26).	Nigel Chilcott, Audit Manager / Russell Banks, Chief Internal Auditor
Counter Fraud Annual Report	Annual report on Counter Fraud work	Simon White, Audit Manager – Counter Fraud / Russell Banks, Chief Internal Auditor
Strategic Risk Monitoring	Strategic risk monitoring report – Quarter 4, 2025/26 (01/01/26 – 31/03/26)	Ros Parker, Chief Operating Officer / Ian Gutsell, Chief Finance Officer

Audit Committee Annual Report	Annual Report 2025/26 of the Audit Committee: meeting a requirement of the CIPFA Position Statement for Audit Committee	Ian Gutsell, Chief Finance Officer, Sophie Webb, Governance and Democracy Manager
Committee Work Programme	Discussion of the future reports, agenda items and other work to be undertaken by the Committee.	Sophie Webb, Governance and Democracy Manager
25 September 2026		
Internal Audit Progress Report	Internal Audit Progress report – Quarter 1, 2026/27 (01/04/26 – 30/06/26)	Nigel Chilcott, Audit Manager/Russell Banks, Chief Internal Auditor
Financial Management Code	Report of the Financial Management Code	Thomas Alty, Deputy Chief Finance Officer / Ian Gutsell, Chief Finance Officer
Strategic Risk Management	Strategic risk monitoring report – Quarter 1, 2026/27 (01/04/26 – 30/06/26)	Ros Parker, Chief Operating Officer / Ian Gutsell, Chief Finance Officer
Committee Work Programme	Discussion of the future reports, agenda items and other work to be undertaken by the Committee.	Sophie Webb, Governance and Democracy Manager

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