

19 May 2021

Joint Governance Committee		
Date:	27 May 2021	
Time:	6.30 pm	
Venue:	QEII Room, Shoreham Centre, Shoreham-by-Sea	

Committee Membership:

Adur District Council: Councillors; Kevin Boram (Adur Chairman), Andy McGregor (Adur Vice-Chairman), Paul Mansfield, Ann Bridges, Debs Stainforth, Catherine Arnold and 2 x vacancies

Worthing Borough Council: Councillors; Roy Barraclough (Worthing Chairman), Tim Wills (Worthing Vice-Chairman), Louise Murphy, Mike Barrett, Steve Waight, Steve Wills, Rebecca Cooper and Hazel Thorpe

The Membership of the Committee for 2021/22 will be appointed at the Annual Council meetings on Thursday 20th (ADC) and Friday 21st (WBC) May 2021.

Agenda

Part A

1. Substitute Members

Any substitute members should declare their substitution.

2. Declarations of Interest

Members and officers must declare any disclosable pecuniary interests in relation to any business on the agenda. Declarations should also be made at any stage such an interest becomes apparent during the meeting.

If in doubt contact the Legal or Democratic Services representative for this meeting.

3. Minutes

To approve the minutes of the Joint Governance Committee meeting held on 27th March 2021 and the Joint Governance Sub-Committee meeting held on the 31st March 2021, copies of which have been previously circulated.

4. Public Question Time

To receive any questions from members of the public.

Questions should be submitted by noon on Tuesday 25th May 2021 to Democratic Services, <u>democratic.services@adur-worthing.gov.uk</u>

(**Note:** Public Question Time will operate for a maximum of 30 minutes)

5. Items Raised under Urgency Provisions

To consider any items the Chairman of the meeting considers to be urgent.

6. Adur District Council and Worthing Borough Council Audit Planning Reports (Pages 1 - 100)

To consider the reports from the External Auditor, copies attached as item 6.

7. Internal Audit Progress Report (Pages 101 - 140)

To consider a report from the Acting Head of Internal Audit, copies attached as item 7.

8. Annual Governance Statements 2020/21 (Pages 141 - 194)

To consider a report by the Director for Digital, Sustainability & Resources, copy attached as item 8.

9. Risks & Opportunity Management Update (Pages 195 - 234)

To consider a report by the Director for Digital, Sustainability & Resources, copy attached as item 9.

10. Annual Review of Complaints about Member Conduct - 2020/21 (Pages 235 - 246)

To consider a report by the Monitoring Officer, copy attached as item 10.

Part B Exempt Reports - Not for Publication

None.

Recording of this meeting

Please note that this meeting will be live streamed and a recording of the meeting will be available to view on the Council's website. This meeting will be available to view on our website for one year and will be deleted after that period. The Council will not be recording any discussions in Part B of the agenda (where the press and public have been excluded).

For Democratic Services enquiries relating to this meeting please contact:	For Legal Services enquiries relating to this meeting please contact:
Neil Terry Democratic Services Lead 01903 221073 neil.terry@adur-worthing.gov.uk	Maria Memoli Head of Legal Services and Monitoring Officer 01903 221119 maria.memoli@adur-worthing.gov.uk

The agenda and reports are available on the Councils website, please visit www.adur-worthing.gov.uk

Duration of the Meeting: Four hours after the commencement of the meeting the Chairperson will adjourn the meeting to consider if it wishes to continue. A vote will be taken and a simple majority in favour will be necessary for the meeting to continue.





17 May 2021



Adur District Council c/o Worthing Town Hall Chapel Road Worthing West Sussex BN11 1HA

Dear Joint Governance Committee Members

Provisional 2020-21 Audit Planning Report

We are pleased to attach our Provisional Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Joint Governance Committee with a basis to review our proposed audit approach and scope for the 2020/21 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This Provisional Audit Plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council and outlines our planned audit strategy in response to those risks. Our planning procedures remain ongoing, specifically in relation to the new requirements for the value for money conclusion. We will report our value for money risk assessment and inform the Joint Governance Committee if there are any significant changes or revisions to our strategy for the financial statements audit upon completion of these procedures at the following meeting of the Committee.

This report is intended solely for the information and use of the Joint Governance Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

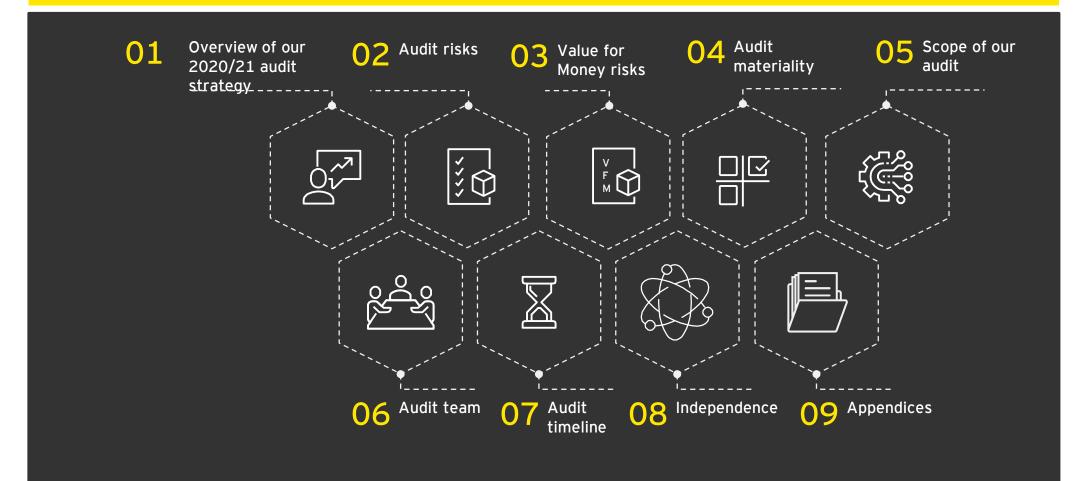
We welcome the opportunity to discuss this report with you on 27 May 2021 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Helen Thompson

For and on behalf of Ernst & Young LLP

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Joint Governance Committee and management of Adur District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Joint Governance Committee and management of Adur District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Joint Governance Committee and management of Adur District Council for this report or for the opinions we have the control of the c





The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Joint Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus			
Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error (management override)	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	Fraud risk	No change in risk or focus	Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We believe the risk of manipulation is most likely to manifest in the incorrect capitalisation of revenue expenditure, as there is an incentive to reduce
			expenditure which is funded from Council Tax.
Valuation of Land & Buildings in Property, Plant & Equipment (PPE) under Estimated-Use-Value (EUV) and Investment Properties (IP) under Fair Value (FV)	Significant risk	No change in risk or focus	The value of land & buildings in PPE under EUV and in IP under FV represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a high degree of material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.
Valuation of Land & Buildings in PPE under Depreciated Replacement Cost (DRC) and Housing Revenue Account (HRA) properties	Inherent risk	No change in risk or focus	The value of land & buildings in PPE under DRC and HRA properties also represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a lesser degree of material judgemental inputs and apply estimation techniques are required to calculate these balances held in the balance sheet and HRA notes. Although there is a risk for land & buildings under DRC due to the specialised nature of these assets and insufficient availability of market-based evidence to assist the valuation, these assets and HRA properties are inherently not subject to material uncertainty arising due to market conditions.



The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Joint Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus			
Risk / area of focus	Risk identified	Change from PY	Details
Pension Liability Valuation	Inherent risk	Changed from significant risk in the PY to area of focus in the CY	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by West Sussex County Council.
			The Council's pension fund asset is a material estimated balance and the Code requires that this asset be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.
			Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.
			In 2019/20, late changes were required to disclosures in the financial statements arising from the McCloud legal judgement. The impact for 2020/21 is not yet known.
Going Concern Disclosure	Inherent risk	No change in risk or focus	Covid-19 has created a number of financial pressures throughout local government, increasing service demand and expenditure. The Council has incurred additional expenditure in a number of areas of its operations and has experienced some income losses. The extent of support from MHCLG has developed over time, but does not include all financial consequences of Covid-19. CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.
			(Details continued on next slide)



The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Joint Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus			
Risk / area of focus	Risk identified	Change from PY	Details
Going Concern Disclosure	Inherent risk	No change in risk or focus	However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.
Accounting for Covid-19 Grant Income	Inherent risk	New area of focus	The Council has received a significant level of government funding in the relation to Covid-19. There is a need for the Council to ensure that it is has recognised and accounted for these appropriately, taking into account any associated restrictions and conditions.



The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Joint Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Materiality

Planning materiality

£1.3m

Materiality has been set at £1.3m, which represents 2% of the prior years gross expenditure on provision of services.

Performance materiality

£1.0m

Performance materiality has been set at £1.0m which represents 75% of materiality.

Audit differences

£66.7k

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, housing revenue account and collection fund) greater than £66.7k. Other misstatements identified will be communicated to the extent that they merit the attention of the Joint Governance Committee.

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Adur District Council give a true and fair view of the financial position as at 31 March 2021 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of Adur District Council's audit, we will discuss these with management as to the impact on the scale fee.



Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error*

Financial statement impact

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

What is the risk?

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

We identify and respond to this fraud risk on every audit engagement.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- Identifying fraud risks during the planning stages.
- Inquiry of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- Performing mandatory procedures regardless of specifically identified fraud risks, including;
 - ► Testing of journal entries and other adjustments in the preparation of the financial statements.
 - Reviewing accounting estimates for evidence of management bias.
 - Evaluating the business rationale for significant unusual transactions.

Our response to significant risks (cont.)

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure and REFCUS *

Financial statement impact

Inappropriate capitalisation of revenue expenditure would decrease the net expenditure from the general fund, and increase the value of non-current assets.

In 2019/20, the Council incurred additions to PPE of £5.8m and to IP of £43.4m, of which REFCUS represented £10.8m.

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

The Authority is under financial pressure to achieve budget and maintain reserve balances above the minimum approved levels.

Manipulating expenditure is a key way to achieve these targets.

We consider the risk applies to capitalisation of revenue expenditure and revenue expenditure funded from capital under statute (REFCUS). Management could manipulate revenue expenditure by incorrectly capitalising expenditure which is revenue in nature and should be charged to the comprehensive income and expenditure account.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- Sample test additions to property, plant and equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised;
- Test REFCUS, if material, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ring fenced capital resources; and
- Use our data analytics tool to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes within the general ledger.

|≰∯ Audit risks

Our response to significant risks (cont.)

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Valuation of Land & Buildings in Property, Plant & Equipment (PPE) under Estimated-Use-Value (EUV) and Investment Properties (IP) under Fair Value (FV).

What is the risk?

The value of land & buildings in PPE under EUV and in IP under FV represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a high degree of material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

Given the nature of Covid-19 and the fact that 2020/21 was predominantly influenced by local and national lockdowns, we anticipate that the valuer will not be able to conduct site visits due to the restrictions that are in place and that the valuer will have to perform a remote approach to valuing the properties which will further increase the risk around these valuations.

At 31 March 2020, the value of land & buildings in PPE under EUV was £23.2m and in IP under FV was £78.5m.

What will we do?

In order to address this risk we will carry out a range of procedures includina:

- Consider the work performed by the Council's valuers (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Challenge the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists as necessary - for example, significant or unusual movements in valuation; or investments in areas of the economy under stress such as retail;
- Sample testing key asset information used by the valuers in performing their valuation (e.g. yield);
- Consider the annual cycle of valuations to ensure that EUV assets have been valued within a 5 year rolling programme as required by the Code for PPE, and annually for IP. We also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Review any EUV and FV properties not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;
- Consider changes to useful economic lives as a result of the most recent valuation; and
- ► Test accounting entries have been correctly processed in the financial statements.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Valuation of Land & Buildings in PPE under Depreciated Replacement Cost (DRC) and Housing Revenue Account (HRA) properties

The value of land & buildings in PPE under DRC and HRA properties also represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a lesser degree of material judgemental inputs and apply estimation techniques are required to calculate these balances held in the balance sheet and HRA notes. Although there is a risk for land & buildings under DRC due to the specialised nature of these assets and insufficient availability of market-based evidence to assist the valuation, these assets and HRA properties are inherently not subject to material uncertainty arising due to market conditions.

At 31 March 2020, the value of land & buildings in PPE under DRC was £14.4m and in HRA properties was £196.5m.

What will we do?

We will:

- Consider the work performed by the Council's valuers (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Challenge the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists as necessary - for example, significant or unusual movements in valuation, or difficult to value specialist assets;
- Sample testing key asset information used by the valuers in performing their valuation (e.g. building areas to support valuations based on price per square metre);
- Consider the annual cycle of valuations to ensure that properties have been valued within a 5 year rolling programme as required by the Code for PPE. We also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Review properties not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;
- Consider changes to useful economic lives as a result of the most recent valuation;
 and
- ► Test accounting entries have been correctly processed in the financial statements.

Audit risks

Other areas of audit focus (cont.)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by West Sussex County Council.

The Council's pension fund liability is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2020 this totalled £13.2m.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

In the prior year the 'McCloud' judgement impacted the estimate and resulted in an amendment of the net pension liability. We anticipate this will again be a key assumption in estimating the pension liability. We would expect the Council's actuary to be basing their assumptions taking into account the Council's specific membership profile and how it has been impacted by the judgement. We also note that there may be further developments in this area, potentially again coming after the balance sheet date.

What will we do?

We will:

- Obtain assurances over the information supplied to the actuary in relation to the Council;
- Assess the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- ► Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.
- Where outturn information is available at the time we undertake our work after production of the Council's draft financial statements (for example the year-end actual valuation of pension fund assets), we will use this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required.

Other areas of audit focus (cont.)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Going Concern

Covid-19 has created a number of financial pressures throughout local government, increasing service demand and expenditure. The Council has incurred additional expenditure in a number of areas of its operations and has experienced some income losses. The extent of support from MHCLG has developed over time, but does not include all financial consequences of Covid-19.

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.

However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'.

To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

What will we do?

In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we will seek documented and detailed consideration to support management's assertion regarding the going concern basis. Our audit procedures to review these will include consideration of:

- Current and developing environment;
- Liquidity (operational and funding);
- Mitigating factors;
- Management information and forecasting; and
- Sensitivities and stress testing.

Due to the impact of Covid-19, we will consult internally, if required, with our risk department over the level of appropriate disclosure.

Audit risks

Other areas of audit focus (cont.)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Accounting for Covid-19 related grant funding

The Council has received a significant level of government funding in relation to Covid-19. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in the 2020/21 statements.

What will we do?

We will:

- Consider the Council's judgement on material grants received in relation to whether it is acting as:
 - o An agent, where it has determined that it is acting as an intermediary; or
 - o Principal, where the Council has determined that it is acting on its own behalf.
- For grants received where the Council acted as principal, we will further consider whether any associated restrictions and conditions have been met and that grants have been claimed and recognised in accordance with the scheme rules;





∀alue for money

Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

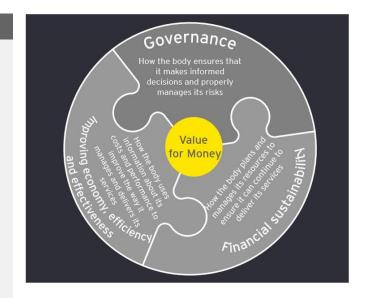
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in an annual governance statement. In preparing its annual governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer one overall evaluation criterion on which we need to conclude. Instead the 2020 Code requires us to design our work to provide sufficient assurance to enable us to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services.



Value for money risks

Planning and identifying VFM risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to 2015 Code guidance notes, where the NAO required auditors, as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

In considering the Council's arrangements, we are required to consider:

- ► The Council's Annual Governance Statement;
- Evidence that the Council's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates and other bodies; and
- ► Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes or could reasonably be expected to expose the Council to significant financial loss or risk;
- ▶ Leads to or could reasonably be expected to lead to significant impact on the quality or effectiveness of service or on the Council's reputation;
- ► Leads to or could reasonably be expected to lead to unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Council;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts:
- ► The impact of the weakness on the Council's reported performance;
- ▶ Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- ▶ Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- ▶ Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- ► The impact on delivery of services to local taxpayers; and
- ► The length of time the Council has had to respond to the issue.



∀alue for money risks

Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Joint Governance Committee.

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

The new Code promotes more timely reporting by auditors. So where we have sufficient evidence to determine that there is a significant weakness on VFM related arrangements we can report that weakness, and an associated recommendation for improvement, at that time and not wait until we issue our Audit Results Report on the audit of the statement of accounts.

Summary of changes in VFM requirements between the 2015 and 2020 Codes of Audit Practice

We set out a summary of key changes in VFM requirements between the 2015 and 2020 Codes in tabular form on the following pages.

Status of our 2020/21 VFM Planning

The issue of detailed guidance to inform our risk assessment was delayed and has only recently been received. Delays in the completion of our local government audits have also impacted on our planning time. Our risk assessment is therefore not yet complete. However, based on the planning procedures we have completed to date, we have not identified any significant weaknesses in your arrangements. We will update the Committee once our risk assessment is complete to confirm whether any further risks have been identified, and the work which will be undertaken to address them.

No Value for money - Code requirements

2015 Code requirement	2020 Code requirement
Overall requirement For auditors to satisfy themselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.	Overall requirement No change in requirement.
Design of work The auditor's work should be designed to provide the auditor with sufficient assurance to enable them to report by exception if the auditor concludes that they are not satisfied that the audited body has put in place proper arrangements to secure value for money in the use of its resources for the relevant period. Where required, the auditor should report their conclusion on the audited body's arrangements having regard to specific reporting criteria.	Design of work The auditor's work should be designed to provide the auditor with sufficient assurance to enable them to report to the audited body a commentary against the specified reporting criteria on the arrangements the body has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period. Where the auditor is not satisfied in respect of arrangements to secure value for money, they should refer to this by exception in their audit report on the financial statements.
Assurance given In carrying out this work, the auditor is not required to satisfy themselves that the audited body has achieved value for money during the reporting period.	Assurance given No change in requirement. Our work remains arrangements based.
 Other sources of relevant information Auditors need to consider: The audited body's governance statement; Evidence that the audited body's arrangements were in place during the reporting period; Evidence obtained from the auditor's other work; The work of inspectorates and other bodies; and Any other evidence source that the auditor regards as necessary to facilitate the performance of their statutory duties 	Other sources of relevant information No change in requirement.

▼ Value for money - Code requirements

2015 Code requirement	2020 Code requirement
Quantum of work Determining how much work to do on arrangements to secure value for money is a matter of auditor judgement.	Quantum of work Determining how much work to do on arrangements to secure value for money remains a matter of auditor judgement, but we expect the enhanced risk assessment process and reporting requirements to require more time to be input.
 Reporting criteria The NAO's supporting Auditor Guidance Note 3 defines proper arrangements as: 1. Informed decision making Acting in the public interest, through demonstrating and applying the principles and values of sound governance; Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management; Reliable and timely financial reporting that supports the delivery of strategic priorities; Managing risks effectively and maintaining a sound system of internal control; 2. Sustainable resource deployment Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions; Managing and utilising assets effectively to support the delivery of strategic priorities; Planning, organising and developing the workforce effectively to deliver strategic priorities; Working with partners and other third parties Working with partners and other third parties Working with third parties effectively to deliver strategic priorities; Commissioning services effectively to support the delivery of strategic priorities; Procuring supplies and services effectively to support the delivery of strategic priorities; 	 Reporting criteria The Code specifies that auditors need to focus on these reporting criteria: 1. Governance: how the body ensures that it makes informed decisions and properly manages its risks. Specifically: ► How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud; ► How the body approaches and carries out its annual budget setting process; ► How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed; ► How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from the audit committee; and ► How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff or member behaviour (such as gifts and hospitality or declarations/conflicts of interests). 2. Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services. Specifically: ► How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them; ► How the body plans to bridge its funding gaps and identifies achievable savings;
Ņ	 How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;

Value for money - Code requirements

2015 Code requirement	2020 Code requirement
Reporting criteria (continued) See previous page	 Reporting criteria (continued) How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and how the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans. Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services. Specifically: How financial and performance information has been used to assess performance to identify areas for improvement; How the body evaluates the services it provides to assess performance and identify areas for improvement; How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.
Risk assessment As part of planning, auditors should consider the risk of reaching an incorrect conclusion in relation to the overall criterion.	Risk assessment The auditor will need to gather sufficient evidence and document their evaluation of it in order to enable them to draft their commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.



Value for money - Code requirements

2015 Code requirement 2020 Code requirement Reporting Reporting The auditor should report to the audit committee the results of their work. Auditors are required to report in a commentary each year under the specified The Annual Audit Letter should provide a clear, readily understandable reporting criteria and the Code expects that where auditors identify significant commentary on the results of the auditor's work and highlight any issues that the weaknesses in arrangements as part of their work, they will raise them promptly auditor wishes to draw to the attention of the public. with the audit committee. The auditor's annual report should bring together all of the auditor's work over the year. A core element of the report will be the commentary in accordance with the specified reporting criteria. The commentary should be clear, readily understandable and highlight any issues that the auditor wishes to draw to the attention of the body or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.



₩ Audit materiality

Materiality

Materiality

For planning purposes, materiality for 2020/21 has been set at £1.3m. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.



We request that the Joint Governance Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £1.0m which represents 75% of planning materiality. The rationale for using 75% is based on the anticipation of identifying few or no errors during the audit. This expectation has been built on our experience of the Council in the prior year.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, housing revenue account and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Joint Governance Committee, or are important from a qualitative perspective.

Specific materiality - We can set a lower materiality for specific accounts disclosure e.g. remuneration disclosures, related party transactions and exit packages which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this. Where we do this we will notify you.



€ Scope of our audit

Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- · Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- · Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (cont.)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2020/21 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

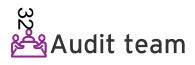
- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Joint Governance Committee.

Internal audit:

We will regularly meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit work, where they raise issues that could have an impact on the financial statements.





Audit team

Audit team structure: Helen Thompson Working together with the Council Lead Audit Partner We are working together with officers to identify continuing improvements in communication and processes for the 2020/21 audit. Stephan van der Merwe We will continue to keep our audit approach under review to streamline it where possible. Aphiwe Dudeni EY Specialists **EY Pensions**



Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists	
Valuation of Land and Buildings	EYRE specialists Management specialist: Wilkes, Head and Eve - RICS Registered Valuers	
Pensions disclosure	EY pensions specialists	
T CHISTOTIS GISCIOSUI C	Management specialist: Hymans Robertson - Actuary	

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

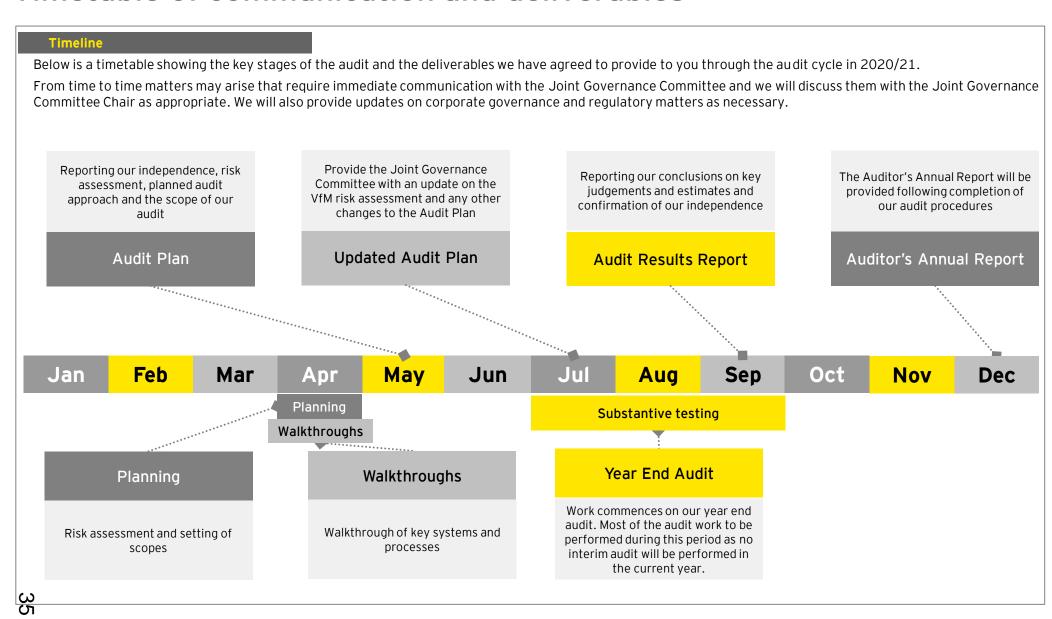
- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- ► Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.





Audit timeline

Timetable of communication and deliverables





Independence

Introduction

The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;
- ► The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- The overall assessment of threats and safeguards;
- Information about the general policies and process within EY to maintain objectivity and independence.

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit services provided and the fees charged in relation thereto;
- ► Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ► Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner;
- Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ► An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non -audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Helen Thompson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval.

The ratio of non audit fees to audits fees is not permitted to exceed 70% and this has not been exceeded, therefore no additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.



Relationships, services and related threats and safeguards (cont.)

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.



Other communications

EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 1 July 2020:

https://www.ey.com/en_uk/who-we-are/transparency-report-2020



Fees

Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 2020/21 accounts of opted-in principal local government and police bodies.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee	Scale fee	Final Fee
	2020/21	2019/20	2019/20
	£	£	£
Total Fee - Code work	£37,054	£37,054	£37,054
Scale Fee Rebasing: Changes in work required to address professional and regulatory requirements and scope associated with risk (Note 1)	£41,751	£NiI	£41,751
Revised Proposed Scale Fee	£78,805	£37,054	£78,805
Scale Fee Variation:			
 Additional work required for Going Concern (Note 2) 	£Nil	£Nil	£2,735
 Additional work required for significant risks included in Audit Plan (Note 2) 			
 Change in financial management system 	£Nil	£Nil	£10,500
 Asset valuation 	£Nil	£Nil	£3,428
 Value for Money 	£Nil	£Nil	£3,035
o Other	£Nil	£Nil	£3,735
 Additional Covid-19 related costs (Note 2) 	£Nil	£Nil	£3,322
 Additional work required for Value for Money (Note 3) 	TBC	£Nil	£Nil
Total Scale Fee Variation	£Nil	£Nil	£26,755
Total fees	£78,805	£37,054	£105,560

All fees exclude VAT



Appendix A (Cont.)

Fees

The agreed fee presented is based on the following assumptions:

- > Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- > Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Notes:

(1) We outlined in our 2019/20 Annual Audit Letter (AAL) the basis on which the scale fees are set by PSAA. We also outlined a combination of factors which mean that we do not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity and therefore it endangers the sustainability of Local Audit in the future.

Based on these factors, and in light of requests from PSAA to provide further detailed analysis we have estimated the impact on the Council, which has been shared with management but we did not reach agreement on that rebasing. This has been submitted to PSAA for review.

(2) We outlined in our 2019/20 AAL the basis for the additional Scale Fee Variation expenses relating to additional work required for Going Concern and significant risks, as well as additional Covid-19 related costs. This has been shared with management and we have agreed on certain aspects of this variation. This is now subject to PSAA review.

All additional fees will be subject to approval by PSAA.

(3) Additional Value for Money work required due to changes in the Code of Practice on Local Authority Accounting.

Required communications with the Joint Governance Committee

We have detailed the communications that we must provide to the Joint Governance Committee. Our Reporting to you **Required communications** What is reported? When and where The statement of responsibilities serves as the Confirmation by the Joint Governance Committee of acceptance of terms of engagement as Terms of engagement formal terms of engagement between the written in the engagement letter signed by both parties. PSAA's appointed auditors and audited bodies. The statement of responsibilities serves as the Our responsibilities Reminder of our responsibilities as set out in the engagement letter formal terms of engagement between the PSAA's appointed auditors and audited bodies. Planning and audit Communication of the planned scope and timing of the audit, any limitations and the Audit Planning Report - May 2021 significant risks identified. approach Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures Significant difficulties, if any, encountered during the audit Significant matters, if any, arising from the audit that were discussed with management Significant findings from Written representations that we are seeking Audit Results Report - September 2021 the audit Expected modifications to the audit report Other matters if any, significant to the oversight of the financial reporting process Findings and issues regarding the opening balance on initial audits (delete if not an initial audit)



Appendix B

Required communications with the Joint Governance Committee (cont.)

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ► Whether the events or conditions constitute a material uncertainty ► Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ► The adequacy of related disclosures in the financial statements	Audit Results Report - September 2021
Misstatements	 Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation The effect of uncorrected misstatements related to prior periods A request that any uncorrected misstatement be corrected Corrected misstatements that are significant Material misstatements corrected by management 	Audit Results Report - September 2021
Fraud	 Enquiries of the Joint Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity Any fraud that we have identified or information we have obtained that indicates that a fraud may exist A discussion of any other matters related to fraud 	Audit Results Report - September 2021
Related parties	 Significant matters arising during the audit in connection with the entity's related parties including, when applicable: Non-disclosure by management Inappropriate authorisation and approval of transactions Disagreement over disclosures Non-compliance with laws and regulations Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report - September 2021

Our Reporting to you



Required communications with the Joint Governance Committee (cont.)

		Our Reporting to you
Required communications	What is reported?	When and where
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: The principal threats Safeguards adopted and their effectiveness An overall assessment of threats and safeguards Information about the general policies and process within the firm to maintain objectivity and independence	Audit Planning Report - May 2021; and Audit Results Report - September 2021
External confirmations	 Management's refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report - September 2021
Consideration of laws and regulations	 Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off Enquiry of the Joint Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Joint Governance Committee may be aware of 	Audit Results Report - September 2021
Internal controls	► Significant deficiencies in internal controls identified during the audit	Audit Results Report - September 2021
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - September 2021
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - September 2021



Appendix B

Required communications with the Joint Governance Committee (cont.)

		Sur Reporting to you
Required communications	What is reported?	When and where
Auditors report	► Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report - September 2021
Fee Reporting	 Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit Planning Report - May 2021; and Audit Results Report - September 2021

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Dobtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Joint Governance Committee reporting appropriately addresses matters communicated by us to the Joint Governance Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the Council's financial statements; and
- ▶ The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

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Worthing Borough Council Worthing Town Hall Chapel Road Worthing West Sussex BN11 1HA

Dear Joint Governance Committee Members

Provisional 2020-21 Audit Planning Report

We are pleased to attach our Provisional Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Joint Governance Committee with a basis to review our proposed audit approach and scope for the 2020/21 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This Provisional Audit Plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council and outlines our planned audit strategy in response to those risks. Our planning procedures remain ongoing, specifically in relation to the new requirements for the value for money conclusion. We will report our value for money risk assessment and inform the Joint Governance Committee if there are any significant changes or revisions to our strategy for the financial statements audit upon completion of these procedures at the following meeting of the Committee.

This report is intended solely for the information and use of the Joint Governance Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

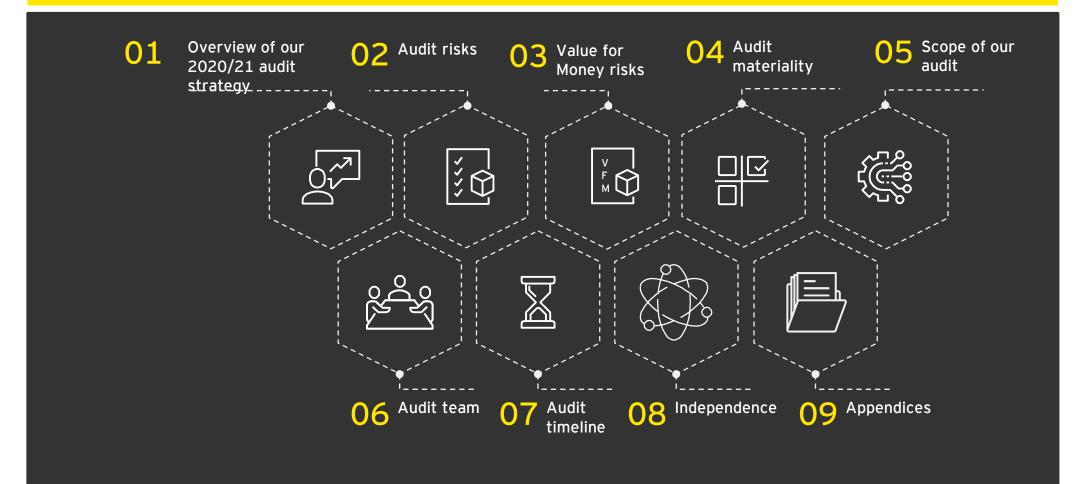
We welcome the opportunity to discuss this report with you on 27 May 2021 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Helen Thompson

For and on behalf of Ernst & Young LLP

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Joint Governance Committee and management of Worthing Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Joint Governance Committee and management of Worthing Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Joint Governance Committee and management of Worthing Borough Council for this report or for the opinions we have Garmed. It should not be provided to any third-party without our prior written consent.





The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Joint Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus			
Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error (management override)	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of	Fraud risk	No change in risk or focus	Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.
revenue expenditure			We believe the risk of manipulation is most likely to manifest in the incorrect capitalisation of revenue expenditure, as there is an incentive to reduce expenditure which is funded from Council Tax.
Valuation of Land & Buildings in Property, Plant & Equipment (PPE) under Estimated-Use-Value (EUV) and Investment Properties (IP) under Fair Value (FV)	Significant risk	No change in risk or focus	The value of land & buildings in PPE under EUV and in IP under FV represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a high degree of material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.
Valuation of Land & Buildings in PPE under Depreciated Replacement Cost (DRC) properties	Inherent risk	No change in risk or focus	The value of land & buildings in PPE under DRC properties also represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a lesser degree of material judgemental inputs and apply estimation techniques are required to calculate these balances held in the balance sheet. Although there is a risk for land & buildings under DRC due to the specialised nature of these assets and insufficient availability of market-based evidence to assist the valuation, these assets are inherently not subject to material uncertainty arising due to market conditions.



The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Joint Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus			
Risk / area of focus	Risk identified	Change from PY	Details
Pension Liability Valuation Ir	Inherent risk	Changed from significant risk in the PY to area of focus in the CY	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by West Sussex County Council.
			The Council's pension fund asset is a material estimated balance and the Code requires that this asset be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.
	HIHELEHLIISK		Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.
			In 2019/20, late changes were required to disclosures in the financial statements arising from the McCloud legal judgement. The impact for 2020/21 is not yet known.
Going Concern Disclosure	Inherent risk	No change in risk or focus	Covid-19 has created a number of financial pressures throughout local government, increasing service demand and expenditure. The Council has incurred additional expenditure in a number of areas of its operations and has experienced some income losses. The extent of support from MHCLG has developed over time, but does not include all financial consequences of Covid-19. CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.
			(Details continued on next slide)



The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Joint Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus			
Risk / area of focus	Risk identified	Change from PY	Details
Going Concern Disclosure	Inherent risk	No change in risk or focus	However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.
Accounting for Covid-19 Grant Income	Inherent risk	New area of focus	The Council has received a significant level of government funding in the relation to Covid-19. There is a need for the Council to ensure that it is has recognised and accounted for these appropriately, taking into account any associated restrictions and conditions.



The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Joint Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Materiality

Planning materiality

£1.4m

 $Materiality\ has\ been\ set\ at\ \pounds 1.4m,\ which\ represents\ 2\%\ of\ the\ prior\ years\ gross\ expenditure\ on\ provision\ of\ services.$

Performance materiality

£1.1m

Performance materiality has been set at £1.1m which represents 75% of materiality.

Audit differences

£72.1k

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, housing revenue account and collection fund) greater than £72.1k. Other misstatements identified will be communicated to the extent that they merit the attention of the Joint Governance Committee.

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Worthing Borough Council give a true and fair view of the financial position as at 31 March 2021 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of Worthing Borough Council's audit, we will discuss these with management as to the impact on the scale fee.



Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error*

Financial statement impact

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

What is the risk?

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

We identify and respond to this fraud risk on every audit engagement.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- Identifying fraud risks during the planning stages.
- Inquiry of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- Performing mandatory procedures regardless of specifically identified fraud risks, including;
 - ► Testing of journal entries and other adjustments in the preparation of the financial statements.
 - Reviewing accounting estimates for evidence of management bias.
 - Evaluating the business rationale for significant unusual transactions.

Our response to significant risks (cont.)

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure and REFCUS*

Financial statement impact

Inappropriate capitalisation of revenue expenditure would decrease the net expenditure from the general fund, and increase the value of non-current assets.

In 2019/20, the Council incurred additions to PPE of £12.5m and to IP of £45.1m, of which REFCUS represented £1.8m.

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

The Authority is under financial pressure to achieve budget and maintain reserve balances above the minimum approved levels.

Manipulating expenditure is a key way to achieve these targets.

We consider the risk applies to capitalisation of revenue expenditure and revenue expenditure funded from capital under statute (REFCUS). Management could manipulate revenue expenditure by incorrectly capitalising expenditure which is revenue in nature and should be charged to the comprehensive income and expenditure account.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- Sample test additions to property, plant and equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised;
- Test REFCUS, if material, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ring fenced capital resources; and
- Use our data analytics tool to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes within the general ledger.

|≰∯ Audit risks

Our response to significant risks (cont.)

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Valuation of Land & Buildings in Property, Plant & Equipment (PPE) under Estimated-Use-Value (EUV) and Investment Properties (IP) under Fair Value (FV).

What is the risk?

The value of land & buildings in PPE under EUV and in IP under FV represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a high degree of material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

Given the nature of Covid-19 and the fact that 2020/21 was predominantly influenced by local and national lockdowns, we anticipate that the valuer will not be able to conduct site visits due to the restrictions that are in place and that the valuer will have to perform a remote approach to valuing the properties which will further increase the risk around these valuations.

At 31 March 2020, the value of land & buildings in PPE under EUV was £43.9m and in IP under FV was £74.5m.

What will we do?

In order to address this risk we will carry out a range of procedures includina:

- Consider the work performed by the Council's valuers (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Challenge the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists as necessary - for example, significant or unusual movements in valuation; or investments in areas of the economy under stress such as retail;
- Sample testing key asset information used by the valuers in performing their valuation (e.g. yield);
- Consider the annual cycle of valuations to ensure that EUV assets have been valued within a 5 year rolling programme as required by the Code for PPE, and annually for IP. We also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Review any EUV and FV properties not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;
- Consider changes to useful economic lives as a result of the most recent valuation; and
- ► Test accounting entries have been correctly processed in the financial statements.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

/hat is the risk/area of focus?	What will we do?
aluation of Land & Buildings in PPE under Depreciated Replacement ost (DRC) properties the value of land & buildings in PPE under DRC properties also represent agnificant balances in the Council's accounts and are subject to valuation hanges and impairment reviews. Management is required to make a asser degree of material judgemental inputs and apply estimation echniques are required to calculate these balances held in the balance theet. Although there is a risk for land & buildings under DRC due to the pecialised nature of these assets and insufficient availability of market-assed evidence to assist the valuation, these assets are inherently not subject to material uncertainty arising due to market conditions. 1 31 March 2020, the value of land & buildings in PPE under DRC was 65.5m.	 Consider the work performed by the Council's valuers (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; Challenge the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists as necessary - for example, significant or unusual movements in valuation; Sample testing key asset information used by the valuers in performing their valuation (e.g. building areas to support valuations based on price per square metre); Consider the annual cycle of valuations to ensure that DRC properties have been valued within a 5 year rolling programme as required by the Code for PPE. We also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer; Review properties not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated; Consider changes to useful economic lives as a result of the most recent valuation; and Test accounting entries have been correctly processed in the financial statements.

Audit risks

Other areas of audit focus (cont.)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by West Sussex County Council.

The Council's pension fund liability is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2020 this totalled £13.2m.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

In the prior year the 'McCloud' judgement impacted the estimate and resulted in an amendment of the net pension liability. We anticipate this will again be a key assumption in estimating the pension liability. We would expect the Council's actuary to be basing their assumptions taking into account the Council's specific membership profile and how it has been impacted by the judgement. We also note that there may be further developments in this area, potentially again coming after the balance sheet date.

What will we do?

We will:

- Obtain assurances over the information supplied to the actuary in relation to the Council;
- Assess the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- ► Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.
- Where outturn information is available at the time we undertake our work after production of the Council's draft financial statements (for example the year-end actual valuation of pension fund assets), we will use this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required.

Other areas of audit focus (cont.)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Going Concern

Covid-19 has created a number of financial pressures throughout local government, increasing service demand and expenditure. The Council has incurred additional expenditure in a number of areas of its operations and has experienced some income losses. The extent of support from MHCLG has developed over time, but does not include all financial consequences of Covid-19.

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.

However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'.

To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

What will we do?

In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we will seek documented and detailed consideration to support management's assertion regarding the going concern basis. Our audit procedures to review these will include consideration of:

- Current and developing environment;
- Liquidity (operational and funding);
- Mitigating factors;
- Management information and forecasting; and
- Sensitivities and stress testing.

Due to the impact of Covid-19, we will consult internally, if required, with our risk department over the level of appropriate disclosure.

Audit risks

Other areas of audit focus (cont.)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Accounting for Covid-19 related grant funding

The Council has received a significant level of government funding in relation to Covid-19. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in the 2020/21 statements.

What will we do?

We will:

- Consider the Council's judgement on material grants received in relation to whether it is acting as:
 - o An agent, where it has determined that it is acting as an intermediary; or
 - o Principal, where the Council has determined that it is acting on its own behalf.
- For grants received where the Council acted as principal, we will further consider whether any associated restrictions and conditions have been met and that grants have been claimed and recognised in accordance with the scheme rules;





∀alue for money

Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

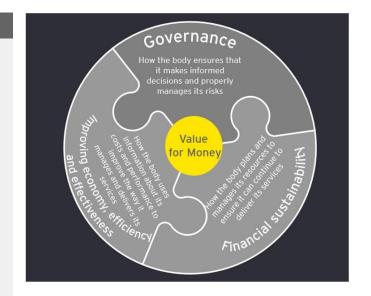
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in an annual governance statement. In preparing its annual governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer one overall evaluation criterion on which we need to conclude. Instead the 2020 Code requires us to design our work to provide sufficient assurance to enable us to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services.



8 Value for money risks

Planning and identifying VFM risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to 2015 Code guidance notes, where the NAO required auditors, as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

In considering the Council's arrangements, we are required to consider:

- ► The Council's Annual Governance Statement;
- Evidence that the Council's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates and other bodies; and
- Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes or could reasonably be expected to expose the Council to significant financial loss or risk;
- ▶ Leads to or could reasonably be expected to lead to significant impact on the quality or effectiveness of service or on the Council's reputation;
- ► Leads to or could reasonably be expected to lead to unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- ► The magnitude of the issue in relation to the size of the Council;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts:
- ► The impact of the weakness on the Council's reported performance;
- ▶ Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- ▶ Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- ▶ Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- ► The length of time the Council has had to respond to the issue.



∀alue for money risks

Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Joint Governance Committee.

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

The new Code promotes more timely reporting by auditors. So where we have sufficient evidence to determine that there is a significant weakness on VFM related arrangements we can report that weakness, and an associated recommendation for improvement, at that time and not wait until we issue our Audit Results Report on the audit of the statement of accounts.

Summary of changes in VFM requirements between the 2015 and 2020 Codes of Audit Practice

We set out a summary of key changes in VFM requirements between the 2015 and 2020 Codes in tabular form on the following pages.

Status of our 2020/21 VFM Planning

The issue of detailed guidance to inform our risk assessment was delayed and has only recently been received. Delays in the completion of our local government audits have also impacted on our planning time. Our risk assessment is therefore not yet complete. However, based on the planning procedures we have completed to date, we have not identified any significant weaknesses in your arrangements. We will update the Committee once our risk assessment is complete to confirm whether any further risks have been identified, and the work which will be undertaken to address them.

Value for money - Code requirements

2015 Code requirement	2020 Code requirement
Overall requirement For auditors to satisfy themselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.	Overall requirement No change in requirement.
Design of work The auditor's work should be designed to provide the auditor with sufficient assurance to enable them to report by exception if the auditor concludes that they are not satisfied that the audited body has put in place proper arrangements to secure value for money in the use of its resources for the relevant period. Where required, the auditor should report their conclusion on the audited body's arrangements having regard to specific reporting criteria.	Design of work The auditor's work should be designed to provide the auditor with sufficient assurance to enable them to report to the audited body a commentary against the specified reporting criteria on the arrangements the body has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period. Where the auditor is not satisfied in respect of arrangements to secure value for money, they should refer to this by exception in their audit report on the financial statements.
Assurance given In carrying out this work, the auditor is not required to satisfy themselves that the audited body has achieved value for money during the reporting period.	Assurance given No change in requirement. Our work remains arrangements based.
 Other sources of relevant information Auditors need to consider: The audited body's governance statement; Evidence that the audited body's arrangements were in place during the reporting period; Evidence obtained from the auditor's other work; The work of inspectorates and other bodies; and Any other evidence source that the auditor regards as necessary to facilitate the performance of their statutory duties 	Other sources of relevant information No change in requirement.

▼ Value for money - Code requirements

2015 Code requirement	2020 Code requirement
Quantum of work Determining how much work to do on arrangements to secure value for money is a matter of auditor judgement.	Quantum of work Determining how much work to do on arrangements to secure value for money remains a matter of auditor judgement, but we expect the enhanced risk assessment process and reporting requirements to require more time to be input.
 Reporting criteria The NAO's supporting Auditor Guidance Note 3 defines proper arrangements as: 1. Informed decision making Acting in the public interest, through demonstrating and applying the principles and values of sound governance; Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management; Reliable and timely financial reporting that supports the delivery of strategic priorities; Managing risks effectively and maintaining a sound system of internal control; 2. Sustainable resource deployment Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions; Managing and utilising assets effectively to support the delivery of strategic priorities; Planning, organising and developing the workforce effectively to deliver strategic priorities; Working with partners and other third parties Working with partners and other third parties Working with third parties effectively to deliver strategic priorities; Commissioning services effectively to support the delivery of strategic priorities; Procuring supplies and services effectively to support the delivery of strategic priorities; Procuring supplies and services effectively to support the delivery of strategic priorities; 	 Reporting criteria The Code specifies that auditors need to focus on these reporting criteria: 1. Governance: how the body ensures that it makes informed decisions and properly manages its risks. Specifically: How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud; How the body approaches and carries out its annual budget setting process; How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed; How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from the audit committee; and How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff or member behaviour (such as gifts and hospitality or declarations/conflicts of interests). Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services. Specifically: How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them; How the body plans to bridge its funding gaps and identifies achievable savings;
7.	 How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;

Value for money - Code requirements

2015 Code requirement	2020 Code requirement
Reporting criteria (continued) See previous page	 Reporting criteria (continued) How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and how the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans. Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services. Specifically: How financial and performance information has been used to assess performance to identify areas for improvement; How the body evaluates the services it provides to assess performance and identify areas for improvement; How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.
Risk assessment As part of planning, auditors should consider the risk of reaching an incorrect conclusion in relation to the overall criterion.	Risk assessment The auditor will need to gather sufficient evidence and document their evaluation of it in order to enable them to draft their commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.



Value for money - Code requirements

2015 Code requirement	2020 Code requirement
Reporting The auditor should report to the audit committee the results of their work. The Annual Audit Letter should provide a clear, readily understandable commentary on the results of the auditor's work and highlight any issues that the auditor wishes to draw to the attention of the public.	Reporting Auditors are required to report in a commentary each year under the specified reporting criteria and the Code expects that where auditors identify significant weaknesses in arrangements as part of their work, they will raise them promptly with the audit committee.
	The auditor's annual report should bring together all of the auditor's work over the year. A core element of the report will be the commentary in accordance with the specified reporting criteria.
	The commentary should be clear, readily understandable and highlight any issues that the auditor wishes to draw to the attention of the body or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.



₩ Audit materiality

Materiality

Materiality

For planning purposes, materiality for 2020/21 has been set at £1.4m. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.



We request that the Joint Governance Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £1.1m which represents 75% of planning materiality. The rationale for using 75% is based on the anticipation of identifying few or no errors during the audit. This expectation has been built on our experience of the Council in the prior year.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, housing revenue account and collection fund that have an effect on income or that relate to other. comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Joint Governance Committee, or are important from a qualitative perspective.

Specific materiality - We can set a lower materiality for specific accounts disclosure e.g. remuneration disclosures, related party transactions and exit packages which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this. Where we do this we will notify you.



€ Scope of our audit

Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- · Addressing the risk of fraud and error;
- · Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- · Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (cont.)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2020/21 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Joint Governance Committee.

Internal audit:

We will regularly meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit work, where they raise issues that could have an impact on the financial statements.





Audit team

Audit team structure: Helen Thompson Working together with the Council Lead Audit Partner We are working together with officers to identify continuing improvements in communication and processes for the 2020/21 audit. Stephan van der Merwe We will continue to keep our audit approach under review to streamline it where possible. Aphiwe Dudeni EY Specialists **EY Pensions**



Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	EYRE specialists Management specialist: Wilkes, Head and Eve - RICS Registered Valuers
Pensions disclosure	EY pensions specialists
	Management specialist: Hymans Robertson - Actuary

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

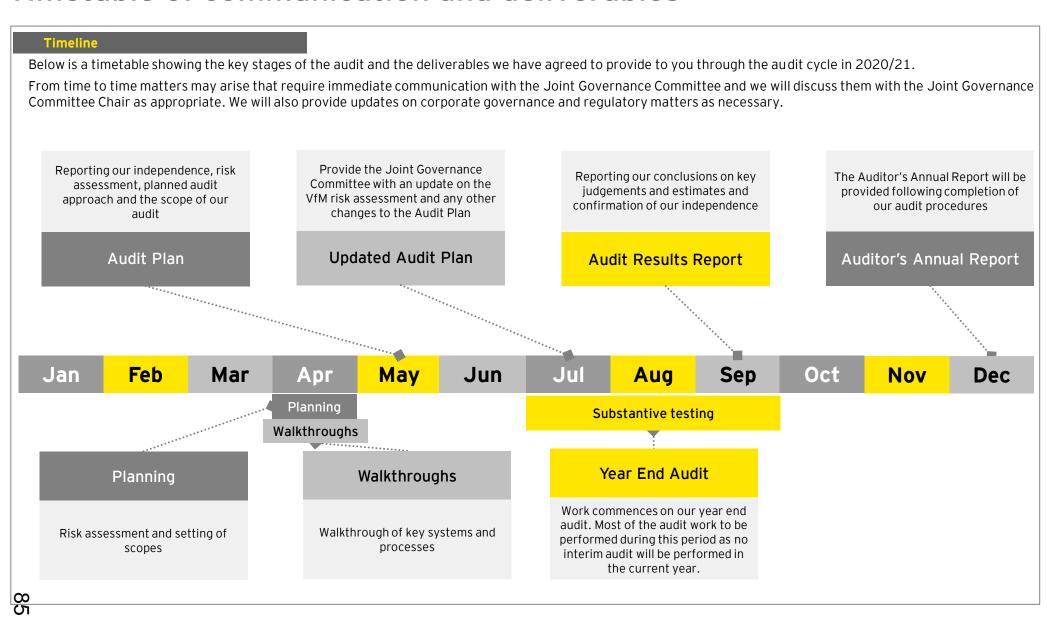
- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.





Audit timeline

Timetable of communication and deliverables





Independence

Introduction

The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;
- The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- The overall assessment of threats and safeguards;
- ► Information about the general policies and process within EY to maintain objectivity and independence.

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit services provided and the fees charged in relation thereto;
- Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ► Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner;
- Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ► An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non -audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Helen Thompson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval.

The ratio of non audit fees to audits fees is not permitted to exceed 70% and this has not been exceeded, therefore no additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.



Relationships, services and related threats and safeguards (cont.)

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.



Other communications

EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 1 July 2020:

https://www.ey.com/en_uk/who-we-are/transparency-report-2020



Fees

Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 2020/21 accounts of opted-in principal local government and police bodies.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee	Scale fee	Final Fee
	2020/21	2019/20	2019/20
	£	£	£
Total Fee - Code work	£36,311	£36,311	£36,311
Scale Fee Rebasing: Changes in work required to address professional and regulatory requirements and scope associated with risk (Note 1)	£31,724	£NiI	£31,724
Revised Proposed Scale Fee	£68,035	£36,311	£68,035
Scale Fee Variation:			
 Additional work required for Going Concern (Note 2) 	£Nil	£Nil	£3,086
 Additional work required for significant risks included in Audit Plan (Note 2) 			
 Change in financial management system 	£Nil	£Nil	£10,500
 Asset valuation 	£Nil	£Nil	£7,647
 Value for Money 	£Nil	£Nil	£3,035
o Other	£Nil	£Nil	£3,735
 Additional Covid-19 related costs (Note 2) 	£Nil	£Nil	£3,322
 Additional work required for Value for Money (Note 3) 	TBC	£Nil	£Nil
Total Scale Fee Variation	£Nil	£Nil	£31,325
Total fees	£68,035	£36,311	£99,360

All fees exclude VAT



Appendix A (Cont.)

Fees

The agreed fee presented is based on the following assumptions:

- > Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- > The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Notes:

(1) We outlined in our 2019-20 Annual Audit Letter (AAL) the basis on which the scale fees are set by PSAA. We also outlined a combination of factors which mean that we do not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity and therefore it endangers the sustainability of Local Audit in the future.

Based on these factors, and in light of requests from PSAA to provide further detailed analysis we have estimated the impact on the Council, which has been shared with management but we did not reach agreement on that rebasing. This has been submitted to PSAA for review.

(2) We outlined in our 2019-20 AAL the basis for the additional Scale Fee Variation expenses relating to additional work required for Going Concern and significant risks, as well as additional Covid-19 related costs. This has been shared with management and we have agreed on certain aspects of this variation. This is now subject to PSAA review.

All additional fees will be subject to approval by PSAA.

(3) Additional Value for Money work required due to changes in the Code of Practice on Local Authority Accounting.



the audit

Required communications with the Joint Governance Committee

We have detailed the communications that we must provide to the Joint Governance Committee.

Written representations that we are seeking

Expected modifications to the audit report

audit)

Our Reporting to you **Required communications** What is reported? When and where The statement of responsibilities serves as the Confirmation by the Joint Governance Committee of acceptance of terms of engagement as Terms of engagement formal terms of engagement between the written in the engagement letter signed by both parties. PSAA's appointed auditors and audited bodies. The statement of responsibilities serves as the Our responsibilities Reminder of our responsibilities as set out in the engagement letter formal terms of engagement between the PSAA's appointed auditors and audited bodies. Planning and audit Communication of the planned scope and timing of the audit, any limitations and the Audit Planning Report - May 2021 significant risks identified. approach Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures Significant difficulties, if any, encountered during the audit Significant matters, if any, arising from the audit that were discussed with management Significant findings from

Other matters if any, significant to the oversight of the financial reporting process

Findings and issues regarding the opening balance on initial audits (delete if not an initial

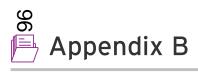
Audit Results Report - September 2021



Appendix B

Required communications with the Joint Governance Committee (cont.)

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ► Whether the events or conditions constitute a material uncertainty ► Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ► The adequacy of related disclosures in the financial statements	Audit Results Report - September 2021
Misstatements	 Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation The effect of uncorrected misstatements related to prior periods A request that any uncorrected misstatement be corrected Corrected misstatements that are significant Material misstatements corrected by management 	Audit Results Report - September 2021
Fraud	 Enquiries of the Joint Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity Any fraud that we have identified or information we have obtained that indicates that a fraud may exist A discussion of any other matters related to fraud 	Audit Results Report - September 2021
Related parties	 Significant matters arising during the audit in connection with the entity's related parties including, when applicable: Non-disclosure by management Inappropriate authorisation and approval of transactions Disagreement over disclosures Non-compliance with laws and regulations Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report - September 2021



Required communications with the Joint Governance Committee (cont.)

		Our Reporting to you
Required communications	What is reported?	When and where
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: The principal threats Safeguards adopted and their effectiveness An overall assessment of threats and safeguards Information about the general policies and process within the firm to maintain objectivity and independence	Audit Planning Report - May 2021; and Audit Results Report - September 2021
External confirmations	 Management's refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report - September 2021
Consideration of laws and regulations	 Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off Enquiry of the Joint Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Joint Governance Committee may be aware of 	Audit Results Report - September 2021
Internal controls	► Significant deficiencies in internal controls identified during the audit	Audit Results Report - September 2021
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - September 2021
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - September 2021



Appendix B

Required communications with the Joint Governance Committee (cont.)

		Sur Reporting to you
Required communications	What is reported?	When and where
Auditors report	► Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report - September 2021
Fee Reporting	 Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit Planning Report - May 2021; and Audit Results Report - September 2021

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Dobtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ► Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Joint Governance Committee reporting appropriately addresses matters communicated by us to the Joint Governance Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the Council's financial statements; and
- ▶ The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

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Agenda Item 7



Joint Governance Committee
27 May 2021
Agenda Item 7

Key Decision: No

Ward(s) Affected: N/A

INTERNAL AUDIT PROGRESS REPORT

REPORT BY THE ACTING HEAD OF INTERNAL AUDIT

Executive Summary

1. Purpose

This report seeks to update Members of this Committee with the Head of Internal Audit's opinion reports on the systems of internal control at Adur District Council and at Worthing Borough Council during 2020/21.

2. Recommendations

2.1 Recommendation One

That the Committee note the contents of this report.

3. Context

3.1 Background

Each year a Head of Internal Audit (HoIA) Report is generated to meet the Head of Internal Audit annual reporting requirements set out in the UK Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations. The HoIA Report is an opinion statement provided for the use of the Councils in support of their Annual Governance Statements.

4. Issues for Consideration

4.1 Covid-19

While the Internal Audit function has continued to operate since the Covid-19 lockdown on 23 March 2020, progress on audits which were "in progress" or planned to start in March when the Covid-19 crisis emerged, has been delayed. The progression of audit work has been impacted by audit resources working at home and the availability of auditees due to their understandable involvement in front line and other key service work. We have also noted that progress on follow-up work has been impacted.

Progress has been discussed with the Chief Finance Officer (CFO) and as a result some changes to the 2019/20 Audit Plan were subsequently agreed.

4.2 Head of Internal Audit's Opinions - 2020/21

From the Internal Audit work undertaken in 2020/21, it is our opinion that we can provide **Satisfactory Assurance** that the system of internal control in place at both Adur District Council and Worthing Borough Council for the year ended 31 March 2021 accords with proper practice. We did, however note the following significant control issue, which relates to Adur District Council only:

 The key theme identified in the 2019/20 Head of Internal Audit report, relating to control issues being identified from audits conducted in Housing (including procurement and contract management issues), based on audit work during the current year, still remains as a key theme.

Attached as **Appendices 1 and 2** are the Head of Internal Audit's Annual reports for Adur District Council and Worthing Borough Council for the year 2020/21.

5. Engagement and Communication

5.1 Internal Audit attends monthly meetings with the Chief Financial Officer (CFO) on progress against the plan. Issues arising and potential plan changes are discussed both at these meetings and whenever necessary. The Acting Head of Internal Audit, Engagement Manager and the CFO have had specific discussions during the past year in relation to the Covid-19 situation and impact on Internal Audit work.

6 Financial Implications

6.1 There are no financial implications arising from this report.

7. Legal Implications

7.1 There are no legal matters arising as a result of this report.

Background Papers

None

Officer Contact Details:

Dave Phillips, Acting Head of Internal Audit

Town Hall, Worthing Tel: 01903 221255

Dave.phillips@mazars.co.uk

Sustainability & Risk Assessment

1. Economic

Matter considered and no issues identified.

2. Social

2.1 Social Value

Matter considered and no issues identified.

2.2 Equality Issues

Matter considered and no issues identified.

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified.

2.4 Human Rights Issues

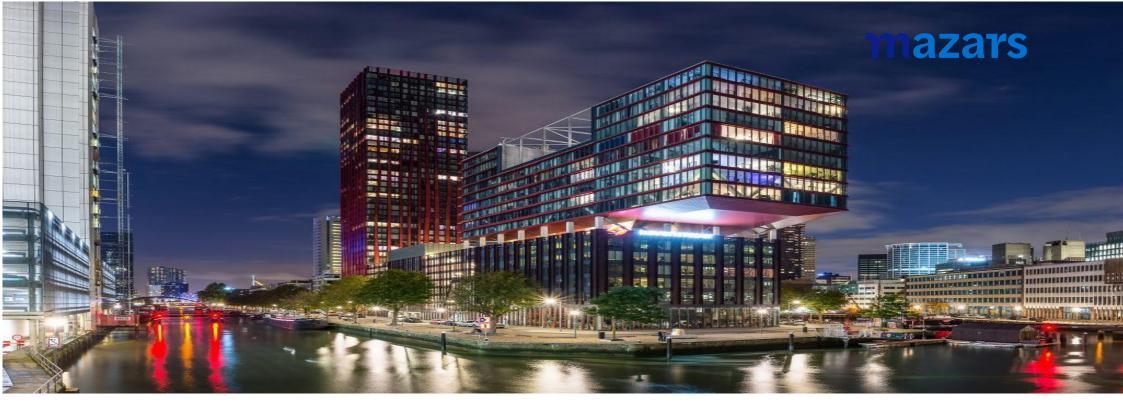
Matter considered and no issues identified.

3. Environmental

Matter considered and no issues identified.

4. Governance

The report does not seek to meet any particular Council priority.



Adur District Council

Annual Head of Internal Audit Report

May 2021

This report and the work connected therewith are subjected to the Terms and Conditions of the Engagement Letter dated 15 March 2018 between Adur District and Worthing Borough Councils (through the London Borough of Croydon's APEX Framework Agreement) and Mazars LLP.

Contents

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Status of our reports

This report ("Report") was prepared by Mazars LLP at the request of Adur District and Worthing Borough Councils and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of Adur District and Worthing Borough Councils and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in Appendix A4 of this report for further information about responsibilities, limitations and confidentiality.

1. Purpose of this Report

This report summarises the work that Internal Audit has undertaken and the key control environment themes identified across Adur District Council (the Council) during the 2020/21 financial year, the service for which is provided by Mazars LLP.

The purpose of the Annual Internal Audit Report is to meet the Head of Internal Audit annual reporting requirements set out in the UK Public Sector Internal Audit Standards (PSIAS). The PSIAS requirements are that the report must include:

- An annual Internal Audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (the control environment);
- A summary of the audit work from which the opinion is derived (including reliance placed on the work by other assurance bodies), and
- A statement on conformation with the PSIAS and the results of the Internal Audit quality assurance and improvement programme (QAIP), if applicable.

The report should also include:

- The disclosure of any qualifications to that opinion, together with reasons for the qualification;
- The disclosure of any impairments or restriction in scope;
- A comparison of the work actually undertaken with the work that was planned and a summary of the performance of the Internal Audit function against its performance measures and targets;
- Any issues judged to be particularly relevant to the preparation of the annual governance statement, and
- Progress against any improvement plans resulting from QAIP external assessment.

It should be noted that the Council is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act to make arrangements to secure continuous improvement in the way in which it functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control, which

facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

Internal Audit Approach

As Internal Audit, our role is to provide an annual assurance statement on the adequacy and effectiveness of the Council's systems of governance, risk management and internal control.

Overview of Work Done

The Audit Plan for 2020/21 (Plan) included a total of 26 internal audits when approved by the Joint Governance Committee in May 2020. We have liaised with senior management throughout the year to ensure that Internal Audit work undertaken continues to focus on the high risk areas and, in the light of new and ongoing developments in the Council, help ensure the most appropriate use of our resources. In addition to the 27 audits included in the Plan, there were also 7 audits that were deferred from 2019/20 Audit Plan.

Through our continued liaison with senior management, changes were agreed to the Plan during the year and as a result, some internal audits have been deleted from the Plan and the timing of a number of other audits has been changed, as follows:

- Four audits were added (Adur Promotions Service, Incident and Problem Management, Housing Contracts Fact Find and GDPR Compliance);
- Six audits were removed (Markets, E-mail Archiving, Exchange and Google, Condition Surveys, Cloud Computing Security, Network Infrastructure Security and Problem Debt), and
- Six audits are either still in progress or deferred, (Out of Hours Service, Payroll, Cyber Security, Supply of Affordable Housing, Key Controls Compliance and Management of Major Projects)

Consequently, the final number of internal audits for Adur in 2019/20 was 25, which is greater than the 21 for the prior year.

Although Internal Audit continued to operate post the Covid-19 lockdown restrictions from 23 March 2020, the progression of work from both the 2019/20 and 2020/21 plans was impacted. Our work re-commenced in July 2020 but due to the nature of remote auditing and our reliance on Council staff providing information, there have been some delays in the completion of audit. However, there were no material scope impairments or restrictions on internal audit in 2020/21.

We generally undertake individual internal audit projects with the overall objective of providing the Members, the Chief Executive and other

officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls over a number of management's objectives. Other audit projects are geared more towards the provision of specific advice and support to management to enhance the economy, efficiency and effectiveness of the services and functions for which they are responsible. We also undertake IT audits, probity audits and anti-fraud work.

All internal audit reports include our recommendations and agreed actions that, if implemented by management, will enhance the control environment and the operation of the key management controls.

Compliance with the PSIAS

During our internal audit work, we practice the principles of the PSIAS. The PSIAS require periodic self-assessment and an assessment by an external person every five years. During 2016/17 Mazars GRIC – Public Services (Local Government Sector) engaged an external company, Gard Consultancy Services, to complete an External Quality Assessment. The review was conducted in October and November 2016 and our work at Adur District Council was covered as part of the sample of clients examined during the review. The outcome of this external assessment is stated within the resulting report as:

"From the evidence reviewed as part of the external quality assessment, no areas of noncompliance with the Public Sector Internal Audit Standards have been identified that would affect the overall scope or operation of the Internal Audit activity, nor any significant areas of partial non-compliance. Three areas of minor partial compliance and one area, which is a new requirement from 2016, have been identified.

On this basis, it is our opinion that Mazars GRIC - Public Services conforms to the requirements of the Public Sector Internal Audit Standards and the Local Government Application Note.

Some practical and pragmatic recommendations to address the minor partial compliance issues and improve overall conformity with the standards have been made".

Content of report

This report sets out the results of the work performed as follows:

- Overall summary of work performed by Internal Audit including an analysis of report gradings; and
- **Key themes identified** during our work in 2020/21.

In this report, we have drawn on the findings and assessments included in all internal audit reports issued in 2019/20, including those that, at this time, remain in draft. It should be noted therefore that the comments made in respect of any draft reports are still subject to management response. Any changes in assurance on draft reports will be taken into account in the Head of Internal Audit Opinion for 2020/21.

2. Overall Summary

As illustrated in the tables below, and based on the current work completed, we have noted a decrease in audit assurance opinions issued in 2020/21 relative to the prior year. However, it should be noted that the Plan is based on examination of high risk areas and areas highlighted by management as requiring review which may increase the likelihood of limited assurance reports being issued and therefore impact on the assurances given.

During 2020/21, 14 (59%) of the internal audit projects which have so far been completed were rated 'Satisfactory assurance' compared with 12 (57%) in the prior year and one 'Full assurance' opinion was issued in 2021/21 compared to none in 2019/20. We issued one 'No assurance' opinion in 2020/21 compared to none in 2019/20 and eight reports (33%) have been issued with 'limited assurance' opinions compared with nine (43%) in the previous year.

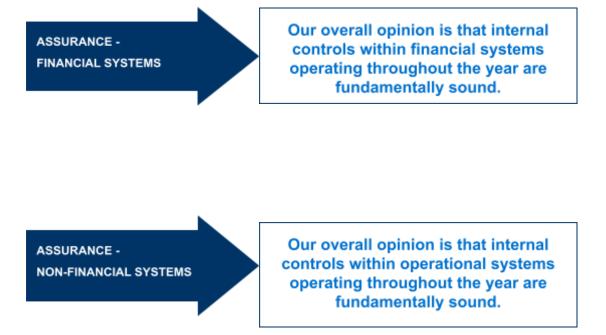
Assurance Gradings	Number of Projects									
Assurance Gradings	2020/21		2019/20		2018/19		2017/18		2016/17	
Full	1	4%	0	0%	2	6%	0	0%	1	4%
Satisfactory	14	59%	12	57%	20*	63%	18	62%	24	85%
Limited	8	33%	9	43%	10*	31%	10	35%	2	7%
No	1	4%	0	0%	0	0%	1	3%	1	4%
Sub-Total	24		21		32		29		28	
N/a Opinion Audits	1		0		0		1		3	
Total Audits Delivered	25		21		32		30		31	

Audits still in progress / Postponed	7	10	0	0	0	
Total	32	31	32	30	31	

A summary of key findings for all 2020/21 internal audit projects rated as No/Limited is included at Appendix 1.

Opinion 2020/21

From the Internal Audit work undertaken in compliance with the PSIAS in 2020/21, it is our opinion that we can provide **Satisfactory Assurance** that the system of internal control in place at the Council for the year ended 31 March 2021 accords with proper practice, except for the significant control environment issues as documented in Appendix 1. The assurance can be further broken down between financial and non-financial systems, as follows:



Key Themes Identified

As Internal Audit continues to apply a risk based approach, our audit projects assess the governance framework, the risk management process as well as the effectiveness of controls across a number of areas. Our findings on these themes are set out

below. Overall, we have noted an improvement in the control environment compared to last year (and in line with prior years) and whilst further remedial action needs to take place, we have noted that management has already started addressing our most significant findings.

Key Theme

The key theme identified in the 2019/20 Head of Internal Audit report, relating to control issues being identified from audits conducted in Housing (including procurement and contract management issues), based on audit work during the current year, still remains as a key theme.

Corporate Governance

As part of our work this year, we have again completed an evaluation of the governance arrangements in order to assist the Council and the S151 Officer in the preparing the Annual Governance Statement (AGS) for 2020/21.

As in previous years, we have concluded that there is reasonable assurance that the Council's governance arrangements are largely compliant with the best practice guidance on corporate governance issued by CIPFA/SOLACE. This opinion is based on:

- The external auditor's Audit Results Report for the year ended 31st March 2020 (dated November 2020 and reported to the Joint Governance Committee meeting 24th November 2020), in which Ernst & Young have concluded that, 'We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work', and
- Our audit of the Council's corporate governance arrangements (July 2019) that provided an overall Satisfactory assurance rating.

Risk Management

Based on an internal audit of the Council's risk management framework In March 2020, we have concluded that there is reasonable assurance that the Council's risk management processes are sufficiently formalised and provide information on key risks and issues relating to directorates and the Council as a whole. This opinion is based on:

Assurance provided by the external auditors, Ernst & Young, in their Audit Results Report for the year ended 31 March 2020 (dated November 2020) in which they state that, 'In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Adur District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.', and

• Our audit of the Council's risk management arrangements (final report issued April 2020) that provided an overall Satisfactory assurance rating.

Internal Control - IT Audits

Each year Internal Audit carries out audits of specific IT systems/areas. Three computer audits were completed during the year, one (on 'Network Architecture and Resilience') which was limited assurance and two (on 'Incident and Problem Management' and 'GDPR Compliance') which were satisfactory assurance resulting in an overall reasonable assurance on the Council's information technology.

Performance of Internal Audit

At the start of the contract, a number of performance indicators were formulated to monitor the delivery of the Internal Audit service to the Council. The table below shows the actual and targets for each indicator for the period:

Performance Measure	Target	Actual
Percentage of Internal Audit plan completed	100%	83%
Number of draft audit reports/work items complete	32	25**

^{**} Of the seven work items to be completed, four are in progress and three are yet to be started. These items of audit work will be summarised in our quarterly reports to the Joint Governance Committee when the final reports are issued. The results will be updated in our Annual Internal Audit Report for 2021/22.

Appendix 1 - Audit Projects with Limited or No Assurance 2020/21

Project	Grading	Summary of Key Findings
Management of the Commercial Property Portfolio	Limited	Seven findings were identified, (three Priority 1, four Priority 2 and one Priority 3 recommendations). The Priority 1 findings were that: Background and identity checks were not being performed in respect of new tenants.
		 Testing of a sample of ten lease renewals identified two instances where the DAR was signed off by the PIM after the lease expiry date; and four instances where the new lease was not completed in a timely manner.
		 Testing of the two rent reviews undertaken during the last year identified that both were not completed in a timely manner, with one being completed in excess of two years after it was due and the other six years after it was due.
		 The Priority 2 findings were that: testing of a sample of ten lease renewals identified an instance where no evidence to support that the tenant had been formally notified of the service charge element of the lease was available.
		Testing a sample of ten lease renewals identified an instance where the lease inspection was completed four days after the lease expiry date.
		Testing of two rent reviews identified that there was no rent valuation form for the Telecoms site at Lancing Manor.

		 Although advised that various key reports can be run on the App, such as leases and rent reviews due in the next 12 months, evidence of these reports being regularly run was not available.
Tenancy Management	Limited	 Three findings were identified, (one Priority 1 and two Priority 3 recommendations). The Priority 1 findings were that: Although there was a documented up to date procedure on mutual exchanges, there was no procedural guidance on new tenancies, tenancy changes and terminations and successions. The Priority 2 findings were that: The Tenant strategy available to staff and the public was for the period of 2012-2015, with no evidence of this being subsequently updated. The maximising Rental Income procedure was last updated in May 2009, with no evidence of this being subsequently updated.
Procurement and Contract Management Housing (Draft)	No	 Two findings were identified, (both Priority 1 recommendations). The Priority 1 findings were that: For the Bluefrog Cleaning Services Ltd contract, we were not provided with details of the tender evaluation panel or copies of the initial evaluations that were undertaken by individual evaluation panel members. Review of the minutes of the July, August and September 2020 meetings with Bluefrog Cleaning Services Ltd found that one issue was raised in June and one in August but did not include details of the action/s taken to resolve the issue. The minutes also noted a further standing agenda item in respect of, 'Service credits/non- compliance with specification' and records for all three months that these were, 'To be reviewed'. However, there is no evidence to show if/when and how the Service Credits were

		reviewed. Furthermore, there was no evidence of the KPI reports being provided; we note that the contract has been in operation since 1st April 2018, for a period in excess of two years.
Network Architecture and Resilience	Limited	 Seven issues were raised, (four Priority 2 and three Priority 3). The Priority 2 findings were that: Although network availability and performance were monitored through the PRTG and Cacti network monitoring tools, there was no control to record and track to resolution issues/alerts raised by these tools. The Local Area Network (LAN) and the Wide Area Network (WAN) to be resolved had some single points of failure. Although some hardening practices (i.e. the process of securing a system by reducing its vulnerability) had been implemented, there were no hardening procedures defined for the network devices in alignment with Councils requirements. Internal and external penetration tests were not performed annually to test the effectiveness of security defences through mimicking the actions of real-life attackers.
Community Grants (Draft)	Limited	Six findings were identified, (one Priority 1 and four Priority 2 recommendations). The Priority 1 findings was that: Supporting documents were not available to evidence that these had been received for the sample of organisations in receipt of grants selected. The Priority 2 findings were that: Review panel members had not received training. Notification letters and contracts with successful grant applicants were not retained. There were no procedures providing guidance on monitoring meetings with grant recipients or on corrective actions.

		 There was no formal procedure for reporting back on grant performance to the committee.
Adur Promotions Service	Limited	 Seven issues were raised, (three Priority 2 and four Priority 3). The Priority 2 findings were that: Flyers advertising the Service are not routinely placed at the sites. This may help to raise profile particularly if there is currently under-utilised space. From discussions with APS officers we also confirmed that direct marketing is not used very frequently and they have not approached any local businesses or newspapers to assist with advertising. Discussion with APS officers established that advertisements can sometimes be displayed without full payment having been received before the advert is placed. This is because the APS team deal with the application and placing the advert/poster and the payment is received and processed by the Council's Finance Team (Cash Office). We were advised that the Markets Officer does not always update the spreadsheet when displays are removed.
Project Management (Draft)	Limited	 Four issues were raised, (two Priority 1 and two Priority 2). The Priority 1 findings were that: The list of project managers provided was inaccurate. Project management documentation was not centrally retained, with it being necessary to obtain this from individual project managers. Despite numerous enquiries, Internal Audit as unable to locate documentation relating to 4 of the sample of 10 projects sampled. The Priority 2 findings were that: Projects were not categorised to aid monitoring. Although recommended in the previous audit, this had not been implemented. Sample testing identified a project where the project evaluation had either not been carried out or had not been documented.
GDPR compliance (Draft)	Limited	Fourteen issues were raised, (one Priority 1, eleven Priority 2 and two Priority 3).

The Priority 1 finding was that:

• The 'DSA_DPA Guidance' document did not detail the requirement to include Article 28 contractual clauses in Data Processor Agreements.

The Priority 2 findings were that:

- Although the 'Corporate Risks & Opportunities 2020/21' document identified data protection risks, the risks were not specific to the Development Management team.
- The External Privacy Notice detailed that consent would be obtained from data subjects prior to disclosing special categories of data even though Internal Audit were informed during interview that consent was not obtained prior to disclosing special categories of data.
- The Data Protection Policy did not contain all information relevant to the technical and organisational measures put in place to comply with GDPR principles, to ensure that staff are aware of the technical and organisational measures that are put in place to comply with the GDPR.
- The Development Management team did not justify why 12 out of 17 records, as detailed in the Information Retention and Disposal Schedule, were being retained indefinitely.
- The record of processing activities (ROPA) did not include all Article 30 mandatory fields and it had not been maintained as there were incomplete fields.
- There was no documented process for the Development Management team to escalate any data protection complaints to the Data Protection Officer (DPO).
- There was a lack of accountability for the handling of data protection complaints.
- 11 members within the Planning and Development Management team had not completed their Information Certificate Training.
- There was no specialist data protection training provided to the team's GDPR Lead.
- The Development Management team had not provided any evidence to demonstrate its awareness of controls in place to assess and manage information security risks (e.g. Information Security Policy).

•	The Development Management team has not conducted a data processing impact assessment (DPIA), or at least completed the screening checklist, to demonstrate an assessment on privacy risks for its processing activities.
•	There was no documented due diligence process for the Development Management team to follow prior to onboarding a third party.

Appendix 2 - Key to Assurance Levels

Assurance Gradings

We have four categories by which we classify internal audit assurance over the processes we examine, and these are defined as follows:

Assurance Level	Evaluating and Testing Conclusion
Full	There is a sound system of internal control designed to achieve the Council's objectives The control processes tested are being consistently applied.
Satisfactory	While there is a basically sound system of internal control, there are weaknesses, which put some of the Council's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the Council's objectives at risk.
Limited	Weaknesses in the system of internal controls are such as to put the Council's objectives at risk. The level of non-compliance puts the Council's objectives at risk.
No	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

Appendix 3 - Statement of Responsibility

We take responsibility to Adur District Council for this report, which is prepared based on the limitations set out below.

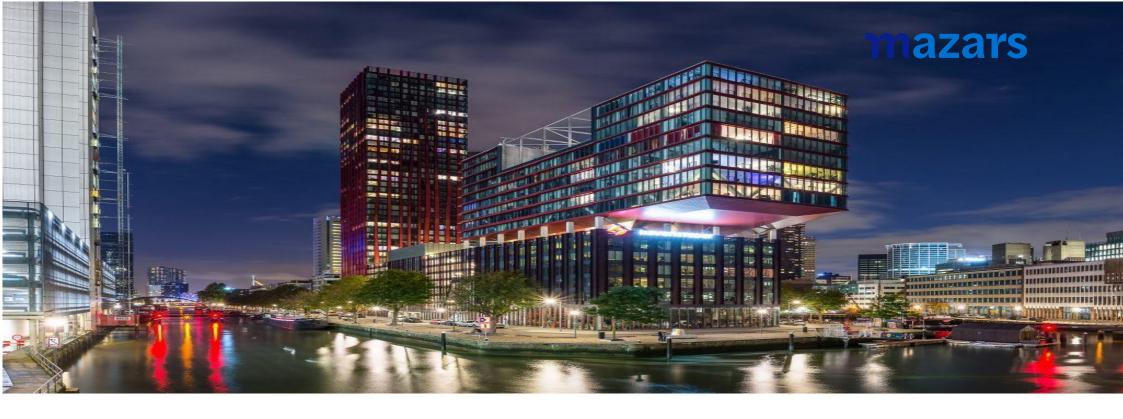
The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those, which came to our attention during our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or reply for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

Registered office: Tower Bridge House, St Katharine's Way, London E1W 1DD, United Kingdom. Registered in England and Wales No 0C308299.



Worthing Borough Council

Annual Head of Internal Audit Report 2020/21

May 2021

This report and the work connected therewith are subjected to the Terms and Conditions of the Engagement Letter dated 15 March 2018 between Adur District and Worthing Borough Councils (through the London Borough of Croydon's APEX Framework Agreement) and Mazars LLP.

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Status of our reports

This report ("Report") was prepared by Mazars LLP at the request of Adur District and Worthing Borough Councils and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of Adur District and Worthing Borough Councils and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in Appendix A4 of this report for further information about responsibilities, limitations and confidentiality.

1. Purpose of this Report

This report summarises the work that Internal Audit has undertaken and the key control environment themes identified across Worthing Borough Council (the Council) during the 2020/21 financial year, the service for which is provided by Mazars LLP.

The purpose of the Annual Internal Audit Report is to meet the Head of Internal Audit annual reporting requirements set out in the UK Public Sector Internal Audit Standards (PSIAS). The PSIAS requirements are that the report must include:

- An annual Internal Audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (the control environment);
- A summary of the audit work from which the opinion is derived (including reliance placed on the work by other assurance bodies), and
- A statement on conformation with the PSIAS and the results of the Internal Audit quality assurance and improvement programme (QAIP), if applicable.

The report should also include:

- The disclosure of any qualifications to that opinion, together with reasons for the qualification;
- The disclosure of any impairments or restriction in scope;
- A comparison of the work actually undertaken with the work that was planned and a summary of the performance of the Internal Audit function against its performance measures and targets;
- Any issues judged to be particularly relevant to the preparation of the annual governance statement, and
- Progress against any improvement plans resulting from QAIP external assessment.

It should be noted that the Council is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act to make arrangements to secure continuous improvement in the way in which it functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control, which

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As Internal Audit, our role is to provide an annual assurance statement on the adequacy and effectiveness of the Council's systems of governance, risk management and internal control.

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Although Internal Audit continued to operate post the Covid-19 lockdown restrictions from 23 March 2020, the progression of work from both the 2019/20 and 2020/21 plans was impacted. Our work re-commenced in July 2020 but due to the nature of remote auditing and our reliance on Council staff providing information, there have been some delays in the completion of audit. However, there were no material scope impairments or restrictions on internal audit in 2020/21.

Through our continued liaison with senior management, changes were agreed to the Plan during the year and as a result, some internal audits have been deleted from the Plan and the timing of a number of other audits has been changed, as follows:

- Two audits were added (Incident and Problem Management and GDPR Compliance);
- Five audits were removed (Markets, E-mail Archiving, Exchange and Google, Cloud Computing Security, Network Infrastructure Security and Problem Debt), and
- Seven audits are either still in progress or deferred (Out of Hours Service, Payroll, Cyber Security, Supply of Affordable Housing, Theatres Procurement & Contract Management, Key Controls Compliance and Management of Major Projects).

Consequently, the final number of internal audits for Worthing 2020/21 was 21 (compared to 18 at the time of the Annual HOIA Report 2019/20).

We generally undertake individual internal audit projects with the overall objective of providing the Members, the Chief Executive and other

officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls over a number of management's objectives. Other audit projects are geared more towards the provision of specific advice and support to management to enhance the economy, efficiency and effectiveness of the services and functions for which they are responsible. We also undertake IT audits, probity audits and anti-fraud work.

All internal audit reports include our recommendations and agreed actions that, if implemented by management, will enhance the control environment and the operation of the key management controls.

Compliance with the PSIAS

During our internal audit work, we practice the principles of the PSIAS. The PSIAS require periodic self-assessment and an assessment by an external person every five years. During 2016/17 Mazars GRIC – Public Services (Local Government Sector) engaged an external company, Gard Consultancy Services, to complete an External Quality Assessment. The review was conducted in October and November 2016 and our work at Adur District Council was covered as part of the sample of clients examined during the review. The outcome of this external assessment is stated within the resulting report as:

"From the evidence reviewed as part of the external quality assessment, no areas of noncompliance with the Public Sector Internal Audit Standards have been identified that would affect the overall scope or operation of the Internal Audit activity, nor any significant areas of partial non-compliance. Three areas of minor partial compliance and one area, which is a new requirement from 2016, have been identified.

On this basis, it is our opinion that Mazars GRIC - Public Services conforms to the requirements of the Public Sector Internal Audit Standards and the Local Government Application Note.

Some practical and pragmatic recommendations to address the minor partial compliance issues and improve overall conformity with the standards have been made".

Content of report

This report sets out the results of the work performed as follows:

- Overall summary of work performed by Internal Audit including an analysis of report gradings; and
- **Key themes identified** during our work in 2020/21.

In this report, we have drawn on the findings and assessments included in all internal audit reports issued in 2020/21, including those that, at this time, remain in draft. It should be noted therefore that the comments made in respect of any draft reports are still subject to management response. Any changes in assurance on draft reports will be taken into account in the Head of Internal Audit Opinion for 2021/22.

2. Overall Summary

As illustrated in the tables below, and based on the current work completed, we have noted an improvement in the audit assurance gradings issued in 2020/21 relative to the prior year.

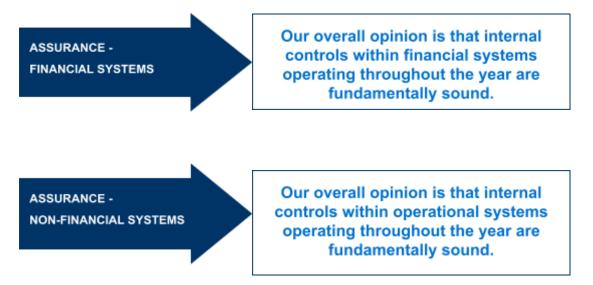
During 2020/21, 13 (62%) of the internal audit projects which have so far been completed were rated 'Satisfactory assurance' compared with 11 (61%) in the prior year and two 'Full assurance' opinions were issued in 2021/21 compared to none in 2019/20. We issued one 'No assurance' opinion in 2020/21 compared to none in 2019/20 and five reports (24%) have been issued with 'limited assurance' opinions compared with seven (39%) in the previous year.

Assurance Gradings	Number of Projects									
Assurance Gradings -	2020/21		2019/20		2018/19		2017/18		2016/17	
Full	2	9%	0	0%	3	10%	0	0%	1	4%
Satisfactory	13	62%	11	61%	20*	69%	17	74%	23	85%
Limited	5	24%	7	39%	6*	21%	6	26%	3	11%
No	1	5%	0	0%	0	0%	0	0%	0	0%
Sub-Total	21		18		29		23		27	
N/a Opinion Audits	0		0		0		1		2	
Total Audits Delivered	21		18		29		24		29	
Audits still in progress / Postponed	7		9		0		0		0	
Total	28		27		29		24		29	

A summary of key findings for all 2020/21 internal audit projects rated as No/Limited is included at Appendix 1.

Opinion 2020/21

From the Internal Audit work undertaken in compliance with the PSIAS in 2020/21, it is our opinion that we can provide **Satisfactory Assurance** that the system of internal control in place at the Council for the year ended 31 March 2021 accords with proper practice, except for the significant control environment issues as documented in Appendix 1. The assurance can be further broken down between financial and non-financial systems, as follows:



Key Themes Identified

As Internal Audit continues to apply a risk-based approach, our audit projects assess the governance framework, the risk management process as well as the effectiveness of controls across a number of areas. Our findings on these themes are set out below. Overall, we have noted an improvement in the control environment compared to last year (and in line with prior years) and whilst further remedial action needs to take place, we have noted that management has already started addressing our most significant findings.

Key Theme

No key themes have emerged from our work.

Corporate Governance

As part of our work this year, we have again completed an evaluation of the governance arrangements in order to assist the Council and the S151 Officer in the preparing the Annual Governance Statement (AGS) for 2020/21.

Based on our internal audits, liaison with S151 Officer and attendance at JGC, there have not been any significant changes to the Council's structure or operation.

Our audit of the Council's corporate governance arrangements (July 2019) provided an overall Satisfactory assurance rating.

We also noted in the external auditor's Audit Results Report for the year ended 31 March 2020 (dated November 2020 and reported to the Joint Governance Committee meeting 24 November 2020), the External Auditors concluded that, 'We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work'.

Thus, as in previous years, we have concluded that there is reasonable assurance that the Council's governance arrangements are largely compliant with the best practice guidance on corporate governance issued by CIPFA/SOLACE.

Risk Management

Based on an internal audit of the Council's risk management framework In March 2020, for which we provided Satisfactory assurance, we have concluded that there is reasonable assurance that the Council's risk management processes are sufficiently formalised and provide information on key risks and issues relating to directorates and the Council as a whole. This opinion is based on:

We also noted in the external auditor's Audit Results Report for the year ended 31 March 2020 (dated November 2020), the External Auditors concluded that 'In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Adur District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.'.

Internal Control - IT Audits

Each year Internal Audit carries out audits of specific IT systems/areas. Due to restrictions from the Covid-19 lockdown, no IT Audits were completed except for the closing off of 2019-20 audits until autumn 2020. The computer audit plan was subsequently revisited with the Council's IT Team as their priorities and risks had changed. This resulted in the computer audit plan being amended, with the audits on 'E-mail Archiving, Exchange and Google', 'Cloud Computing Security' and 'Network Infrastructure Security' being removed and the audits on 'Incident and Problem Management' and 'GDPR Compliance' added.

Three computer audits were completed during the year, two (on 'Network Architecture and Resilience' and 'GDPR Compliance') which were limited assurance and one (on 'Incident and Problem Management') which was satisfactory assurance. It should be noted that the computer audit plan has been based on examination of high-risk areas and areas highlighted by management as requiring review, which has increased the likelihood of limited assurance reports being issued and therefore impact on the assurances given. Therefore, despite there being two limited assurance audits, Internal Audit still has an overall reasonable assurance on the Council's information technology.

Performance of Internal Audit

At the start of the contract, a number of performance indicators were formulated to monitor the delivery of the Internal Audit service to the Council. The table below shows the actual and targets for each indicator for the period:

Performance Measure	Target	Actual
Percentage of Internal Audit plan completed	100%	83%
Number of draft audit reports/work items complete	28	21**

^{**} Of the seven work items to be completed, four are in progress and three where the start dates have been delayed at auditee request. These have therefore been deferred to 2021/22. These items of audit work will be summarised in our quarterly reports to the Joint Governance Committee when the final reports are issued. The results will be updated in our Annual Internal Audit Report for 2021/22.

Appendix 1 - Audit Projects with Limited or No Assurance 2020/21

Project	Grading	Summary of Key Findings
Management of the Commercial Property Portfolio	Limited	 Eight findings were identified, (three Priority 1, four Priority 2 and one Priority 3 recommendations). The Priority 1 findings were that: Background and identity checks were not being performed in respect of new tenants. Testing of a sample of ten lease renewals identified two instances where the DAR was signed off by the PIM after the lease expiry date; and four instances where the new lease was not completed in a timely manner.
		 Testing of the two rent reviews undertaken during the last year identified that both were not completed in a timely manner, with one being completed in excess of two years after it was due and the other six years after it was due.
		 The Priority 2 findings were that: testing of a sample of ten lease renewals identified an instance where no evidence to support that the tenant had been formally notified of the service charge element of the lease was available.
		Testing a sample of ten lease renewals identified an instance where the lease inspection was completed four days after the lease expiry date.
		 Testing of two rent reviews identified that there was no rent valuation form for the Telecoms site at Lancing Manor.

		 Although advised that various key reports can be run on the App, such as leases and rent reviews due in the next 12 months, evidence of these reports being regularly run was not available.
Procurement and Contract Management Housing (Draft)	No	 Two findings were identified, (both Priority 1 recommendations). Due to the limited documentation provided during this internal audit, Internal Audit was not able to achieve the agreed scope and objectives. The Priority 1 findings were that: For the Bluefrog Cleaning Services Ltd contract, we were not provided with details of the tender evaluation panel or copies of the initial evaluations that were undertaken by individual evaluation panel members. Review of the minutes of the July, August and September 2020 meetings with Bluefrog Cleaning Services Ltd found that one issue was raised in June and one in August but did not include details of the action/s taken to resolve the issue. The minutes also noted a further standing agenda item in respect of, 'Service credits/non- compliance with specification' and records for all three months that these were, 'To be reviewed'. However, there is no evidence to show if/when and how the Service Credits were reviewed. Furthermore, there was no evidence of the KPI reports being provided; we note that the contract has been in operation since 1st April 2018, for a period in excess of two years.
Network Architecture and Resilience	Limited	 Seven issues were raised, (four Priority 2 and three Priority 3). The Priority 2 findings were that: Although network availability and performance were monitored through the PRTG and Cacti network monitoring tools, there was no control to record and track to resolution issues/alerts raised by these tools. The Local Area Network (LAN) and the Wide Area Network (WAN) to be resolved had some single points of failure.

		 Although some hardening practices (i.e. the process of securing a system by reducing its vulnerability) had been implemented, there were no hardening procedures defined for the network devices in alignment with Councils requirements. Internal and external penetration tests were not performed annually to test the effectiveness of security defences through mimicking the actions of real-life attackers.
Community Grants (Draft)	Limited	 Five findings were identified, (one Priority 1 and four Priority 2 recommendations). The Priority 1 findings was that: Supporting documents were not available to evidence that these had been received for the sample of organisations in receipt of grants selected. The Priority 2 findings were that: Review panel members had not received training. Notification letters and contracts with successful grant applicants were not retained. There were no procedures providing guidance on monitoring meetings with grant recipients or on corrective actions. There was no formal procedure for reporting back on grant performance to the committee.
Project Management (Draft)	Limited	 Four issues were raised, (two Priority 1 and two Priority 2). The Priority 1 findings were that: The list of project managers provided was inaccurate. Project management documentation was not centrally retained, with it being necessary to obtain this from individual project managers. Despite numerous enquiries, Internal Audit as unable to locate documentation relating to 4 of the sample of 10 projects sampled. The Priority 2 findings were that: Projects were not categorised to aid monitoring. Although recommended in the previous audit, this had not been implemented.

		 Sample testing identified a project where the project evaluation had either not been carried out or had not been documented.
GDPR compliance (Draft)	Limited	
		team to escalate any data protection complaints to the Data Protection Officer (DPO).
		 There was a lack of accountability for the handling of data protection complaints. 11 members within the Planning and Development Management team
		had not completed their Information Certificate Training.

 There was no specialist data protection training provided to the team's GDPR Lead. The Development Management team had not provided any evidence to demonstrate its awareness of controls in place to assess and manage information security risks (e.g. Information Security Policy). The Development Management team has not conducted a data processing impact assessment (DPIA), or at least completed the screening checklist, to demonstrate an assessment on privacy risks for its processing activities. There was no documented due diligence process for the Development Management team to follow prior to onboarding a third party.

Appendix 2 - Key to Assurance Levels

Assurance Gradings

We have four categories by which we classify internal audit assurance over the processes we examine, and these are defined as follows:

Assurance Level	Evaluating and Testing Conclusion
Full	There is a sound system of internal control designed to achieve the Council's objectives The control processes tested are being consistently applied.
Satisfactory	While there is a basically sound system of internal control, there are weaknesses, which put some of the Council's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the Council's objectives at risk.
Limited	Weaknesses in the system of internal controls are such as to put the Council's objectives at risk. The level of non-compliance puts the Council's objectives at risk.
No	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

Appendix 3 - Statement of Responsibility

We take responsibility to Adur District Council for this report, which is prepared based on the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those, which came to our attention during our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or reply for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

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Agenda Item 8



Joint Governance Committee 27 May 2021 Agenda Item 8

Ward(s) Affected: All

Annual Governance Statements 2020/21

Report by the Director for Digital & Resources

Executive Summary

1. Purpose

1.1 To review and agree the Annual Governance Statements for 2020/21.

2. Recommendations

- 2.1 The Joint Governance Committee is asked to:
 - (a) note the evidence of compliance with the Code of Corporate Governance and the Progress Report produced to deal with any issues arising from these requirements as set out in Appendix A.
 - (b) approve the Annual Governance Statements for each Council as set out in Appendix B and C to this report

3. Context

3.1 Corporate governance is the responsibility of all of us and can be defined as:

"How local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities." - CIPFA/SOLACE

- 3.2 In late 2007 CIPFA/SOLACE published a framework and guidance on delivering good governance in local government. This framework was updated with revised principles in 2016.
- 3.3 The following are the six core principles in relation to local government as set out in the revised framework:
 - Behaving with integrity, demonstrating a strong commitment to ethical values, and respecting the rule of law;
 - Ensuring openness and comprehensive stakeholder engagement;
 - Defining outcomes in terms of sustainable economic, social, and environmental benefits;
 - Determining the interventions necessary to optimise the achievement of the intended outcomes;
 - Developing the Council's capability, including the capability of its leadership and the individuals within it;
 - Managing risks and performance through robust internal control and strong public financial management
 - Implementing good practices in transparency reporting and audit to deliver effective accountability
- 3.4 The 2007 framework required the production of a Code of Corporate Governance. This was agreed by the former Constitution and Audit Committee in Adur and the former Governance and Audit Committee in Worthing and approved by both Councils in July 2008. It has been reviewed periodically and the latest version was adopted by each Council in 2017.
- 3.5 The revision to the framework is designed to help local government take responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The Framework is intended to assist authorities individually

in reviewing and accounting for their own unique approach. The overall aim is to ensure that:

- resources are directed in accordance with agreed policy and according to priorities
- there is sound and inclusive decision making
- there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
- 3.6 The Annual Governance Statement is a comment on the totality of good corporate governance, and it is a statutory requirement for this statement to be published annually. The Accounts and Audit Regulations 2015 required the publication of the Annual Governance Statement, following consideration of the Statement of Internal Control. The Council's Head of Internal Audit (from Mazars) will provide a written annual report to those charged with governance timed to support the annual governance statement. The Annual Governance Statement must be approved before the Statement of Accounts is approved.
- 3.7 The Code of Practice on Local Authority Accounting suggests that it is best practice to have the Annual Governance Statement published with the Statement of Accounts.

4. Annual Governance Statement 2020/21

- 4.1 These are key corporate documents and the most senior member and the most senior officer (Leader and Chief Executive) have joint responsibility as signatories for its accuracy and completeness. The Leader of each Council and the Chief Executive as signatories of the respective Annual Governance Statements need to ensure that they accurately reflect the governance framework for which they are responsible. The guidance advises that it should be owned by all senior officers and members of the authority and that it is essential that commitment to good governance at the heart of the organisation.
- 4.2 In order to achieve this they are likely to rely on many sources of assurance, such as:
 - directors and managers;
 - the responsible financial officer;
 - the monitoring officer;
 - members;

- the head of internal audit;.
- third parties, e.g. partnerships;
- external audit and other review agencies
- 4.3 The rough guide to preparing the Annual Governance Statement shows "the need for a review body in the process, such as an audit committee or scrutiny role who should be charged with critically reviewing the AGS and its supporting documentation". The constitution indicates that this function should be dealt with by this Committee, and this is seen as the most satisfactory means of meeting the requirements for a critical review of the Annual Governance Statement.
- 4.4 There is no definitive way of producing the Annual Governance Statement. Professional guidance indicates that at the centre of the review process should be a corporate group who will be given ultimate responsibility for drafting the statement, evaluating assurances and the supporting evidence. This group should review whether or not there is consistency with existing policies and the authorities' governance framework.
- 4.5 An officer working group is responsible for ensuring that the Annual Governance Statements accurately reflect the governance arrangements of the two Councils. The membership of the group comprises of:
 - Monitoring Officer
 - Section 151 Officer
 - Organisational Development Business Partner
 - Head of Wellbeing
 - Democratic Services Officers
 - Head of Customer and Digital Services
 - Security and Risk Officer
- 4.6 A reference group of Councillors is used to give feedback on the preparation of the draft statement:
 - the Leader of both Councils
 - the Executive Member for Resources
 - the Chair of the Joint Overview and Scrutiny Committee
 - the Chair and Members of the Joint Governance Committee

- 4.7 As part of the review process, each of the Councillors referred to in paragraph 4.6 above were written to in May 2021 seeking feedback on issues which may have a bearing on the completion of the review of the Annual Governance Statement. Any responses received as part of the 2020 review process have been incorporated into the proposed statements.
- 4.8 The Officer's Governance Group has reviewed the current framework and action plan on issues required to improve or strengthen the Council's Governance Framework. The outcome of the review is shown in the attached Governance Action Plan Progress Report as set out in the attached Appendix B. The traffic light system of reporting has been used to identify progress on dealing with the actions, and identifying any new action to take forward.
- 4.9 Following the identification of issues within the Housing Service over the last couple of years by Internal Audit, an officer business transformation project group has been convened to improve how the service works. The work undertaken to date has highlighted a number of issues requiring disclosure in the Annual Governance Report.

5. Internal Audit Annual Report 2020/21

- 5.1 Each year the Head of Internal Audit (from Mazars who provide the Councils Internal Audit Service) produces an Internal Audit Annual Report which summarises the work that Internal Audit has undertaken during the previous financial year and the control environment key themes which have been identified across the authority. The purpose of this report is to provide an annual assurance statement on the adequacy and effectiveness of the Authority's systems of governance, risk management and internal control. A report is produced separately for Adur District Council and Worthing Borough Council.
- 5.2 For 2020/21 the Head of Internal Audit's Annual reports state that based on the Internal Audit work undertaken, it is the Head of Internal Audit's opinion that they can provide Satisfactory Assurance that the system of internal control in place at both Adur District and Worthing Borough Councils for the year ended 31st March 2021 accords with proper practice (See separate report on this agenda). The assurance is broken down further between financial and non-financial systems where the Head of Internal Audit has commented as follows: "Our overall opinion is that internal controls within financial and operational systems operating throughout the year are fundamentally sound."

5.3 The following are extracts from the Head of Internal Audit's (Mazars) Internal Audit Annual Report.

Adur District Council

"We have noted a decrease in audit assurance opinions issued in 2020/21 relative to the prior year. However, it should be noted that the Plan is based on examination of high risk areas and areas highlighted by management as requiring review which may increase the likelihood of limited assurance reports being issued and therefore impact on the assurances given.

During 2020/21, 15 (63%) of the internal audit projects which have so far been completed were rated 'Satisfactory assurance' compared with 12 (57%) in the prior year and one 'Full assurance' opinion was issued in 2021/21 compared to none in 2019/20. We issued one 'No assurance' opinion in 2020/21 compared to none in 2019/20 and seven reports (29%) have been issued with 'limited assurance' opinions compared with nine (43%) in the previous year."

Worthing Borough Council

"We have noted an improvement in the audit assurance gradings issued in 2020/21 relative to the prior year.

During 2020/21, 13 (62%) of the internal audit projects which have so far been completed were rated 'Satisfactory assurance' compared with 11 (61%) in the prior year and two 'Full assurance' opinions were issued in 2021/21 compared to none in 2019/20. We issued one 'No assurance' opinion in 2020/21 compared to none in 2019/20 and five reports (24%) have been issued with 'limited assurance' opinions compared with seven (39%) in the previous year."

6. Engagement and Communication

6.1 Officers and members are consulted on the production of the Annual Governance Statement as outlined in section 4 above.

7. Financial Implications

- 7.1 There are no direct costs or other financial implications involved with the production of these statements.
- 7.2 The Chief Financial Officer in her role as the Council's S.151 Officer has been closely involved in the preparation, review and publication of the Action Plan and the draft Annual Governance Statement.

8. Legal Implications

- 8.1 Paragraph 6 of the Accounts and Audit Regulations 2015 sets out the legal requirements for each authority to produce an Annual Governance Statement (AGS). The Annual Governance Statement is a comment on the totality of good corporate governance, and it is a requirement for this statement to be published alongside the statutory annual statement of accounts. The draft Annual Governance Statement for Adur District Council is attached to this report as Appendix B, and for Worthing at Appendix C.
- 8.2 The Accounts and Audit Regulations 2021 has extended the deadline for the publication of the AGS from 31st July to the 30th September 2021. This change applies to the AGS for the 2020/21 and 2021/22 financial years only. However the Council intends to complete the draft statement of accounts by 31st May 2021 and the audit is programmed for the Summer, with approval by the Joint Governance Committee planned for the 28th September 2021.
- 8.3 The Head of Legal Services in her role as the Council's Monitoring Officer has been closely involved in the preparation, review and publication of the Action Plan and the draft Annual Governance Statement.
- 8.4 Part 3 of each Council's constitutions set out the terms of reference for the Joint Governance Committee which includes their responsibilities in respect of Audit activity.

Background Papers:

Delivering Good Governance in Local Government Framework & Guidance Notes for English Authorities; CIPFA/SOLACE 2016

Accounts and Audit Regulations 2015

The Accounts and Audit Regulations 2021

The role of the Chief Financial Officer in public service organisations - CIPFA

Officer Contact Details:

Sarah Gobey
Chief Financial Officer
01903 221221
sarah.gobey@adur-worthing.gov.uk

Sustainability & Risk Assessment

1. Economic

Matter considered and no issues identified.

2. Social

2.1 Social Value

Matter considered and no issues identified.

2.2 Equality Issues

Matter considered and no issues identified.

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified.

2.4 Human Rights Issues

Matter considered and no issues identified.

3. Environmental

Matter considered and no issues identified.

4. Governance

The report contains an annual review of the Councils' governance arrangements.

Adur & Worthing Governance Progress Report 2020/21

Appendix A

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

Action Code	Title	Description	Assigned To	Due Date	Latest Note	Status
		Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation	Maria Memoli	Ongoing	The Councils each have an up to date Code of Conduct for Members and an Officers Code of Conduct. The Code of Conduct is reviewed regularly; the latest review of the Members Code of Conduct took place in March 2021 and of the Officer Code in July 2018.	Progressing well (Green)
AI/UZ	Della	Ensuring members take the lead in establishing specific standard operating principles or values of the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles).	Maria Memoli / Amy Newham	Ongoing	The code of conduct is approved by members. This underpins the standards of behaviour expected from officers and members. The PDR process has been revamped with clear links to the core competencies and behaviours; training on one to one meetings has been provided to all leaders within the organisation.	Progressing well (Green)

Appendix A

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

and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively. Memoli / Sarah Gobey / Heidi Christmas been made available on the Council's website.	Action Code	Title	Description	Assigned To	Due Date	Latest Note	Status
This will be reviewed in 2021 as part of the ongoing constitution review as it was last updated in 2018.	A1/04	Beha	Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating	Memoli / Sarah Gobey / Heidi		date registers of interests, gifts and hospitality. The Whistleblowing policy is in place and has been made available on the Council's website. This will be reviewed in 2021 as part of the ongoing constitution review as it was last	Progressing well (Green)

Appendix A

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

Action Code	Title	Description	Assigned To	Due Date	Latest Note	Performanc e Status
A2/03	Demo	Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.	itment to eth Sarah Gobey/ Cliff Youngman	ical values January 2024	The new procurement strategy was considered and approved by members in January 2021 will be next reviewed in January 2024.	, ,
A2/04	Demo	Statement of business ethics communicates commitment to ethical values to external suppliers	itment to eth Sarah Gobey / Cliff Youngman	ical values Completed	A sustainability procurement Code of Practice was approve by the Councils' in January 2021 commitments to responsible procurement and social value. We will then encourage suppliers to sign up the charter.	well (Green)
A3/02	Respe	Creating conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements	Paul Brewer	Ongoing	The CFO is not a member of the Corporate Leadership team and the Councils do not completely comply with the recommended guidance on the role of the Chief Financial Officer in Local Government. However the CFO does have access to the Chief Executive with regular meetings and the leadership team if needed.	closely monitored (Amber)

B. Ensuring openness and comprehensive stakeholder engagement

Action Code	Title	Description	Assigned To	Due Date	Latest Note	Performance Status
B1/01	Enga	ging comprehensively	with institut	ional stake	eholders	
		Openness	Sarah Gobey / Emma Thomas	Ongoing annually by 31st May each year	framework there is a	Being closely monitored (Amber)
B1/01	Enga	ging comprehensively	with institut	ional stake	holders	
		Engaging comprehensively with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.	Tina Favier	Ongoing	A key theme of the Platforms for our Places is Leadership of our Places – to develop strong partnerships, relationships and networks to support the platforms and enable their effective use and development. The Director for Communities leads on this work.	Being closely monitored (Amber)

B. Ensuring openness and comprehensive stakeholder engagement

Action Code	Title	Description	Assigned To	Due Date	Latest Note	Performanc e Status
B1/01	Enga	ging comprehensively with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainable	Tina	ı	The Council does not have a communications strategy which underpins several of the elements of the principal of 'Ensuring openness and comprehensive stakeholder engagement'. At this time the Leaders do not feel a need to develop a written 'Communications Strategy'. Since April 2017, there has been a focus on developing the Councils Social Media platforms as the key mode of engagement, and the development of the Communications Unit into an 'agency model' to provide a range of professional strategic communications service to business units and local partners. This is supported by our commitments in Platforms for our Places, which outlines our strategic approach to develop the Communications function.	closely monitored (Amber)

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

Action Code	Title	Description	Assigned To	Due Date	Latest Note	Performance Status
C1 /01	Definir	Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions	Bailey /	Ongoing	A vision has been produced and agreed by the Councils called 'Platforms for Places: Going further'. The Council receives 6 months reports on progress in implementing the actions arising from these priorities. Services will undertake additional performance management as part of the broader service planning process.	

Action Code	Title	Description	Assigned To	Due Date	Latest Note	Performance Status				
E1/02	Deve	Developing the entity's capacity								
		Improving resource use through the appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently.	Paul Brewer	Ongoing	VFM opinion audit judgement reviewed on an annual basis and the opinion is positive. A number of services are regionally benchmarked and others nationally e.g. Adur Homes, Fraud, Leisure. Cost comparisons with other Councils undertaken. VFM measured as part of procurement.	Progressing well(Green)				
E1/04	Deve	loping the entity's capacity								
		Developing and maintaining an effective workforce plan to enhance strategic allocation of resources	Heidi Christmas / Amy Newham	31st December 2021	The draft plan has been written and is due to go to members later in the year.					

Action Code	Title	Description	Assigned To	Due Date	Latest Note	Performance Status
E2/02	Deve	Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making body Scheme of delegations is updated at least annually in the light of legal and organisational changes. Officer Decision Protocol is regularly reviewed Executive Procedure Rules are regularly reviewed.		dership and description	Scheme of delegations has been revised and a record of the amendments has been reviewed by the Joint Governance Committee.	

Action Code	Title	Description	Assigned To	Due Date	Latest Note	Performance Status
E2/02	Deve	Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making body	·	leadershi	p and other individuals	
		- Contract standing orders are reviewed regularly	Sarah Gobey/ Susan Sale	Ongoing	recommended to Council for approval at JGC March 2017. This is due to be reviewed again in 2021/22 having been delayed from 2020/21 due to the impact of the Pandemic on workloads. Training continues to be rolled out to all officers involved in procuring items of £5k or more. A toolkit has been rolled out to assist managers in complying with the Contract Standing Orders. A programme of contract management training is in place.	
		- To review and refresh the financial regulations.	Sarah Gobey	Ongoing	A new revised set of financial regulations was approved by the Councils in April 2019. This will be reviewed again in 2022.	

Action Code	Title	Description	Assigned To	Due Date	Latest Note	Performance Status					
E2/04	E2/04 Developing the capability of the Councils leadership and other individuals										
		Ensuring members have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis	Tina Favier / Susan Sale	Ongoing	A revised development programme is due to be implemented for 2021/22 with initial sessions being delivered remotely as a result of the Covid 19 situation. The programme is intended to deliver targeted development sessions for Elected Members. The development programme will include topics such as chairing meetings, decision making, code of conduct, GDPR, planning, licensing, safeguarding, housing, casework, local government finance, social media and developing Adur & Worthing. This can be evidenced via individual Trello Passports which are kept up-to-date and are available for inspection. The new development programme is available on request.	Progressing well (Green)					

Action	Title	Description	Assigned	Due Date	Latest Note	Performance
Code			То			Status
E2/04	Devel	oping the capability of the	e Councils I	eadership	and other individuals	
		Taking steps to	Tina	Ongoing	There is no formal process for	Being
		consider the	Favier		carrying out development	closely
		leadership's own			reviews for Members.	monitored
		effectiveness and			However, Democratic Services	(A vac la c vs)
		ensuring leaders are			does ensure that Planning,	(Amber)
		open to constructive			Licensing and Scrutiny training	
		feedback from peer			is kept up to date which	
		review and inspections.			ensures that performance in	
		- Reviewing individual			the determination of	
		member			quasi-judicial matters is	
		performance on a			maintained at a high level.	
		regular basis taking				
		account of their			The development programme for members is reviewed	
		attendance and				
		considering any training or			annually and amended accordingly to needs identified	
		development needs.			in the previous year.	
F0/00		•	Heidi	<u> </u>	•	
E2/09		Holding staff to account through	Christmas	Ongoing	A full training programme has been rolled out across the	Being closely
		regular performance	/ Amy		organisation to support	monitored
		reviews (as part of 1:1	Newham		performance conversations in	(Amber)
		conversations			1:1 meetings.	
		between manager and			HR policies are currently being	
		staff) which take account of training or			refreshed.	
		development needs			l	
					Apprenticeships are being used	
					to develop our people leaders, including team leader	
					introductory training and	
					coaching courses.	
					A programme of training has	
					A programme of training has been rolled out for people	
					leaders with subjects like	
					influencing & negotiating,	
					delegation & prioritisation and	
					leading remote teams.	

Action Code	Title	Description	Assigne d To	Due Date	Latest Note	Performance Status
F2/02	Managii	ng Performance				
		Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.	Paul Brewer / Mark Lowe	Ongoing	Service plan commitments and progress against the outcomes detailed in Platforms for our places is regularly monitored. Project management arrangements in place which include a PID, project plan and post implementation review.	Progressing well (Green)
F2/03		Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during, and after decisions are made thereby enhancing the organisation's performance.	Paul Brewer / Mark Lowe	Annual / Ongoing	Annual report on scrutiny produced providing evidence of improvements of changes resulting from the work of the Joint Overview and Scrutiny Committee. An annual report for the work of JOSC is next due to be considered by the committee on the 10th June 2021.	Progressing well (Green)

Action Code	Title	Description	Assigned To	Due Date	Latest Note	Performance Status
			10	Date		Status
F2/05	Managing Performance					
		Ensuring there is consistency between specification stages and post implementation reporting	Octob	Outsian		
		- Good procurement and contract management arrangements are in place	Sarah Gobey / Cliff Youngman	Ongoing	Orders have been reviewed and a new training programme continues to be rolled out. A procurement toolkit has been developed to help staff purchase wisely. Guidance on supplier	Progressing well (Green)
					management is being developed Contract management training programme is in place.	
F3/05	Robu	Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body: - provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment	Sarah Gobey	Ongoing	Effective audit scrutiny is in place. Councillors can attend training. A programme is in place to develop the knowledge and skills of the Councillors. A review of the effectiveness of the Audit Committee was last considered by the Joint Governance Committee in June 2019. This is due to be refreshed in 2021.	Progressing well (Green)

Action Code	Title	Description	Assigned To	Due Date	Latest Note	Performance Status
F3/05	Robust Internal control					
		- that its recommendations are listened to and acted upon	Sarah Gobey / Sue Smith	Ongoing	Head of Internal Audit reports to the Corporate Leadership Team to regularly to raise profile of issues. An App has been implemented for the tracking of agreed audit recommendations. This is being used by Council officers to provide updates and is used by Audit to review actions and report progress to JGC. Heads of Service are now being asked to attend JGC where responses to audit queries are not being provided or where No/Limited assurance reports are issued.	
F4/01	Mana	ging data				
1 7/ 01	Ividita	Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data	Brewer/ Jan Jonker	Ongoing	This work is overseen by the Senior Information Governance Officer. A suite of IS Policies, procedures, training & guidance is in place and is continuously reviewed. Progress and performance are monitored by the Senior Information Risk Owner. Compliance is regularly audited by internal audit.	, , ,

Action Code	Title	Description	Assigned To	Due Date	Latest Note	Performance Status
F4/02	4/02 Managing data					
		Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.	Paul Brewer/ Jan Jonker	Ongoing	Data sharing protocols are in place when sharing data with other bodies. All services have Privacy Notices in place at the point of data collection.	Progressing well (Green)

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

Action Title Description Assigned Due Latest Note Code	Performance Status
G2/02 Implementing good practices in reporting Reporting at least annually on performance, value for money and the stewardship of its assets Reporting at least annually on performance, value for money and the stewardship of its assets Reporting at least Gobey / Emma Thomas / Mark Lowe Thomas / Mark Lowe Scrutineers and susers' feedback service delivery. Joint Overview Scrutiny Commannual report 2020/21 is due approved at Cou July 2021. This requirement introduced in 20 The narrative repose further develomeet the require of an annual report annual report annual report for an annual report graph of an an	well (Green) key by service k on and nittee's for to be uncil in t was 16/17. ort will ped to ements

SCOPE OF RESPONSIBILITY

Adur District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government 2016 (the Framework). The Framework expects that local authorities will put in place proper arrangements for the governance of their affairs and which facilitate the effective exercise of functions and ensures that the responsibilities set out above are met.

At least once a year, Local Authorities are statutorily required to review their governance arrangements. The preparation and publication of an Annual Governance Statement in accordance with the Framework fulfils this requirement.

A copy of the code is on our website at www.adur.gov.uk or www.adur.gov.uk or www.adur-worthing.gov.uk or can be obtained from the Council. This statement explains how Adur District Council has complied with the code and also meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the financial year ended 31st March 2021 and up to the date of approval of the statement of accounts.

THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance arrangements are summarised below:

Key elements of the Council's Governance Framework

Council, Executive and Leader

- Provides leadership and develops the Councils vision of its purpose and intended outcome for residents and service users.
- Develops the vision into objectives for the Council and its partnerships

Decision making

- All decisions are made in the open
- Decisions are recorded on the Council website
- The scheme of delegations which details the decision making arrangements is regularly updated
- The Monitoring Officer ensures that all decisions made comply with relevant laws and regulations

Risk Management

- Risk registers identify both operational and strategic risks
- Key risks and opportunities are considered by the Corporate Leadership Team every quarter
- Risks and opportunities are reported to the Joint Governance Committee every quarter and inform the work of the internal audit team

Scrutiny and Review

- The Joint Overview and Scrutiny Committee reviews Council policy and can challenge the decisions made.
- The Joint Governance Committee undertakes all of the core functions of an audit committee.
- The Joint Governance Committee is responsible for review and approving the Councils Governance arrangements and undertakes the role of a Standards Committee ensuring that members comply with the Code of Conduct

Corporate Leadership Team

- The Council's Corporate Leadership Team comprises of the Chief Executive and three Directors who are responsible for the delivery of the Councils aims and objectives
- The head of paid service is the Chief Executive who is responsible for all Council Staff and leading an effective Corporate Leadership Team.
- CLT seeks advice from the Council's Chief Financial Officer who is responsible for safeguarding the Council's financial position
- CLT seeks advice from the Monitoring Officer who is the Head of Legal Services.
 They are responsible for enduring legality and promoting high standards of public conduct.

The operation of this authority's governance framework is described in the sections below. This sets out how the Council has complied with the seven principles set out in the Framework during 2020/21.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

The governance framework gives the Members and the Organisation, in a number of ways, the confidence and certainty that what needs to be done is being done. The chart below provides a high level overview of the Council's key responsibilities, how they are met and the means by which assurance is delivered.

WHAT WE NEED TO DO	HOW WE DO IT		
Principle A Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	 The Constitution The Monitoring Officer Section 151 Officer Codes of conduct Whistleblowing Policy Bribery Act 2010 policy guidance Corporate anti-fraud work Procurement Strategy 		
Principle B Ensuring openness and comprehensive stakeholder engagement	 Consultations Terms of reference for partnerships Freedom of information requests Complaints procedure 		
Principle C Defining outcomes in terms of sustainable economic, social, and environmental benefits	 Organisational goals Service planning Performance Management Community Strategy Procurement Strategy 		
Principle D Determining the interventions necessary to optimise the achievement of the intended outcomes	Service planningPerformance ManagementOptions appraisalsWhole life costing		
Principle E Developing the Council's capability, including the capability of its leadership and the individuals within it	 Robust interview and selection process Training and development Workforce planning Succession planning Performance development reviews Talent management HR Policies & procedures 		
Principle F Managing risks and performance through robust internal control and strong public financial management	 Effective member scrutiny function Financial management and MTFP Corporate risk register Annual audit plan Information Security policies Compliance with the requirements of the Public Service Network (PSN) 		
Principle G Implementing good practices in transparency reporting and audit to deliver effective accountability	 Reports are held on the website Annual audited financial statements are publically available Annual Governance Statement Effective Internal Audit Service 		

THE OPERATION OF THE GOVERNANCE FRAMEWORK

HOW WE KNOW WHAT NEEDS TO BE DONE IS BEING DONE

Joint Governance Committee function and self-assessment; Corporate Governance Group; Scrutiny Reviews; Review of progress made in addressing issues; Performance monitoring; Review of compliance with corporate governance controls; Review of accounts; Employee opinion surveys; Internal audits and external audits;

Inspections and recommendations made by external agencies.

The following sections look at how the Council delivers governance principles in more detail:

A. BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES, AND RESPECTING THE RULE OF LAW

The Constitution

The constitution sets out the how the Council operates; the roles and responsibilities of members, officers and the scrutiny and review functions; how decisions are made; and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. Although there is no longer a statutory requirement, this Council continues with this arrangement internally; and regularly reviews and updates the constitution to ensure it reflects current practice. As well as working together as a single organisation and with our neighbour Worthing borough Council, members and officers continue to improve their working relations with other organisations, both locally and sub-nationally, to achieve a common purpose of improved efficiency and effectiveness.

The Monitoring Officer

The Monitoring Officer is a statutory function and ensures that the Council, its officers, and its elected members, maintain the highest standards of conduct in all they do. The Monitoring Officer ensures that the Council is compliant with laws and regulations, as well as internal policies and procedures. She is also responsible for matters relating to the conduct of Councillors and Officers, and for monitoring and reviewing the operation of the Council's Constitution.

Section 151 Officer

Whilst all Council Members and Officers have a general financial responsibility, the s151 of the Local Government Act 1972 specifies that one Officer in particular must be responsible for the financial administration of the organisation and that this Officer must be CCAB qualified. This is typically the highest ranking qualified finance officer and in this Council this is Sarah Gobey, who is also the Chief Financial Officer.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

A. BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES, AND RESPECTING THE RULE OF LAW

Codes of Conduct

Codes of Conduct exist for both staff and members.

All Councillors have to keep to a Code of Conduct to ensure that they maintain the high ethical standards the public expect from them. If a complainant reveals that a potential breach of this Code has taken place, Adur District Council or Worthing Borough Council may refer the allegations for investigation or decide to take other action.

On joining the Council, Officers are provided with a contract outlining the terms and conditions of their appointment. All staff must declare any financial interests, gifts or hospitality on a public register. Additionally, members are expected to declare any interests at the start of every meeting that they attend in accordance with Standing Orders. Members and officers are required to comply with approved policies.

Whistleblowing

The Council is committed to achieving the highest possible standards of openness and accountability in all of its practices. The Council's Whistleblowing policy (revised in 2018) http://awintranet/media/media.125134.en.pdf sets out the options and associated procedures for Council staff to raise concerns about potentially illegal, unethical or immoral practice and summarises expectations around handling the matter.

Anti-fraud, bribery and corruption

The Council is committed to protecting any funds and property to which it has been entrusted and expects the highest standards of conduct from Members and Officers regarding the administration of financial affairs.

The Councils have a Corporate Anti-Fraud Team which acts to minimise the risk of fraud, bribery, corruption and dishonesty and recommends procedures for dealing with actual or expected fraud.

Guidance and policies for staff on the Bribery Act 2010 and the Prevention of Money Laundering are found on the intranet.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

Transparency

The Council and its decisions are open and accessible to the community, service users, partners and its staff.

All reports requiring a decision are considered by appropriately qualified legal, and finance staff with expertise in the particular function area before they are progressed to the relevant Committee or group. This Council wants to ensure that equality considerations are embedded in the decision-making and applied to everything the Council does. To meet this responsibility, equality impact assessments are carried out on all major council services, functions, projects and policies in order to better understand whether they impact on people who are protected under the Equality Act 2010 in order to genuinely influence decision making.

All reports and details of decisions made can be found on the Council's website at https://www.adur-worthing.gov.uk/meetings-and-decisions/

Freedom of Information enquiries

The Freedom of Information Act 2000 (FoI) gives anyone the right to ask for any information held by a public authority, which includes this Council, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.

Engagement and communication

It is recognised that people need information about what decisions are being taken locally, and how public money is being spent in order to hold the council to account for the services they provide. The views of customers are at the heart of the council's service delivery arrangements.

Adur and Worthing Councils have developed a Consultation Policy which can be found at <u>About consultation in Adur & Worthing - Adur & Worthing Councils</u> which reflects the council's ambition to enable and empower communities to shape the places within which they live and work, influence formal decision making and make informed choices around the services they receive.

To be effective this policy aims to inspire and support a genuine two-way dialogue with all sections of the community and other stakeholders. There are a number of ways people can get involved and connect with the council. Current consultations can be found on the Councils website at www.adur-worthing.gov.uk. Local people have the option to engage in a dialogue through: social media sites (including Facebook and twitter), petition schemes, stakeholder forums, tenant associations, council meetings (open to the public), and their local Councillor.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

Consultations

Internally, a consultation toolkit has been developed to guide council staff through the consultation process. The agreed process ensures that engagement activity is relevant, accessible, transparent and responsive. To increase awareness, consultations are proactively promoted. A list of current district-wide consultations is available on the council website.

Complaints

There is a clear and transparent complaints procedure for dealing with complaints. The Council operates a three-stage complaints procedure and promises to acknowledge complaints within 5 working days and respond fully within 10 working days for first-stage complaints, and 15 working days for second-stage complaints. If complainants remain dissatisfied they have the right to refer the matter to the Local Government Ombudsman.

Partnership working

In addition to the partnership between Adur and Worthing (http://www.adur-worthing.gov.uk/about-the-councils/partnership-working/), this Council is involved in a number of different partnerships, at different levels – each with their own set of terms of reference for effective joint working.

C. DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL, AND ENVIRONMENTAL BENEFITS

Joint Corporate Priorities

The Councils have agreed a new plan 'Platforms for our Places - Going Further' that sets out Adur & Worthing Councils' ambition for our places' and our communities' prosperity and wellbeing over three years (2020-22).

The Councils have agreed programmes of work for this period under five themes or 'Platforms' which set out their aspirations for the town.

- Prosperous Places
- Thriving People and Communities
- Tackling Climate Change and Supporting our Natural Environment
- Good Services and New Solutions
- Leadership of Place

Further details of how these priorities will be achieved are included in a programme of work which can be found on the internet at <u>Platforms for our Places: Going further</u>.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

C. DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL, AND ENVIRONMENTAL BENEFITS

The Council has received regular reports on the progress in delivering the outcomes set out within Platforms for our Places: Going Further.

This has recently been reviewed in the light of the Covid 19 pandemic in the 'And Then' document which amended the priorities. This can be found on the Council's website at "And then..." bouncing back in post pandemic Adur and Worthing. These changed priorities will be monitored as part of the regular report of progress in delivering the Councils' priorities.

Community Strategy

The Waves Ahead Partnership is a strategic partnership for Adur and Worthing. The Partnership, non-statutory since 2010, is made up of key interested parties from the public and private sectors, community, voluntary and faith-based groups and local residents. The aim is to work more effectively through collaboration, adding value to local initiatives, projects and ideas.

Together, partners have produced a collective vision for future which is captured in the Waves Ahead Sustainable Community Strategy. The Strategy has four themes:

- better health and wellbeing for all
- feeling safe and included
- strengthening the local economy and improving job prospects
- a better place to live, work and enjoy, with quality amenities.

This strategy can be found on the internet at http://www.wavesahead.org.uk/.

D. DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES

Service planning and performance management

In order to secure these outcomes for residents and service users, the Council needs to respond to some tough challenges. Through partnership working, increasing income from commercial activity and efficiency savings the Council has made significant savings over the past five years and needs to find a further £2.1m by 2025/26 in a climate of reducing funding from Central Government and rising demand for many of the Councils services. This means that it is important that, whilst we focus on achieving the organisational goal and aspirations, we continue to plan services in detail on an annual basis, focusing on challenges over the coming year but also considering the medium term horizon.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

E. DEVELOPING THE COUNCIL'S CAPABILITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT

The Heads of Service are responsible for preparing service plans that include detail on: core business that must be delivered; plans for improvement, development and disinvestment; financial planning; arrangements for addressing key governance issues; key service risks and management/mitigation activity and arrangements for robust performance management within the service.

Recruitment and induction

The Council operates a robust interview and selection process to ensure that Officers are only appointed if they have the right levels of skills and experience to effectively fulfil their role. If working with children and/or vulnerable adults they will be subject to an enhanced criminal records check prior to appointment. New Officers receive induction which provides information about how the organisation works, policies and health and safety. Newly elected Councillors are required to attend an induction which includes information on: roles and responsibilities; political management and decision-making; financial management and processes; health and safety; information governance; and safeguarding.

Training and development

All Officers are required to complete a number of mandatory e-learning courses including health and safety, equalities and diversity, financial rules, and information governance. Officers and Members have access to a range of IS, technical, soft skills and job specific training courses. Compulsory training is provided for Members who sit on the following committees: Governance, Licensing Committee, and the Planning Committee. Other member-led training is available to Councillors through Democratic Services and Learning and Development. The package of support available gives Members the opportunity to build on existing skills and knowledge in order to carry out their roles effectively.

Performance development and review

All Officers receive regular one to ones with their Manager in order to monitor workload and performance and Managers are required to carry out regular performance development reviews, which seek to identify future training and development needs. Services consider workforce plans as part of the annual business planning process. Our service plans paint a picture of what we want to achieve; workforce planning helps to establish the nature of the workforce needed to deliver that vision, and produce a plan to fill the gaps. This helps to ensure we have the right people, with the right skills, in the right jobs, at the right time.

F. MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT

Effective scrutiny

The Council operates a Joint Overview and Scrutiny Committee (JOSC) governed by it's own terms of reference. It is important that JOSC acts effectively as one of their key tasks is to review and challenge the policy decisions that are taken by Executive or the Joint Strategic Committee. Topics that are chosen to be 'scrutinised' are looked at in depth by a cross party panel of Councillors. They assess how the Council is performing and see whether they are providing the best possible, cost effective service for people in the area. The JOSC's findings are reported to the Joint Strategic Committee or Executive and may result in changes to the way in which services are delivered.

Financial management

The Chief Financial Officer is responsible for leading the promotion and delivery of good financial management so that public money is safeguarded at all times, ensuring that budgets are agreed in advance and are robust, that value for money is provided by our services, and that the finance function is fit for purpose. She advises on financial matters to both the Executive and full Council and is actively involved in ensuring that the authority's strategic objectives are delivered sustainably in line with long term financial goals. The s151 Officer together with the finance team ensure that new policies or service proposals are costed, financially appraised, fully financed and identifies the key assumptions and financial risks that face the council.

Financial Regulations have recently been revised by the s151 Officer so that the Council can meet all of its responsibilities under various laws. They set the framework on how we manage our financial dealings and are part of our Constitution. They also set the financial standards that will ensure consistency of approach and the controls needed to minimise risks. The s151 Officer has a statutory duty to report any unlawful financial activity or failure to set or keep to a balanced budget. She also has a number of statutory powers in order to allow this role to be carried out, such as the right to insist that the local authority makes sufficient financial provision for the cost of internal audit.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

F. MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT

Risk management

All significant risks (defined as something that may result in failure in service delivery, significant financial loss, non-achievement of key objectives, damage to health, legal action or reputational damage) must be logged on a Corporate Risk Register, profiled (as high/medium/low), and mitigating measures/assurances must be put in place. These risks are regularly reported to CLT and the Joint Governance Committee.

G. IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY REPORTING AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY

Joint Governance Committee

As its name suggests, the Joint Governance Committee has the responsibility for receiving many reports that deal with issues that are key to good governance. The Committee undertakes the core functions of an Audit Committee identified in CIPFA's practical guidance. The group has an agreed set of terms of reference, which sets out their roles and responsibilities of its members.

Internal audit

The Head of Internal audit is a qualified accountant who has full access to senior management and the Joint Governance Committee (which fulfils the role of an audit committee). The audit team is properly resourced. The Council is in compliance with the CIPFA statement on the Role of the Head of Internal Audit (2010).

The Head of Internal Audit provides an independent and objective annual opinion on the effectiveness of internal control, risk management and governance each year. This is carried out by the Internal Audit team in accordance with the Public Sector Internal Audit Standards.

For 2020/21 the Head of Internal Audit's Annual reports state that based on the Internal Audit work undertaken, it is the Head of Internal Audit's opinion that they can provide Satisfactory Assurance that the system of internal control in place at Adur District Council for the year ended 31st March 2021 accords with proper practice, except for the control environment issues as documented in the report which can be found on the Council's website on the agenda for the Joint Governance Committee dated 27th May 2021.

ADUR DISTRICT COUNCIL ANNUAL GOVERNANCE STATEMENT

THE OPERATION OF THE GOVERNANCE FRAMEWORK

G. IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY REPORTING AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY

The assurance is broken down further between financial and non-financial systems where the Head of Internal Audit has commented as follows: "Our overall opinion is that internal controls within financial and operational systems operating throughout the year are fundamentally sound.

Annual accounts

The Council publishes full audited accounts each year which are published on the website at https://www.adur-worthing.gov.uk/about-the-councils/finance/statement-of-accounts/.

REVIEW OF EFFECTIVENESS

Adur District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by relevant stakeholders, the external auditors and other review agencies and inspectorates.

The Council has procedures in place to ensure the maintenance and review of the effectiveness of the governance framework, which includes reports to and reviews by the following:

- the Joint Strategic Committee, Executives, the Joint Governance Committee, and the Joint Overview and Scrutiny Committee.
- internal and external audit
- other explicit review/assurance mechanisms.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Joint Governance Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Overall opinion:

It is the opinion of the Council is, that with the exception of the issues identified below, the framework is satisfactory. The Council will continue to assess and make improvements to the governance framework.

ADUR DISTRICT COUNCIL ANNUAL GOVERNANCE STATEMENT

SIGNIFICANT GOVERNANCE ISSUES

There is one significant governance issues either identified by red status on the Governance Action Plan or from the Internal Audit Annual Report or via a report from the Monitoring Officer;

i) Housing management procurement, procedures and processes;

The Council identified the need to improve its management of the Housing Repairs Service and other key housing management policies and processes such as those governing leaseholder charges following an in depth review. An internal working group was convened. To support the work of this group, several additional audits were commission from the Internal Audit team by the working group in conjunction with the Head of Housing. Actions are being taken to improve the service by way of:

- Improvements to the internal control environment to ensure that all works are properly commissioned and paid for;
- A major review of all the inspection regimes.
- A review of the staffing and management of the service.
- A review of the contractual arrangements for the housing repairs service including letting new contracts for services where appropriate.
- A review of all of the policies and procedures relating to service and leaseholder charges
- A new digital repairs management system which will radically improve communications with tenants, and provide the ability to easily and comprehensively monitor service levels and drive further improvement.

OTHER ISSUES

The Governance Action Plan has been updated to deal with any issues brought forward from the 2019 review together with any issues which have been identified during the current review.

Part of the governance requirements as detailed in the 'Statement on the Role of the Chief Financial Officer in Public Services' are that:

- the Chief Financial Officer should be professionally qualified,
- report directly to the Chief Executive and
- be a member of the leadership team, with a status at least equivalent to other members.

ADUR DISTRICT COUNCIL ANNUAL GOVERNANCE STATEMENT

The position within Adur and Worthing Councils does not wholly conform to the above statement. The Section 151 Officer does not report directly to the Chief Executive, but reports to one of the Directors in line with the reporting requirements for all Heads of Service. The Section 151 Officer is not a member of the Council's Corporate Leadership Team and does not have the same status as the other members, but has full access to the Chief Executive via regular meetings and the Corporate Leadership Team where necessary.

The Council complies with all other requirements of the statement.

Covid 19 Emergency

The recent pandemic has required the Council to act swiftly to support the local community. The emergency has necessitated an increased use of urgency powers in 2020/21, which has been formally reported to members at the next available meeting of the Joint Strategic Committee in June 2020 and in November 2020.

To ensure that our Governance arrangements have remained fit for purpose during this emergency, included in the audit plan are a number of audits that review different aspects of the Council's response to the pandemic.

PROPOSED ACTION

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Leader of the Council C	Alex Bailey Chief Executive of
Adur District Council A	Adur & Worthing Councils



Dated: Dated:

SCOPE OF RESPONSIBILITY

Worthing Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government 2016 (the Framework). The Framework expects that local authorities will put in place proper arrangements for the governance of their affairs and which facilitate the effective exercise of functions and ensures that the responsibilities set out above are met.

At least once a year, Local Authorities are statutorily required to review their governance arrangements. The preparation and publication of an Annual Governance Statement in accordance with the Framework fulfils this requirement.

A copy of the code is on our website at www.adur.gov.uk or www.adur.gov.uk or www.adur.gov.uk or can be obtained from the Council. This statement explains how Worthing Borough Council has complied with the code and also meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the financial year ended 31st March 2021 and up to the date of approval of the statement of accounts.

THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance arrangements are summarised below:

Key elements of the Council's Governance Framework

Council, Executive and Leader

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- Develops the vision into objectives for the Council and its partnerships

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- All decisions are made in the open
- Decisions are recorded on the Council website
- The scheme of delegations which details the decision making arrangements is regularly updated
- The monitoring Officer ensures that all decisions made comply with relevant laws and regulations

Risk Management

- Risk registers identify both operational and strategic risks
- Key risks and opportunities are considered by the Corporate Leadership Team every quarter
- Risks and opportunities are reported to the Joint Governance Committee every quarter and inform the work of the internal audit team

Scrutiny and Review

- The Joint overview and Scrutiny Committee reviews Council policy and can challenge the decisions made.
- The Joint Governance Committee undertakes all of the core functions of an audit committee.
- The Joint Governance Committee is responsible for review and approving the Councils Governance arrangements and undertakes the role of a Standards Committee ensuring that members comply with the Code of Conduct

Corporate Leadership Team

- The Council's Corporate Leadership Team comprises of the Chief Executive and three Directors who are responsible for the delivery of the Councils aims and objectives
- The head of paid service is the Chief Executive who is responsible for all Council Staff and leading an effective Corporate Leadership Team.
- CLT seeks advice from the Council's Chief Financial Officer who is responsible for safeguarding the Council's financial position
- CLT seeks advice from the Monitoring Officer who is the Head of Legal Services.
 They are responsible for enduring legality and promoting high standards of public conduct.

The operation of this authority's governance framework is described in the sections below. This sets out how the Council has complied with the seven principles set out in the new Framework during 2020/21.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

The governance framework gives the Members and the Organisation, in a number of ways, the confidence and certainty that what needs to be done is being done. The chart below provides a high level overview of the Council's key responsibilities, how they are met and the means by which assurance is delivered.

WHAT WE NEED TO DO	HOW WE DO IT
Principle A Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	 The Constitution The Monitoring Officer Section 151 Officer Codes of conduct Whistleblowing Policy Bribery Act 2010 policy guidance Corporate anti-fraud work Procurement Strategy
Principle B Ensuring openness and comprehensive stakeholder engagement	 Consultations Terms of reference for partnerships Freedom of information requests Complaints procedure
Principle C Defining outcomes in terms of sustainable economic, social, and environmental benefits	 Organisational goals Service planning Performance Management Community Strategy Procurement Strategy
Principle D Determining the interventions necessary to optimise the achievement of the intended outcomes	Service planningPerformance ManagementOptions appraisalsWhole life costing
Principle E Developing the Council's capability, including the capability of its leadership and the individuals within it	 Robust interview and selection process Training and development Workforce planning Succession planning Performance development reviews Talent management HR Policies & procedures
Principle F Managing risks and performance through robust internal control and strong public financial management	 Effective member scrutiny function Financial management and MTFP Corporate risk register Annual audit plan Information Security policies Compliance with the requirements of the Public Service Network (PSN)
Principle G Implementing good practices in transparency reporting and audit to deliver effective accountability	 Reports are held on the website Annual audited financial statements are publically available Annual Governance Statement Effective Internal Audit Service

THE OPERATION OF THE GOVERNANCE FRAMEWORK

HOW WE KNOW WHAT NEEDS TO BE DONE IS BEING DONE

Joint Governance Committee function and self-assessment; Corporate Governance Group; Scrutiny Reviews; Review of progress made in addressing issues; Performance monitoring; Review of compliance with corporate governance controls; Review of accounts; Employee opinion surveys; Internal audits and external audits;

Inspections and recommendations made by external agencies.

The following sections look at how the Council delivers governance principles in more detail:

A. BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES, AND RESPECTING THE RULE OF LAW

The Constitution

The constitution sets out the how the Council operates; the roles and responsibilities of members, officers and the scrutiny and review functions; how decisions are made; and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. Although there is no longer a statutory requirement, this Council continues with this arrangement internally and is in the process of updating the constitution to ensure it reflects current practice. As well as working together as a single organisation and with our neighbour Worthing borough Council, members and officers continue to improve their working relations with other organisations, both locally and sub-nationally, to achieve a common purpose of improved efficiency and effectiveness.

The Monitoring Officer

The Monitoring Officer is a statutory function and ensures that the Council, its officers, and its elected members, maintain the highest standards of conduct in all they do. The Monitoring Officer ensures that the Council is compliant with laws and regulations, as well as internal policies and procedures. She is also responsible for matters relating to the conduct of Councillors and Officers, and for monitoring and reviewing the operation of the Council's Constitution.

Section 151 Officer

Whilst all Council Members and Officers have a general financial responsibility, the s151 of the Local Government Act 1972 specifies that one Officer in particular must be responsible for the financial administration of the organisation and that this Officer must be CCAB qualified. This is typically the highest ranking qualified finance officer and in this Council this is Sarah Gobey, who is also the Chief Financial Officer.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

A. BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES, AND RESPECTING THE RULE OF LAW

Codes of Conduct

Codes of Conduct exist for both staff and members.

All Councillors have to keep to a Code of Conduct to ensure that they maintain the high ethical standards the public expect from them. If a complainant reveals that a potential breach of this Code has taken place, Adur District Council or Worthing Borough Council may refer the allegations for investigation or decide to take other action.

On joining the Council, Officers are provided with a contract outlining the terms and conditions of their appointment. All staff must declare any financial interests, gifts or hospitality on a public register. Additionally, members are expected to declare any interests at the start of every meeting that they attend in accordance with Standing Orders. Members and officers are required to comply with approved policies.

Whistleblowing

The Council is committed to achieving the highest possible standards of openness and accountability in all of its practices. The Council's Whistleblowing policy (revised in 2018) http://awintranet/media/media,125134,en.pdf sets out the options and associated procedures for Council staff to raise concerns about potentially illegal, unethical or immoral practice and summarises expectations around handling the matter.

Anti-fraud, bribery and corruption

The Council is committed to protecting any funds and property to which it has been entrusted and expects the highest standards of conduct from Members and Officers regarding the administration of financial affairs.

The Councils have a Corporate Anti-Fraud Team which acts to minimise the risk of fraud, bribery, corruption and dishonesty and recommends procedures for dealing with actual or expected fraud.

Guidance and policies for staff on the Bribery Act 2010 and the Prevention of Money Laundering are found on the intranet.

B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

Transparency

The Council and its decisions are open and accessible to the community, service users, partners and its staff.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

Transparency

All reports requiring a decision are considered by appropriately qualified legal, and finance staff with expertise in the particular function area before they are progressed to the relevant Committee or group. This Council wants to ensure that equality considerations are embedded in the decision-making and applied to everything the Council does. To meet this responsibility, equality impact assessments are carried out on all major council services, functions, projects and policies in order to better understand whether they impact on people who are protected under the Equality Act 2010 in order to genuinely influence decision making.

All reports and details of decisions made can be found on the Council's website at https://www.adur-worthing.gov.uk/meetings-and-decisions/

Freedom of Information enquiries

The Freedom of Information Act 2000 (FoI) gives anyone the right to ask for any information held by a public authority, which includes this Council, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.

Engagement and communication

It is recognised that people need information about what decisions are being taken locally, and how public money is being spent in order to hold the council to account for the services they provide. The views of customers are at the heart of the council's service delivery arrangements.

Adur and Worthing Councils have developed a Consultation Policy which can be found at <u>About consultation in Adur & Worthing - Adur & Worthing Councils</u> which reflects the council's ambition to enable and empower communities to shape the places within which they live and work, influence formal decision making and make informed choices around the services they receive.

To be effective this policy aims to inspire and support a genuine two-way dialogue with all sections of the community and other stakeholders. There are a number of ways people can get involved and connect with the council. Current consultations can be found on the Councils website at www.adur-worthing.gov.uk. Local people have the option to engage in a dialogue through: social media sites (including Facebook and twitter), petition schemes, stakeholder forums, council meetings (open to the public), and their local Councillor.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

Consultations

Internally, a consultation toolkit has been developed to guide council staff through the consultation process. The agreed process ensures that engagement activity is relevant, accessible, transparent and responsive. To increase awareness, consultations are proactively promoted. A list of current district-wide consultations is available on the council website.

Complaints

There is a clear and transparent complaints procedure for dealing with complaints. The Council operates a three-stage complaints procedure and promises to acknowledge complaints within 5 working days and respond fully within 10 working days for first-stage complaints, and 15 working days for second-stage complaints. If complainants remain dissatisfied they have the right to refer the matter to the Local Government Ombudsman.

Partnership working

In addition to the partnership between Adur and Worthing (http://www.adur-worthing.gov.uk/about-the-councils/partnership-working/), this Council is involved in a number of different partnerships, at different levels – each with their own set of terms of reference for effective joint working.

C. DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL, AND ENVIRONMENTAL BENEFITS

Joint Corporate Priorities

The Councils have agreed a new plan 'Platforms for our Places - Going Further' that sets out Adur & Worthing Councils' ambition for our places' and our communities' prosperity and wellbeing over three years (2020-22).

The Councils have agreed programmes of work for this period under five themes or 'Platforms' which set out their aspirations for the town.

- Prosperous Places
- Thriving People and Communities
- Tackling Climate Change and Supporting our Natural Environment
- Good Services and New Solutions
- Leadership of Place

Further details of how these priorities will be achieved are included in a programme of work which can be found on the internet at <u>Platforms for our Places: Going further</u>

THE OPERATION OF THE GOVERNANCE FRAMEWORK

C. DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL, AND ENVIRONMENTAL BENEFITS

The Council has received regular reports on the progress in delivering the outcomes set out within Platforms for our Places: Going Further.

This has recently been reviewed in the light of the Covid 19 pandemic in the 'And Then' document which amended the priorities. This can be found on the Council's website at "And then..." bouncing back in post pandemic Adur and Worthing. These changed priorities will be monitored as part of the regular report of progress in delivering the Councils' priorities.

Community Strategy

The Waves Ahead Partnership is a strategic partnership for Adur and Worthing. The Partnership, non-statutory since 2010, is made up of key interested parties from the public and private sectors, community, voluntary and faith-based groups and local residents. The aim is to work more effectively through collaboration, adding value to local initiatives, projects and ideas.

Together, partners have produced a collective vision for the future which is captured in the Waves Ahead Sustainable Community Strategy. The Strategy has four themes:

- better health and wellbeing for all
- feeling safe and included
- strengthening the local economy and improving job prospects
- a better place to live, work and enjoy, with quality amenities.

This strategy can be found on the internet at http://www.wavesahead.org.uk/

D. DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES

Service planning and performance management

In order to secure these outcomes for residents and service users, the Council needs to respond to some tough challenges. Through partnership working and efficiency savings the Council has made significant savings over the past five years and needs to find a further £5.3m by 2025/26 in a climate of reducing funding from Central Government and rising demand for many of the Councils services. This means that it is important that, whilst we focus on achieving the organisational goal and aspirations, we continue to plan services in detail on an annual basis, focusing on challenges over the coming year but also considering the medium term horizon.

The Heads of Service are responsible for preparing service plans that include detail on: core business that must be delivered; plans for improvement, development and disinvestment; financial planning; arrangements for addressing key governance issues; key service risks and management/mitigation activity and arrangements for robust performance management within the service.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

E. DEVELOPING THE COUNCIL'S CAPABILITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT

Recruitment and induction

The Council operates a robust interview and selection process to ensure that Officers are only appointed if they have the right levels of skills and experience to effectively fulfil their role. If working with children and/or vulnerable adults they will be subject to an enhanced criminal records check prior to appointment. New Officers receive induction which provides information about how the organisation works, policies and health and safety. Newly elected Councillors are required to attend an induction which includes information on: roles and responsibilities; political management and decision-making; financial management and processes; health and safety; information governance; and safeguarding.

Training and development

All Officers are required to complete a number of mandatory e-learning courses including health and safety, equalities and diversity, financial rules, and information governance. Officers and Members have access to a range of IS, technical, soft skills and job specific training courses. Compulsory training is provided for Members who sit on the following committees: Governance, Licensing Committee, and the Planning Committee. Other member-led training is available to Councillors through Democratic Services and Learning and Development. The package of support available gives Members the opportunity to build on existing skills and knowledge in order to carry out their roles effectively.

Performance development and review

All Officers receive regular one to ones with their Manager in order to monitor workload and performance and Managers are required to carry out a performance development review on an annual basis, which seeks to identify future training and development needs. Services consider workforce plans as part of the annual business planning process. Our service plans paint a picture of what we want to achieve; workforce planning helps to establish the nature of the workforce needed to deliver that vision, and produce a plan to fill the gaps. This helps to ensure we have the right people, with the right skills, in the right jobs, at the right time.

F. MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT

Effective scrutiny

The Council operates Joint Overview and Scrutiny Committee (JOSC) governed by it's own terms of reference. It is important that JOSC acts effectively as one of their key tasks is to review and challenge the policy decisions that are taken by Executive or the Joint Strategic Committee. Topics that are chosen to be 'scrutinised' are looked at in depth by a cross party panel of Councillors. They assess how the Council is performing and see whether they are providing the best possible, cost effective service for people in the area. The JOSC's findings are reported to the Joint Strategic Committee or Executive and may result in changes to the way in which services are delivered.

Financial management

The Chief Financial Officer is responsible for leading the promotion and delivery of good financial management so that public money is safeguarded at all times, ensuring that budgets are agreed in advance and are robust, that value for money is provided by our services, and that the finance function is fit for purpose. She advises on financial matters to both the Executive and full Council and is actively involved in ensuring that the authority's strategic objectives are delivered sustainably in line with long term financial goals. The s151 Officer together with finance team ensure that new policies or service proposals are costed, financially appraised, fully financed and identifies the key assumptions and financial risks that face the council.

Financial Regulations have been recently updated by the s151 Officer so that the Council can meet all of its responsibilities under various laws and are annually reviewed. They set the framework on how we manage our financial dealings and are part of our Constitution. They also set the financial standards that will ensure consistency of approach and the controls needed to minimise risks. The s151 Officer has a statutory duty to report any unlawful financial activity or failure to set or keep to a balanced budget. She also has a number of statutory powers in order to allow this role to be carried out, such as the right to insist that the local authority makes sufficient financial provision for the cost of internal audit.

Risk management

All significant risks (defined as something that may result in failure in service delivery, significant financial loss, non-achievement of key objectives, damage to health, legal action or reputational damage) must be logged on a Corporate Risk Register, profiled (as high/medium/low), and mitigating measures/assurances must be put in place. These risks are regularly reported to CLT and the Joint Governance Committee.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

G. IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY REPORTING AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY

Joint Governance Committee

As its name suggests, the Joint Governance Committee has the responsibility for receiving many reports that deal with issues that are key to good governance. The Committee undertakes the core functions of an Audit Committee identified in CIPFA's practical guidance. The group has an agreed set of terms of reference, which sets out their roles and responsibilities of its members.

Internal audit

The Head of Internal audit is a qualified accountant who has full access to senior management and the Joint Governance Committee (which fulfils the role of an audit committee). The audit team is properly resourced. The Council is in compliance with the CIPFA statement on the Role of the Head of Internal Audit (2010).

The Head of Internal Audit provides an independent and objective annual opinion on the effectiveness of internal control, risk management and governance each year. This is carried out by the Internal Audit team in accordance with the Public Sector Internal Audit Standards.

For 2020/21 the Head of Internal Audit's Annual reports state that based on the Internal Audit work undertaken, it is the Head of Internal Audit's opinion that they can provide Satisfactory Assurance that the system of internal control in place at Adur District Council for the year ended 31st March 2021 accords with proper practice, except for the control environment issues as documented in the report which can be found on the Council's website on the agenda for the Joint Governance Committee dated 27th May 2021.

The assurance is broken down further between financial and non-financial systems where the Head of Internal Audit has commented as follows: "Our overall opinion is that internal controls within financial and operational systems operating throughout the year are fundamentally sound.

THE OPERATION OF THE GOVERNANCE FRAMEWORK

G. IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY REPORTING AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY

Annual accounts

The Council publishes full audited accounts each year which are published on the website at https://www.adur-worthing.gov.uk/about-the-councils/finance/statement-of-accounts/.

REVIEW OF EFFECTIVENESS

Worthing Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by relevant stakeholders, the external auditors and other review agencies and inspectorates.

The Council has procedures in place to ensure the maintenance and review of the effectiveness of the governance framework, which includes reports to and reviews by the following:

- the Joint Strategic Committee, Executives, the Joint Governance Committee, and the Joint Overview and Scrutiny Committee.
- internal and external audit
- other explicit review/assurance mechanisms.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Joint Governance Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Overall opinion:

It is the opinion of the Council that the governance framework is satisfactory. The Council will continue to assess and make improvements to the governance framework.

SIGNIFICANT GOVERNANCE ISSUES

There is are no significant governance issues either identified by red status on the Governance Action Plan or from the Internal Audit Annual Report or via a report from the Monitoring Officer;

OTHER ISSUES

The Governance Action Plan has been updated to deal with any issues brought forward from the 2018 review together with any issues which have been identified during the current review.

Part of the governance requirements as detailed in the 'Statement on the Role of the Chief Financial Officer in Public Services' are that:

- the Chief Financial Officer should be professionally qualified,
- report directly to the Chief Executive; and
- be a member of the leadership team, with a status at least equivalent to other members.

The position within Adur and Worthing Councils does not wholly conform to the above statement. The Section 151 Officer does not report directly to the Chief Executive, but reports to one of the Directors in line with the reporting requirements for all Heads of Service. The Section 151 Officer is not a member of the Council's Corporate Leadership Team and does not have the same status as the other members, but has full access to the Chief Executive via regular meetings and the Corporate Leadership Team where necessary.

The Council complies with all other requirements of the statement.

Covid 19 Emergency

The recent pandemic has required the Council to act swiftly to support the local community. The emergency has necessitated an increased use of urgency powers in 2020/21, which have been formally reported to members at the next available meeting of the Joint Strategic Committee in June 2020 and in November 2020.

To ensure that our Governance arrangements have remained fit for purpose during this emergency, included in the audit plan are a number of audits that review different aspects of the Council's response to the pandemic.

PROPOSED ACTION

We propose over the coming year to keep our governance arrangements under review and to continuously improve them. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:		Signed:	
	Councillor Daniel Humphreys		Alex Bailey
	Leader of the Council		Chief Executive of
	Worthing Borough Council		Adur & Worthing Councils





Dated:	Dated:	



Agenda Item 9



Joint Governance Committee 27 May 2021 Agenda Item 9

Ward(s) Affected:N/A

Risks & Opportunity Management Update

Report by the Director for Digital, Sustainability & Resources

Executive Summary

1. Purpose

1.1 This report provides the latest updates on the management of the Councils' Risks and Opportunities.

2. Recommendations

- 2.1 That the progress in managing Risks and Opportunities be noted; and
- 2.2 That the Committee agree to receive a further progress report in September 2021.

3. Context

3.1 The Committee receives regular update reports on the general management of the Councils' Risks and Opportunities to assist the Committee in its role monitoring the effective development and operation of risk management and corporate governance in the Councils. This report provides the Committee with the detail of the updates including information on the 'High/Red' Service Risks for each Directorate. The last report to the Committee was on 26 January 2021. Further information on the management of Risks and Opportunities by

4. Issues for consideration

- 4.1 Since the last report to this Committee, the Covid-19 pandemic has continued to have a profound effect on local communities and businesses during periods of 'Lockdown'. The pandemic has also had a direct impact on Council finances and operations with falls in car park income and additional cost pressures for the Councils, particularly affecting housing needs. However, the Councils have received some Government funding which has helped to mitigate the loss and a balanced budget has been set for the 2021/22 Financial year. The Councils have continued to provide the range of services and support for the homeless and others who are vulnerable and self isolating as well as providing support for local businesses and tenants. The challenge is now in this 2022/23 Financial Year.
- 4.2 Reports continue to be provided to the Councils and the Joint Strategic Committee (JSC) on how the Councils have been responding to the pandemic and the 'Lockdowns' and managing the Councils finances. Relevant reports that should be read in conjunction with the information provided in this report are:-
 - Final Revenue Budget estimates 2021/22 Item 5 JSC February 2021
 - 3rd Revenue Budget Monitoring report (Q3) Item 5 JSC 2 March 2021
 - 3rd quarter Capital Investment Programme and Projects Monitoring 2020/21 - Item 6 JSC 2 March 2021
- 4.3 The restrictions to help control Covid-19 have changed how the Councils work and work continues at pace on the AW Workspaces projects which was agreed by the Councils in December 2020 to review how office based services will operate in the future and design a more flexible way of working for staff that will achieve a number of benefits including annual revenue savings with further investment in buildings, office space and technologies.
- 4.4 During these challenging times the Councils continue to monitor and review the full Risk and Opportunity registers. Corporate Risks and Opportunities (including Covid-19 effects) which reflect the aims and activities set out in Platforms for our Places: Going Further' are reported regularly to the Council Leadership Team. The Service Risk registers are regularly updated in consultation with Directors, Heads of Service and Departmental Management Team meetings.

4.5 This report includes changes required to the Risks and Opportunities since the last report to the Committee in January.

5. A Summary of the Risk and Opportunities Management updates

- 5.1 A summary of the main changes to the Risks and Opportunities since the last updates in January 2021 are included in the table attached as Appendix A to this report. The report also includes details of the mitigation measures in place for all 'High/Red' Risks (Corporate and Service), including Covid-19 impacts and these are attached at Appendix B to this report.
- 5.2 The number of 'High' Risks now reported is 8 Corporate and 8 Service (4 for Financial Services, 2 for Housing Services and 2 for Adur Homes. This compares with 10 Service 'High' Risks in the previous report. Updates on changes to the other Risks and Opportunities including any added or removed are included in Appendix A to this report and the regular reviews undertaken with Heads of Service and Directors have identified any key issues emerging to the delivery of the Services amidst the Covid-19 response. This work and the reviews continue to highlight the good practice being followed across the organisation and the importance of good risk and opportunity management to ensure the Councils monitor, communicate and respond to Risks and Opportunities and the importance of good risk and opportunity management during these difficult times to help the Councils continue to provide services, serve communities and assist in business continuity.
- 5.3 At the request of the Committee, at Appendix C, latest information is also included on the Major Project Risks with timelines provided for these Projects where applicable.

6. Engagement and Communication

6.1 The updates on Risks and Opportunities as contained in Appendices A and B have been produced in discussion with Heads of Service and Directors as part of the regular review process. The Council Leadership Team, Organisational Leadership Group and relevant Officers have been consulted on the production and contents of this report.

7. Financial Implications

7.1 There are no direct financial implications as a result of this report but there are financial implications associated with some of the Risks and Opportunities referred to in the report and contained elsewhere in the Risk registers.

8. Legal Implications

8.1 There are no direct legal implications arising from this report but there are potential legal, compliance, regulation and public protection implications for the Councils if any of the risk events do occur. The Joint Governance Committee has the responsibility for monitoring the effective development and operation of risk and opportunity management.

Background Papers

Adur & Worthing Risk and Opportunity Management Strategy 2021 - 2023 Risk and Opportunity Management updates report to the Joint Governance Committee on 26 January 2021

Officer Contact Details:-

Mark Lowe Scrutiny & Risk Officer

Tel: 01903 221009

mark.lowe@adur-worthing.gov.uk

Sustainability & Risk Assessment

1. Economic

Matter considered. The Risks and Opportunities are directly linked to the projects and work streams that have been in place to help deliver the commitments and activities contained in the Councils strategic vision 'Platforms for our Places: Going Further'. Some of these will impact on the economic development of the areas if they occur

2. Social

2.1 Social Value

Matter considered. Some of the Risks and Opportunities may have an impact on the value that communities experience from social value/projects if the Risks and Opportunities occur.

2.2 Equality Issues

Matter considered. Some of the Risks and Opportunities refer to equalities issues.

2.3 Community Safety Issues (Section 17)

Matter considered. Some of the Risks and Opportunities may relate to crime and disorder issues.

2.4 Human Rights Issues

Matter considered and no direct issues identified.

3. Environmental

Matter considered. Some of the Risks and Opportunities may impact on environmental issues.

4. Governance

Matter considered. As part of good governance the Councils need to manage Risks and Opportunities. The Councils Risk and Opportunity Management Strategy sets out clear governance controls for the management of Risks and Opportunities and part of these include provision for the Service Risks and Opportunities to be considered three times a year by the Joint Governance Committee.

APPENDIX A

Joint Governance Committee - 27 May 2021

Updates on Risk and Opportunity Management

	January 2021 update	May 2021 update
Corporate Risks and Opportunities	11 Risks 5 Opportunities	11 Risks - No change 5 Opportunities - No change
Service Risks and Opportunities		
Communities Directorate		
Environment Housing Adur Homes Wellbeing	3 Risks 4 Risks 2 Opportunities 5 Risks 6 Risks	3 Risks - No change 4 Risks - No change 2 Opportunities - No change 5 Risks - No change 7 Risks - Plus 1
Digital, Sustainability & Resources Directorate		
Customer & Digital Financial Services Human Resources Legal Services Revenues & Benefits *Organisational Development and Design	6 Risks 6 RIsks 1 Opportunity 6 Risks 1 Risk 4 Risks N/A	5 Risks - Minus 1 6 Risks - No change 1 Opportunity - No change *3 Risks - Minus 3 1 Risk - No change 3 Risks - Minus 1 3 Risks
* Risks removed from the Human Resources Risk register and transferred to a new Organisational Development and Design Risk register in April 2021		

Economy Directorate	January 2021 update	May 2021 update
Facilities & Technical Services Major Projects & Investment Place & Economy *Planning & Development Leisure	7 Risks 10 Risks 7 Risks 19 Risks 1 Opportunity 1 Risk	7 Risks - No change 10 Risks - No change 7 Risks - No change *18 Risks - No change 1 Opportunity - No change 1 Risk - No change
*2 Risks amalgamated into 1 because of the linked issues. Details of Risks and further explanation set out below.		

High Risks on Service RIsk registers	January 2021 update	May 2021 update
Housing Adur Homes Financial Services Major Projects & Investment Leisure	2 2 4 1	2 - No change 2 - No change 4 - No change 0 - Minus 1 0 - Minus 1

Risks where assessment score has increased since the last report	Place and Economy - Events - Large scale events organised by the Councils - The safe management of large scale events across Adur and Worthing - Risk increased to Medium because of a new consultation process in place for events. Planning and Development - Land charges migration to land registry - Risk of loss of income and new responsibilities for accuracy of a third party system - Risk increased to Medium Risk because of new timelines provided by HM Land Registry for migration to land registry by 2023/24.
Risks where assessment score has reduced since the previous report.	Leisure - Leisure provision - Covid-19 - RIsk reduced to Medium RIsk because of a direct award of 5 year leisure provision contract to South Down Leisure Trust. Major Projects and Investment - Decoy Farm - Risk that a new commercial/industrial development is delayed and that the commercial benefits to the Council of owning a large industrial estate are not realised Risk reduced to Low Risk because of the mitigating factors in place and that there is now no risk of losing the grant funding.

	Major Projects and Investment - Shoreham Airport - Risk that as a regional airport it has limited demand and there is potential it might cease to operate - Risk reduced to Medium Risk because of mitigations now in place to control the Risk. Planning and Development - Land Charges - Loss of access to systems 1 - Loss/unable to access Northgate, SearchNET system/scanner - Disaster Recovery included in Northgate contract - Risk that the Councils are unable to process searches which causes damage to Councils reputation - Risk reduced to Low Risk because IT improvements have addressed the risks for this service area. New cloud based system working effectively and automatic loading of new applications via the Portal has improved efficiency.
New Risks/Opportunities added since last report or changes to Risk descriptions	Human Resources - Updates provided. Amended Risk description for risk re development of Phase 2 of the Connect system - risk description is now Potential failure to implement the phase 2 of the HR Connect system effectively. Organisational Design and Development - Three Risks transferred across from the Human Resources Risk register covering a potential lack of staff engagement in mandatory training, a potential lack in manager skills to deliver change and a potential lack of effective talent management. Wellbeing - New Risk - Old School House, Ham Road, Shoreham - Failure to enable voluntary groups to find alternative accommodation. (Medium Risk) Planning and Development - Risk of loss of market share for Building Control due to aggressive competition and Fire Safety - Risk of failure to bring in additional fee income to cover the costs of the service Risks amalgamated as one because of the linked issues.
Risks/Opportunities removed since last report.	Customer and Digital - Risk of failure of telephony - Risk to be removed on the basis that the stability of the telephony system has improved and has worked well during the lockdown. Revenues and Benefits - Risk of a potential cost of 80% mandatory rate relief to WBC for NHS Trusts - Risk to be removed from the Risk register because the Court appeal has been withdrawn by mutual consent of the parties involved. Legal firm acting on behalf of the local NHS Trusts advised formally, rejecting their multiple relief applications on the basis that the Court appeal has not been successful.

Joint Governance Committee - 27 May 2021

Corporate 'High' Risks

Risk	Internal Controls	Risk Impact	Risk Likelihood
Coronavirus disease (COVID-19) is an infectious disease caused by a newly discovered coronavirus. The Government, on the advice of medical experts, has introduced social distancing measures, emergency legislation and economic packages to mitigate the effects of the crisis. This will continue to affect the operations of the Councils to meet the demands of the response, normal business functions and subsequent recovery effort may last 12 months or more before we reach a stage of "relative normality". A future social and economic landscape will be significantly different and our ability to adapt will require careful consideration.	May 2021 - The self isolation payment platform has been enhanced to include the recently introduced grants for parents/guardians The Community response approach has shifted into community recovery and work is progressing well working with the Emergency Food Partnership. Good Work is developing well. The new Youth Hub as part of Good Work is planning to start in May for young people aged 18-24. The employment platform is still in place and we are using the employment advisors in a more targeted way through the Proactive Project. In addition officers are also working through some new Contain Outbreak Management Funding for work in relation to Covid and health outcomes. This will be focusing on prevention and early intervention to enable and support our communities Various types of support are in place for the Councils' staff to help with their resilience at this difficult time, including regular meetings with their line manager, resilience training, enabling staff to work flexibly around caring responsibilities. The Employee Assistance Program is available to all Council staff (and their family living in the same household) and they can access a wide range of advice and support ranging from counselling, to financial, legal and childcare advice.	Major	Likely

Council Finances	May 2021-			
Council finances continue to be under pressure after several years of reducing income from central government. The Councils have set balanced budgets every year, and do not rely on reserves to do so. A recent LGA Peer Review also found that a series of plans and strategies are in place to address challenges going forward, although there remains a projected shortfall currently for 2020/21. The Councils' reserves position is in the lower quartile of SE Districts and the position needs improvement.	Councils have set a balanced budget for 2021/22 and the challenge now moves to 2022/23. There is considerable uncertainty regarding both the timing and the impact of the fairer funding review. Government funding for Covid related pressures has now increased to an estimated £5.306m (Adur £1.463m, Worthing £3.843m).	Major	Very Likely	
position needs improvement.				

Welfare Reform

'Welfare Reform' is used to cover a range of issues in particular:

- Changes to how benefits paid to those who are working to incentivise work.
- Changes to the maximum level of benefits paid to families and individuals who are not working
- Changes to how working age benefits are paid and a shift to one benefit package 'Universal Credit' (UC)
- Benefits being administered largely by central government as opposed to local government - UC administered by DWP vs Housing Benefit by local authorities.
- UC being paid monthly, to an individual person or family member, into a bank account.
- Benefits for young people and single people reduced
- Benefits for larger families reduced

The impact of these changes are still working through the system but in areas where Universal credit has been rolled out fully the following effects have been reported.

- 5-6 weeks gap before UC is paid (in some cases longer)
- Local systems unable to track individuals in need, as the system is centralised and data is no longer available
- Housing costs not being met by the

May 2021 -

The situation in respect of the impact of Universal Credit on the live Housing Benefit caseload remains unchanged and the increased volumes of claims for Council Tax Support continues.

Local Housing Allowance Rates increased during the pandemic and are set to remain at the increased rate.

UC loans (whilst claims are assessed) are impacting low income households as the loans are reclaimed reducing income and households ability to meet daily living costs

LAN funding: COMF funding secured to re-establish an emergency assistance fund for 1 year (21/22) to mitigate this impact

Average weekly volumes of claims for Council Tax Support have been

- Throughout 2019/20: 40
- Throughout 2020/21: 58
- April 2021: 42

Between 01.04.2020 and 01.05.2021 the number of "live" claims for Council Tax Support has risen by 0.56% in Adur and 2.59% in Worthing (and additional 22 claims in Adur and 154 claims in Worthing).

Major

Very Likely

level of out of work benefits The impact for the Councils of this is potentially on two fronts, increased homelessness presentations and/or reduced rental income for Adur Homes. This is compounded by the year on year reduction in social rents by 1% which also reduces the financial income for Adur Homes. Recent agreements to cut budgets from WSCC lines - e.g the Local Assistance Network funding; Supported Housing and IPEH (Universal services) may also impact in these areas.			
Economic uncertainty Covid 19 will have a severe impact on the local economy. The impact on our town centres will be significant and key sectors such as hotels, restaurants and retailing will be particularly adversely affected. Some businesses will not survive and there will be an increase in unemployment. Resilience will be key and local councils will be expected to play a key role in supporting economic recovery. As part of this, many businesses will need to change their model of operation and the councils will need to respond to their changing needs in terms of factors such as regulation; infrastructure and logistics.	May 2021 - Safe Towns is focusing on supporting a smooth transition to reopening of the economy in line with the road map. Covid Information Officers are providing information, advice and guidance to businesses. Work is also continuing to focus on the use of outside space to ensure good social distancing and safety and pavement licenses, supporting businesses with grants and the safe running of events. The Councils will need to respond quickly to support the interests of local business and the wider economy. A number of measures will be needed to ensure that the local economy develops the necessary resilience: Supporting the local economy where there are opportunities for growth. The digital and creative industries sector has been growing at a significant rate nationally. Understanding this sector and nurturing its growth in our local economy will continue to be important;	Major	Likely

Supporting our major businesses as they develop new business models;

There will be an expectation that local authorities play a more central role and we have already seen this in the distribution of Government grants and processing of business rate relief requests. We will need to partner with some of our major employers to secure access to public investment monies that do become available:

Economic recovery will require local authorities to be agile and flexible in using their powers to respond at pace to support the economy. This is likely to mean that new and innovative approaches will be needed to overcome traditional barriers and traditional bureaucratic obstacles;

A resilient local economy will demand affordable and high speed digital infrastructure 'on tap'. Publicly available digital access will help to support town centre recovery and the wider visitor economy. New ultrafast fibre is currently being installed across our area, the first towns in the south east, and a funded initiative to provide "Citizen WiFi" will also support the town centre and seafront, and those who cannot afford data plans.

Supporting our town centres and helping create the right conditions for trade. In the short term this will include working to help ensure that our town centres and supporting infrastructure offer a safe environment for residents and visitors. This includes car parks; public spaces community facilities; civic buildings; seafront and cultural and leisure venues.

We have also been co-ordinating the development of additional measures in our towns to help with Covid-safe practices including appointing 3 new information officers (using government funding) to provide guidance and engagement to businesses and groups around covid.

The Safe Towns Group will help co-ordinate actions to help support

businesses to reopen safely including:

- Developing a new pavement policy to make greater use of outdoor space,
- Developing a new #WelcomeBackAW campaign for local residents to the town centre
- Continuing with wise regulation to ensure businesses are operating safely
- Providing information and guidance for businesses to enable them to reopen safely, including targeted advice and support
- Adapting practices within the PH&R Team to ensure businesses can adapt, e.g. online food safety assessments.
- Adding greater 'on the ground' capacity to assist businesses and, where needed individuals, to outline up to date covid safety guidance from Council officers (enabling a real-time response for businesses)

Using our asset base wisely to provide opportunities for employment to support start up businesses and those with the opportunity to scale up; this includes providing grant funding.

Launched a new Employment Support App to provide detailed and direct support for those in our communities that have / are facing redundancy or unemployment.

Accelerating our programme of major development projects to support economic recovery;

Accelerating the digital infrastructure programme to ensure that local businesses are well placed to compete;

Respond to changing patterns of consumer behaviour together with greater expectations around ethical supply chains and locally sourced products. The councils are well placed to support business through their procurement activity;

Working with training and skills providers to assist people back into

	employment; The Councils commissioned a review of economic data during the pandemic in July 2020. The pandemic recovery will demand that we continue to closely monitor this data and trends to ensure that we can make timely and well informed decisions. Respond to national and / or lockdown scenarios by adapting delivery into 'covid response', which includes the distribution of nationally funded covid business support grants (primarily focusing on those mandated to close).		
Housing supply	May 2021	Major	Very Likely
Limited housing supply in all areas and all tenures is a key risk for the Councils in terms of both discharging its statutory duty to prevent homelessness and support those at risk, as well as placing critical budgetary pressures on the Councils. Managing this demand is challenging and places additional capacity pressures on the operational teams. Emergency/Temporary Accommodation - the lack of EA/TA supply at LHA rates means that the Councils are paying for costly B&B accommodation whilst assessing customers for statutory obligations.	Demand for emergency / temporary housing continues to increase locally, across the county and nationally. In the last 12 months the increase has been largely from single person households, in the next six months this will shift to families as eviction ban ends and mortgage holidays come to an end. The eviction ban was further extended to 31 May 2021 and targeting households whose homelessness can be prevented will be a priority. Private rented sector is becoming increasingly inaccessible despite LHA uplift, attributable to i) less voids in all types of housing as the pandemic has slowed people moving ii) we are an attractive coastal area with property and rental cheaper than London and other areas in the Southeast - people moving into the area as can now work from home. Meeting immediate temporary accommodation demand:		
The lack of move on accommodation at LHA rates means there are blockages in TA	Leasing: In the last nine months six properties with a total of 41 units have been leased with a further 21 units under negotiation with a combination of		
The lack of suitable/affordable private sector rented accommodation is placing more pressure on the Councils in terms of demand	the RSAP funding awarded by MHCLG and homeless budgets. Purchased:		

and budgets.

Planning applications are subject to an increasing level of scrutiny, including both the level of affordable housing and the tenure mix.

Downview phase 2 is due on line by the end of May 2021 adding an additional 8 units of 1 & 2 bed accommodation.

Rowlands Road is due on line by August 2021 with a total of 19 units with a mix of studio, 1& 2 bed properties.

Prevention

Opening Doors has increased its portfolio to 55 homes and continues to work to increase its portfolio.

Referral process agreed for RSLs to joint work cases to prevent homelessness.

Comms to landlords/letting agents/ tenants under notice to be created to enable targeted prevention work

Funding secured through COMF to support homeless prevention: fund for personalised prevention packages and member of staff to administer for prevention / relief and casework households in TA.

The Debt Respite Scheme goes live 4 May 2021 - this will give more time to rescue tenancies but will impact our ability to take enforcement action for our own cases.

Winter funding was successfully used to offer all rough sleepers an accommodation option. The number of rough sleepers remained below 4 over the winter. MHCLG have awarded a transition fund to keep the current cohort in accommodation to enable positive move on. In the absence of an ongoing 'Everyone In' mandate there is a risk that rough sleeping will begin to increase. The multi-disciplinary Rough Sleepers Team continue to meet weekly to casework rough sleepers and those at risk of rough sleeping (e.g. risk of eviction, discharge from prison or hospital)

West Sussex Districts and Boroughs and WSCC established a quarterly report 'Rough Sleepers Needs Audit': all rough sleepers, single people in temporary and supported accommodation have their housing, health,

substance misuse needs audited and reported into housing, social care, SPFT and health to facilitate a strategic approach and co-commissioning. West Sussex Covid Response Group progressing this with RSL and Multi-disadvantage sub groups established.

A partnership bid (West and East Sussex and Brighton and Hove) for the MHCLGs Changing Futures Programme has been shortlisted, as a member of the Steering Group we are preparing our submission for the final stage - if successful the work's aims to lead system change for multi-disadvantaged and complex need bringing together housing, health, mental health, criminal justice and the third sector.

The adopted Local Plan for Adur has identified key strategic housing sites and planning applications have been submitted to and or approved on the following sites which will deliver a significant level of housing and affordable housing to meet future housing needs:

- New Monks Farm (600 homes inc. 180 affordable homes)
- West Sompting (520 homes inc. 156 affordable homes)
- Western Harbour Arm (Free Wharf 540 inc. 162 affordable)

To assist the delivery of these sites the Council has worked with the developers and has helped to secure over £20 million additional public sector funding from the LEP and Homes England. The Council has also contracted to sell the Civic Centre site to a Registered Provider to deliver 170 affordable homes on the site of the former Council offices.

The emerging Local Plan for Worthing is looking at allocating key green and brownfield sites to help increase the level of housing to help meet future housing needs. The Council has also been active to secure LEP and Homes England funding (over £15 million) to help deliver the following brownfield sites and ensure the delivery of affordable housing:

- Teville Gate
- Union Place

	Grafton In addition, in view of the Council's housing need Worthing Council has agreed to bring forward two greenfield sites in advance of the Local Plan (West Durrington (Phase II) and Fulbeck Avenue). These two sites have the potential to bring forward 400 new homes including 120 affordable homes. Worthing is also reviewing its Community Infrastructure Levy in view of concerns that it is affecting the delivery of affordable housing on brownfield sites.		
IT Disaster recovery Hosting applications locally carries increasing risks given the pace of technological change. As for most Councils, we have limited resilience in the team, and too much dependence on key personnel. Our data centre cannot be sufficiently protected from physical threats.	April 2021- Work to reduce this risk is progressing at pace, with numerous key systems having been moved out of the data centre to more resilient and flexible cloud hosted solutions. Plans are in place and underway to migrate all systems that do not have to be hosted locally out of the data centre. The project plan to migrate the Revenues and Benefits system to the cloud is on target. Cloud hosted HR and Payroll system has gone live having been migrated out of the data centre.	Extreme	Moderate
Major Projects delivery The objective of the major projects programme is to deliver the economic, social and environmental benefits that these	May 2021 - Delivery of new homes including affordable homes, improving and supporting town centres, and providing employment opportunities are	Major	Likely

initiatives can bring to the places in Adur & Worthing, and to the people that live, work and visit them.

Unlocking major development can be complex and take some time to deliver. The successful delivery of a major scheme will often depend on economic conditions over an extended period. key priorities for our communities. The delayed delivery of significant development projects either by the public or private sector will result in the economic and social dividend from these projects being unrealised.

The Councils have embarked on an ambitious programme of development that makes the best use of their existing assets and commits to forming effective partnerships with other landowners and investors. This will help to add clarity and 'de-risk' projects and create the right conditions for development to take place. For example, Worthing Borough Council has entered into a Land Pooling Agreement to help de-risk the development of Union Place and secure access to the agencies and skills necessary to deliver.

The Councils have made clear and unambiguous the importance of delivery to the development sector, and also indicated their willingness to work in partnership. A dedicated team has been established to manage the major projects and capital budgets adjusted to reflect the priority attached to this work. Regular monitoring of progress provides oversight and formal reporting to the relevant executive councillors; internal project groups and formal Committee meetings take place to oversee progress.

Both Councils have used Local Growth Fund monies to deliver the necessary infrastructure to support development . The Councils have also played a pro-active role in supporting Coast to Capital in the development of a Strategic Economic Plan to ensure that their priorities for the development of major projects are represented and therefore, more likely to benefit from future public funding.

In the last 18 months a series of major milestones were reached on each of the major development projects including the delivery of a £4.5m decontamination at Decoy Farm, the grant of planning permission and successful tender for the construction of the Worthing Integrated Care Centre, and the grant of planning permission at Union Place amongst others. The challenge and the opportunity will be to

	maintain progress and delivery on the ground whilst adapting to changes in the wider economic landscape. (As requested by the Joint Governance Committee, information relating to individual Major Project Risks has been included as part of this report and is contained at Appendix C).		
Council response to the Climate Emergency needs to be threefold; 1) Mitigating climate change Through reducing greenhouse gas emissions from council activities, working towards the carbon neutral target made as part of the Climate Emergency Declaration, and through working towards 100% clean energy for Adur & Worthing under the UK100 Cities Pledge. 2) Adapting to climate change; By working across the council services and estate and with local stakeholders and partners to provide environmental resilience across Adur and Worthing and the South East. Measures required include • Addressing drought and heatwave planning, addressing urban heat island effect, increasing green infrastructure, addressing wildfire risk. • Preparing for tidal and storm surges, heavy rainfall and wind events, addressing risk of coastal, surface and river flooding through sustainable drainage, natural flood management,	 April 2021- Mitigating climate change; Significant work streams are being delivered to reduce council carbon emissions and support decarbonisation across Adur & Worthing. In the first year of the Carbon Neutral Plan, Council emissions fell by 13%, exceeding the 10% year on year target to achieve carbon neutrality by 2030. Govt data shows Adur & Worthing carbon emissions continue to fall year on year, with housing and industry related emissions dropping faster than transport mainly due to decarbonisation of electricity. However, these reductions are not on track to achieve net zero and radical transformations are needed to accelerate reductions. Data is published 2 years in arrears: Adur DC and Worthing BC have signed up to the Net Zero pledge with UK100 Cities to work towards achieving net zero emissions across Adur and Worthing by 2045. The Carbon Reduction team has secured Public Sector Decarbonisation Funding to deliver £2m of capital projects identified as part of the Carbon Neutral Plan work with Technical Services and Adur Homes. Within a year, these should reduce emissions from the councils' estate by approximately 12% and a pipeline of future projects. Projects include 2 large Heat pump projects, insulation and energy efficiency projects and solar PV installations. The Worthing Heat Network project is now approaching the Commercialization stage for a £12m scheme and has had £250k support from BEIS to date. In March 2021 a BEIS HNIP funding application was submitted (for £6m) for Commercialisation & Construction funding. The scheme 	Major	Likely

- coastal defences, flood resilience.
- Preparing for extreme cold events.

3) Preparing for more frequent extreme climate events and impacts

Through emergency planning and developing resilience in the short and long term, and the ability of the council to respond to crisis situations in conjunction with the emergency services and other partners.

- Preparing for risks of damage to properties and infrastructure as well as risk to public health and safety from extreme weather events.
- Developing resilience in local food, transport, energy and water systems and the built environment.
- Lobbying government for a more robust approach to the multiple threats of climate change.

- proposes to deliver a Worthing town centre heat network that will enable heat decarbonisation at scale based on a 3MW sewer source heat pump. The WHN consists of 28 connections of which 18 are public sector buildings or with 7 owners, 16 are WBC owned buildings or sites. The HN is expected to deliver 2454 tonnes CO2 savings per year when fully developed.
- PV Sol Software has been acquired to support design work for solar PV installations in order to develop more opportunities without the need for external consultancy support.
- The councils are involved in consortia to deliver Green Homes Grant Local Authority Delivery programmes (LAD). These aim to decarbonise homes through installing measures such as insulation, new heating technologies and solar PV to homes rated D.E.F & G:
 - LAD1A, with SE Warmer Homes consortium, £3m to deliver measures in 300 homes
 - LAD1B with SE Warmer Homes consortium, £60m to deliver measures March-Sept 21
 - LAD2, South East Local Energy Hub, £79m, Sept-Dec 21.
- Under the Solar Together Sussex scheme, over 700
 households in A&W registered interest to have PV and/or
 battery storage installed in homes a phenomenal rate of
 interest. Due to expected drop off rates these are expected to
 reduce to around 100 installations. Involvement in a 2nd
 auction in Autumn 2021 is currently seeking political approval.
- Work has been approved to collaborate with Brighton & Hove City Council to develop a business case to call off their procurement framework and bring the highly successful bikeshare scheme into Adur & Worthing.
- Work is progressing on a countywide electric vehicle charging network that would provide charge points across Adur & Worthing on street and in council car parks. This would deliver one consistent, accessible, renewable powered EV charging network for West Sussex through a concessionary contract.
- Work is ongoing to collaborate with WSCC on the successful

delivery of new cycling schemes located on county highways.

2) Adapting to climate change;

- Development of opportunities on council owned land, in and bordering Adur & Worthing for offsetting, biodiversity, rewilding and climate resilience schemes in particular New Salts Farm, Pad Farm, the Adur Estuary and Kelp restoration with external partners (see Sustainability section below)
- The Strategic Flood Risk Assessment has been updated and found that the following number of sites are predicted to be at risk of surface water flooding (Section 12): 41 development sites in A&W: due to climate change, 21 sites are predicted to be at risk of fluvial flooding and 18 sites are predicted to be at risk from tidal flooding in the future.
- Adur DC has approved project costs for coastal defence works at Kingston Beach
- Technical Services are assessing flood risk on/in vicinity of council owned land/buildings to identify opportunities for projects to improve climate resilience.
- Parks are planning to review opportunities for flood mitigation through an increase in permeable surfaces and rain gardens
- Ongoing collaboration with external partners to investigate restoration of kelp forests which could reduce storm surge and tidal influence on the shore line by 70%; and to investigate an Adur Estuary project to provide flood mitigation and multiple additional benefits.
- Emerging Worthing Local Plan includes a new chapter on climate adaptation. Adur Local Plan will need to be refreshed to improve its response to Climate Adaptation

3) Preparing for more frequent extreme climate events and impacts

Adverse weather impacts are considered by AWC Emergency
Planning service based upon pan Sussex risks using the Nationa
Risk Register of Civil Emergencies. The Sussex risks are in the
public domain available to all via the Sussex Police register.

Covid-19 impact - Created delays to those measures being delivered in homes and to the Green Homes Grant LAD project and the Solar Together Scheme.		
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Communities Directorate High Service Risks and Projects

<u>Housing</u>

Risk	Potential Effect	Internal Controls	Risk Impact	Risk Likelihood
Rising costs of emergency and temporary accommodation	Increased pressure on general funds Councils have to spend money on expensive B&B type accommodation. COVID-19 pressures have been significant and there have been additional placements into emergency accommodation. This has put significant pressure on EA/TA budgets, which is likely to continue during and beyond the COVID-19 restrictions as moving placements on will present a challenge.	May 2021 - End to restrictions on evictions likely to put even more pressure on EA/TA budget and homelessness teams. Efforts continue to reduce the cost of nightly paid accommodation and prevent homelessness as early as possible. See also information included in the entry for the Corporate Housing supply risk referred to above. Opening Doors – scheme now has had a number of new landlords signing up, allowing households to either move households on from TA or to avoid going into TA. Significant TA placement has resulted from COVID-19 particularly single people. As part of the next steps, those unlikely to be owed long term housing obligation will be given advice and support to find alternative	Major	Very Likely

		accommodation to reduce the number of households in TA.		
2. Overall Risk of increasing demand for housing advice and homelessness applications	Impact on front line service delivery for customer services in terms of Contact Centre and front line services from Portland House. Increased waiting time for housing advice and casework. Increased costs of temporary and emergency accommodation. Increased competition for limited affordable housing supply. Risk of not meeting legal obligations of the Homelessness Reduction Act 2017 Covid-19 impact has caused the demand to increase significantly.	End to restrictions on evictions likely to result in a significant increase in homeless presentations. Covid-19 impact continuing to cause demand to increase significantly. Triage system implemented to provide advice and guidance at the earliest opportunity to reduce presentations as homeless. Create more housing options for those at risk of homelessness via the housing solutions officer dedicated to seeking private sector accommodation Early identification of potentially vulnerable individuals and families to the development of multi agency pathways eg hospital discharge and care leavers. Better joint working with agencies to prevent crisis presentations. Improving Communication and digital offer to increase customer self service and understanding of alternatives with the aim to reduce administration and officer time processing applications. Working with partners across sussex in Sussex Home-Move Partnership to implement the new Home Connections System	Major	Very Likely

		Better recording and case management.		
		Improve the Housing Team performance.		
		Trialling different methods of assessing people's needs.		
		Capacity of Portland House being assessed.		
		Service redesign - This has created 3 additional officer posts to provide advice.		
Adur Homes 1. Compliance - Fire, Gas, electrical and water quality (Adur Homes)	1.Death/injury/illness Fire/safety related; - water borne disease (legionella) 2. Potential legal action and-or claims Legal action against accountable staff (up to Head of paid Service) - compensation and or other claims for injury etc 3. Financial risk - Of managing service failure and loss of accommodation 4. Reputational risk - see above 5. Loss of use of premises and personal impact to tenants as well as operational and financial risk to councils	May 2021 - Contact has been made with most tenants isolating and gas safety inspections carried out. 99.43% of properties now have a valid Landlord Gas Safety certification with only 13 properties left overdue. New contract has been implemented. Several efforts have been made and continue to be made to gain access to these properties. Also working with Legal to get an injunction to access two of these properties which we have been unable to gain access to despite several efforts, which predates COVID-19. A dedicated team from across the Councils is targeting compliance issues in Adur Homes stock. Focus is being given to ensure all properties have electrical safety	Extreme	Moderate
	- see above 6. Court judgement relating to BSW case. Judge found in favour of contractor and Council requested	certification and compliance with asbestos regulations. Appropriate specialist assistance has been engaged to help with this work.		

to make a fee. Wider impact risk now because two other contracts awaiting adjudication.

1-5 Can result from a failure to comply with regulatory standards around Fire/Gas/Electrical and Water Safety and/or implement action plans agreed with WSFR and other bodies.

180 properties identified as presenting a risk in the event of fire because they have inner rooms. An Inner Room is a room that is reached through another living area such as kitchen or living room. They pose a threat to life because a fire in the living area can seriously impede escape from the property.

Capital Investment works

Discussions with Southern Fire Doors has restarted on the Fire Safety Door project.

Work has commenced on the Sheltered Housing Communal Alarm project with installation of the new system in Marsh House almost complete. The contract for fire safety remedial works to general needs blocks of flats had to be re-tendered to ensure compliance with regulations on consultation with Leaseholders. Tender documents have been reissued and consultation with affected leaseholders has commenced. Fire safety remedial works to sheltered housing blocks have also been delayed because the Contractor is experiencing delay getting materials delivered on site. Both tenders are due to be renewed soon.

Work to install Smoke Alarms in flats without adequate smoke alarms has restarted and is nearly complete.

Fire Safety Policy reviewed and updated.

Quarterly meetings being held with WSFRS.

Water tanks are inspected and a plan in place to replace them when necessary.

To mitigate this risk, enhanced smoke detection devices have been fitted in all but 5 of these properties. The 5 not fitted with

		the device is because the tenants have refused access. Legal process being followed to gain access. All smoke detection devices are hardwired except in 3 properties which were fitted with a 10 year sealed battery device. This will be changed to a hardwired device as soon as possible. All properties have been accessed and graded from low to high based on the level of risk. Capital works, which will involve temporary decanting of the residents, will commence next financial year to rectify this issue. Properties assessed as higher risk will be dealt with first. All residents will be assessed and those with higher risk e.g. mobility issues, offered alternative permanent accommodation.		
4. Housing Revenue Account - Financial sustainability as a result of Rent Reduction Policy and Rent collection levels - Impact on budget and service provision	1.Financial -Reduced ability to Invest in capital expenditure to maintain buildings and properties and new homes 2. Operational - Limited ability to deliver good quality services and meet customer need -Ability to cover day to day repairs and maintenance 3. Business Sustainability/failure -deficit budgets set for forthcoming years, any further uncertainty could result in business failure Background - Until 2020 the Government requires all social housing providers to reduce their rents by 1% each year.	May 2021 - Some vacant posts put on hold and working to manage spend in maintenance and repairs. Contracts being prioritised for retendering. Some potential repairs are being considered for implementation through the Capital Improvements programme. A savings plan will be created to manage HRA. 30 year business plan shows the potential to outlive the issues highlighted if the service is able to raise rents post 2020 Reviewing what services we offer with the budget available.	Major	Likely

This creates a financial pressure over the next 3 years.(£0.68m in 2018/19 and by 2020/21 this will Prudent management of revenue budget have increased to £1,944,000) The end of furlough scheme and the Arrears level is running at 3.19% (£452,202). Good predicted downturn in the economy is likely practice benchmark is 1%. to have a negative impact on rental income. Loss of income to the HRA. AH Improvement Plan focuses on reducing rent arrears and is being monitored monthly Use of reserves. by the Head of Service and Operations Covid-19 impact - rent arrears are expected to be Manager. higher. Engagement with Wellbeing and Housing Solutions staff to promote budgeting and financial inclusion strategies. Income streams review taking place. Planning to increase rent by 2.7% in the next Financial Year and for next years there will be increases at CPI plus 1%.

<u>Digital & Resources Directorate High Service</u> <u>Risks and Projects</u> <u>Financial Services</u>

<u>Risk</u>	Potential Effect	Internal Controls	<u>Impact</u>	Likelihood
1. Risk to overall	1. Go over budget		Major	Likely
financial position -	2. Do not have resources to meet priorities.	May 2021 -		
Known areas of risk		The Councils have received substantial		
within the budget eg	Covid 19 will have a significant impact on the	Government covid 19 funds towards the		
Income from	Council's budgets both in 2020/21 and in future years.	impact in 2020/21 which is mitigating this risk		
demand led	Full extent of the impact is currently being assessed.	in the current year. There is an ongoing		
services, outcomes		commitment to support Councils in the first		

of job evaluation, guarter of 21/22. In addition the Councils have Pay award higher approved contingency budgets to further support the position. than assumed. Developing a new strategy to help address the financial implications of the Covid-19 emergency. As a result of Covid 19 pressures, enhanced budget controls implemented with all vacant posts being reviewed by Directors prior to recruitment, maximised the amount of underspend placed into the working balance at the year end to mitigate financial risks, all unnecessary spend is on hold until the financial position is more secure. Council holds reserves to manage the risk of lost income. Where a service has been identified as being at risk a close monitoring regime is put in place. The enhanced monitoring for CLT for areas of commercial risk is continuing. Proactive control of discretionary spend implemented to help resolve areas of overspend within the budget. New budget management strategy in place to build reserves and to better manage risks.

2.Future spending requirements are under-estimated - Budgets are insufficient to fund core costs leading to an overspend	Budgets are insufficient to fund core costs leading to an overspend. Covid-19 having a significant impact on the future cost of services. Budgets are currently insufficient to fund costs and an overspend is expected for 2020/21.	Councils have set a balanced budget for 2021/22 including building in capacity to fund Covid 19 risks. Government settlement confirmed for 2021/22 in line with expectations. Now awaiting information regarding the future of the fairer funding review. Closely monitor progress through Budget/ Performance Monitoring. Where issues are identified, build into the budget for the following year. Proactive management of discretionary budgets to manage in year pressures. Annual savings and budget exercise now in progress to reset budget and deal with areas of high pressure. Staffing budgets are very carefully controlled. Rigorous process for establishing new posts. Other staffing controls – recruitment and selection. Controlling vacancy filling and monitoring against targets. Deferral of expenditure where possible to help mitigate the current financial position.	Major	Likely
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Awaiting notification of the impact of CSR on the Councils via Local Government Settlement which is due shortly. Lobby Government for an appropriate resource distribution. * Take action to reduce the overall cost of services or increase income where possible. Government has moved to a 4 year settlement which gives the Councils greater certainty about grant levels. Councils have responded to new Business Rate retention scheme proposals. Councils have responded to the fairer funding review consultation. Councils have responded to the Local Government settlement tonsultation Councils have received a 1 year settlement for 2020/21, Awaiting the outcome of the Fairer funding review which has been delayed a further year due to Covid 19 impacts.	from Government	Budget shortfall is understated leading to a greater level of savings. Particular issue in the 21/22 Financial Year is likely due to fairer funding review.	the Councils via Local Government Settlement which is due shortly. Lobby Government for an appropriate resource distribution. • Take action to reduce the overall cost of services or increase income where possible. Government has moved to a 4 year settlement which gives the Councils greater certainty about grant levels. Councils have responded to new Business Rate retention scheme proposals. Councils have responded to the fairer funding review consultation. Councils have responded to the Local Government settlement consultation Councils have received a 1 year settlement for 2020/21. Awaiting the outcome of the Fairer funding review which has been delayed a further year due to Covid 19	Major	Likely	
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		1 year Comprehensive spending review is expected.		
4. General risk of not finding significant budget savings from both Councils.	Impact on ability to balance the budget to deliver the Corporate Priorities and priority services.	May 2021 - Sufficient savings have been identified to meet 2020/21 budget pressures. Introduced Medium Term Financial Plan Tracker to check savings over 3 years. Significant progress has been made in identifying savings for 2021/22. Risk is now for the 2022/23 budget round which is in progress.	Major	Likely

APPENDIX C

Joint Governance Committee - 27 May 2021

Major Projects Risks

Risk	Internal Controls	Project Timeline	Risk Impact	Risk Likelihood	Risk assessment
Union Place development - Risk that the Council will be delayed in bringing the site forward as a mixed use development.	LEP funding drawn down and spent. Development partner (LCR) in agreement. Project Plan, resources and funding in place. Update reports to the Joint Strategic Committee. Planning permission granted at Planning Committee awaiting signing of \$106 agreement due for completion by May 2021 and the site to then be marketed to find a Partner Developer. Decision to dispose of the permitted scheme to development contractors who will build to the Council's approved masterplan. Marketing agent appointed and will commence summer 2021. Appointment of consultants to protect Council's position and financial safeguards to be put in place to manage or reduce the level of the risk.	Construction of the site is expected to commence in 2022.	Minor	Unlikely	Low
Decoy Farm development - Risk that a new commercial/industrial development is delayed and that the commercial benefits to the Council of owning a large industrial estate are not realised.	First phase of the development to decontaminate the site has been realised using the Coast to Capital LEP funding significantly reducing the risk as there is now no chance of losing the grant funding. A business case is being prepared for the development of the site for mixed industrial and commercial development and a planning application and construction tender will follow in 2021 Risk reduced to Low Risk. Local Growth funding of £4.84 million secured to reduce the risk of the project and to ensure a viable redevelopment.	It is anticipated that the construction of the industrial development will commence in 2022.	Minor	Unlikely	Low

	Work completed to inform development proposals. Business case prepared and submitted to Coast to Capital. Funding drawn down. Deliverable development strategy in place.				
Development of Adur Civic Centre (Phase I and Phase II) will not proceed or will be delayed and the social, economic and environmental benefits of development will not be realised.	Phase I - Management of construction. (Complete). Phase II - Project plan for bringing site to market Site advertised for disposal/development going through process. Disposal of site agreed to Hyde Housing Group. Planning application received (May 2021) as expected. Expected to go to Committee in summer 2021.	Construction on site for housing development in early 2022.	Moderate	Unlikely	Medium
Redevelopment of the Grafton Car Park site in Worthing is not realised	May 2021 - Development strategy as set out in JSC ireport is being progressed with a view to getting a planning application submitted in 2022 and commence on site in 2023. December 2020 - Report considered at JSC which approved next steps in project. Progress being made on resolving technical and title issues. Condition survey of car park undertaken and structural survey to inform car parking strategy. Purchase of retail units in Montague Street to give greater control of the retail units affected by the proposed redevelopment. Options appraisal of site undertaken to inform revised development brief for the site. Work to be undertaken to assess site constraints and the overall viability of the preferred development option.	Anticipated commencement on site in 2023.	Moderate	Moderate	Medium

	To continue to purchase additional retail units in Montague Street to secure the optimum redevelopment scheme. Work underway to address key development issues, party wall, rights to light, access act, procurement and parking. Wider town centre parking strategy produced and agreed by the Joint Strategic Committee.				
Provision of flood defence walls on the Sussex Yacht Club site - Risk of further flooding if defence walls are not built	LEP funding secured (£3.5 million). Further gap funding (as necessary) agreed at July 2020 JSC meeting following procurement. Approval from JSC in January 2017 to purchase land to undertake flood defence works and to seek planning permission for demolition of buildings on site to construct flood defence walls. Purchase of land completed. Works commenced Summer 2019 for new club house and new flood defence works to commence in late 2021.	New flood defence works to commence in late 2021.	Moderate	Rare	Low
Redevelopment of the Civic Centre car park site for approved Health Centre in Worthing - Risk that the redevelopment does not proceed or is delayed.	Meetings with relevant Health authorities/NHS to resolve issues	Construction commences Summer/Autumn 2021 and anticipated completion is spring 2023.	Moderate	Unlikely	Medium

	Measures in place to fund proposal and appointments made to secure planning permission. Procurement strategy agreed and underway. Funding strategy agreed.				
Teville Gate redevelopment site, Worthing - Risk of delays in the development	Site is owned by Mosaic Capital and WBC have a long lease on part of the site. LGF awarded to WBC of £2 million to acquire and demolish Teville Gate Car Park and surrounding buildings to improve site viability and ease of construction. Planning permission granted at Planning Committee on the 4 March 2020 subject to \$106 agreement being entered into by Mosaic Capital. Currently awaiting completion of \$106 agreement. November 2020 Joint Strategic Committee - Mosaic Capital offering the site for sale subject to formal grant of planning permission. JSC agreed in principle for WBC to enter into a joint venture with a housing development partner who would purchase the site with the Council and bring forward a residential led, mixed use development. May 2021 update - Planning obligation now being signed to approve Mosaic's scheme. This will allow sale to housing development partner and the Council. However this has delayed when a new planning application will be submitted.	If the Planning application is approved in early 2022, construction on site could commence later in 2022.	Major	Moderate	Medium
New Monks Farm/Shoreham Airport - Risk of failing to deliver housing and employment as set out in the Local Plan if the development does not proceed.	August 2020 - Construction work started on site and Cala Homes building the first few properties. Planning approval secured for business development on a site allocated in the Adur Local Plan to secure long term income streams necessary to improve the long-term financial stability of the airport operation.	Construction of houses underway. Ikea development is dependent on construction of roundabout on A27.	Moderate	Rare	Low

	The new owners of the airport have engaged with local agents and businesses to now take forward the approved employment floorspace (25,000 sqm). April 2021 update - All LEP funding paid to developers as the infrastructure (new gypsy and traveller site and roads) completed. Housing being built and delivery of Ikea store dependent on completion of roundabout on the A27.				
Shoreham Harbour regeneration - Risk that site is not developed and housing and employment envisaged by Local Plan is not delivered.	Taking a proactive stance dealing with high density planning applications and seeking external funding. Planning permission now granted for Kingston Wharf securing a further 255 homes and commercial floorspace. As a result a total of 795 dwellings already approved and an application for a further 200 expected therefore the level of development envisaged by the Local Plan has been reached. Work has started on 540 homes and the Hyde scheme starting in 2021. January 2021 - Resolution to grant permission at Kingston Wharf and applications expected for 3 other Western Harbour Arm sites. April 2021 update - Low Risk as sites are coming forward more quickly than expected. Site allocated on the basis that it would take 15 years to bring forward.	Work has started on construction of housing.	Moderate	Rare	Low
West Sompting redevelopment - Risk of failing to meet Local Plan housing targets and deliver affordable housing if development does not proceed.	April 2021 update - Reconsultation delayed as WSCC requires wider traffic calming scheme to be implemented. Not likely to go to Committee until July 2021	Planning application not likely to go to Committee until July 2021.	Moderate	Moderate	Medium

Chatsmore Farm redevelopment - Risk to strategic gap and emerging Local Plan if development proceeds	January 2021 - Over a 1000 letters of objection received to the planning application. Local Plan has not allocated the site for development. Applicant likely to appeal if refused. April 2021 update - Planning Permission refused at Committee in March 2021. Developer may appeal.	Unknown.	Major	Moderate	Medium	
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Agenda Item 10



Joint Governance Committee 27 May 2021 Agenda Item 10

Ward(s) Affected: All

Annual Review of Complaints about Member Conduct - 2020/21

Report by the Monitoring Officer

Executive Summary

1.0 Purpose

- 1.1. The report advises Members of the Joint Governance Committee of complaints received by the Monitoring Officer that Elected Members have breached the Code of Conduct. Complaints received relate to Elected Members of Adur District Council, Worthing Borough Council, Sompting Parish Council and Lancing Parish Council.
- 1.2. The report advises of all complaints received during the municipal year 2020/21, action taken by the Monitoring Officer, and/or the Council, including any attempts at informal resolution and the outcome.

2.0 Recommendations

2.1. The Joint Governance Committee is asked to note the contents of this report and the actions taken by the Monitoring Officer and/or Council.

3.0 Context

- 3.1. Section 27 of the Localism Act 2011 (the Act) provides that Councils (here: Borough, District and Parish Councils) must promote and maintain high standards of conduct by Members, Co-opted Members of the Councils. In discharging this duty the Councils must adopt a code dealing with the conduct that is expected of Members when they are acting in that capacity. Adur and Worthing Councils adopted a Code of Conduct in 2015, updated in 2020, which forms part of the Constitution. The LGA Model Code of Conduct (as slightly amended) has only just been approved by the Councils in April this year, following some in-depth work by the Officer and Member Working Group which was first reported to the Joint Governance Committee on the 23rd March 2021. Lancing Parish Council and Sompting Parish Council have their own Code of Conduct for their Members, adopted by the relevant Parish Councils. The Parish Council Clerks have been informed by the Monitoring Officer of the approval of the LGA Model Code of Conduct by both Adur and Worthing Councils
- 3.2. Under section 28(6) of the Act, Councils must have in place:
 - (a) Arrangements under which allegations can be investigated and,
 - (b) Arrangements under which decisions on allegations can be made.

By section 27(7) arrangements put in place under subsection (6)(b) must include provision to appoint at least one "Independent Person" whose views are to be sought and taken into account, by the Councils. Two new Independent Persons were appointed in December 2020. One has resigned, so the Councils have two Independent Persons, one that was re-appointed in October 2020, and the remaining relatively new appointment.

- 3.3. New Arrangements for dealing with Code of Conduct Complaints was approved by the Councils in April this year along with the slightly amended LGA Code as mentioned in 3.1 above, following the in-depth work of the Officer Member Working Group.
- 3.4. The Joint Governance Committee is responsible for standards, ethics and probity matters, audit and accounts activity and the constitutional framework. Within its terms of reference, the Committee has the following responsibilities:
 - To lead on the Council's duties to design, implement, monitor, approve

- and review the standards of ethics and probity of the Council, its Councillors and Co-opted Members.
- To promote a culture of openness, ready accountability and probity in order to ensure the highest standards of conduct of Councillors and Co-opted Members.
- To oversee and manage a programme of guidance, advice and training on ethics, standards and probity for Councillors and Co-opted Members and on the Members' Code of Conduct.
- To establish a standards sub-committee to receive reports following investigation on behalf of the Monitoring Officer into allegations of misconduct by Members and to determine appropriate action in respect of alleged breaches of the Members' Code of Conduct.
- To receive an annual report from the Monitoring Officer on the local resolution and assessment of allegations of breach of the Member Code of Conduct, by Members of the Councils and any Parish Council.
- 3.5. The Standards Procedure Rules will be changed within Part 5 of the Constitution to accommodate the changes adopted by the Councils in April this year.
- 3.6. The procedure rules provide for an initial assessment of all complaints, to be undertaken by the Monitoring Officer. The purpose of assessment is to determine whether or not, on the basis of information supplied by the complainant, if the matter were proven, it would amount to a breach of the Code of Members' Conduct; no investigation or hearing is conducted at this stage. The Monitoring Officer will reject the complaint if the Subject Member was not acting in their capacity as a Councillor at the time, or if the complaint is deemed to be trivial, malicious, vexatious, politically motivated or tit for tat. If accepted, the Monitoring Officer will then consider whether the complaint may be more appropriately dealt with by way of informal resolution, and if so, will attempt to resolve it. On assessment, options open to the Monitoring Officer include deciding to take no further action, resolving the complaint informally. The Monitoring Officer may consult the Independent Person at this stage.
- 3.7. Should the Monitoring Officer, after consulting with the Independent Person, conclude that the complaint merits an investigation, the investigation may be conducted by the Monitoring Officer or delegated to another Officer or an external appointment. The investigation will result in an investigator's report

and if, in the view of the Monitoring Officer, there is evidence, on the balance of probabilities, that the Subject Member has breached the Code of Conduct, then a meeting will be called of the Standards Sub-Committee of the Joint Governance Committee, to hear and determine the matter, and impose sanctions if appropriate. Possible sanctions in respect of an Adur or Worthing Member may include censure, publicity, recommendation to the Leader or Council that the Member be removed from a Committee, additional training or withdrawal of facilities. In respect of a Parish Councillor, recommendations can be made to the Parish Council as to an appropriate sanction.

3.8. Training on the New Code of Conduct and procedure for dealing with Code of Conduct complaints will take place soon after the Annual Council Meetings.

4.0 Code of Conduct Complaints received by the Monitoring Officer

- 4.1. This report is brought to the Joint Governance Committee to:
 - Assist the Committee in fulfilling the Councils' duty to promote and maintain high standards of conduct;
 - Provide the Committee with an overview of the overall number of complaints received by the Monitoring Officer;
 - Enable the Committee to satisfy itself that the Monitoring Officer is broadly exercising her delegations correctly, for example by noting that a reasonable and proportionate amount of matters were referred for investigation; and
 - Enable the Committee to ascertain any trends they may identify and have the opportunity to address them by updating guidelines, or organising training.

4.2. Adur District Council

When	Complaint by	Alleged breach of the Code	Action taken	Formal Hearing	Conclusion
2019/20	Parish Councillor	Social Media - misconduct	Informal resolution - apology	No	Concluded No further Action
2019/20	Adur DC Councillor	Microphone and reading handwritten	Code not engaged	No	Dismissed

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		notes on agenda			13840
April 2020	Member of public	Breach of integrity, objectivity honesty and leadership	FB post, breach : lack of respect. Code not engaged	No	Dismissed
June 2020	Labour Members and members of the public	Lack of respect and disrepute	Investigator's report with finely balanced decision	Yes	Finding of No Breach 14051
April 2020	Parish Councillor	Disrespect	Code engaged but conduct unlikely to amount to breach	No	Dismissed 14061
May 2020	Member of public	Disrepute	Not acting in capacity of Member	No	No further Action 14102
May 2020	Adur Councillor	Disrespect	Not acting in capacity of Councillor	No	No further Action 14114
November 2020	Anonymous Complaint	Leak of confidential information	No Breach	No	Dismissed 14199
October 2020	Adur Councillor	Disrespect	Code not engaged	No	No further Action 14196
December 2020	Member of public	Disrespect	Local resolution- apology	No	Concluded No further Action
January 2021	Member of public	Confidential information disclosed	Local resolution - apology	No	Concluded No further Action
February	Member of	Disrespect	Local	No	Concluded No

2021	public		Resolution offered - not accepted. Apology given		further Action 14404
March 2021	Parish Councillor	General complaint - not a formal Code of Conduct matter	Not a breach of the Code	No	Dismissed
April 2021	Parish Councillor	Pre-election period complaint	Not a breach of the Code	No	No further Action
April 2021	Adur Councillor	FB post - disrespect	Local Resolution - apology	No	No further Action 14477
April 2021	Parish Councillor	FB post - disrespect	Not a breach of the code Tit for tat	No	No further Action 14520

4.3. Worthing Borough Council

When	Complaint by	Complaint/All eged breach of the code	Action taken	Formal Hearing	Conclusion
April 2020	Member of public	Political comments on FB- no formal complaint	No formal Complaint made	No	Dismissed
May 2020	Member of public	Derogatory Comment - failure to treat with respect	None - as trivial and politically motivated- No Breach	No	No Breach - No further Action 14055
May 2020	Worthing Councillor	Disrespect	Investigation	Yes	No Breach, Dismissed 14125
July 2020	Member of public	Racist slur - disrepect	Investigation- no breach	No	No further action Dismissed

					14132
July 2020	Member of public - to all Labour Members	Failure to treat other with respect and Council's Equality duty	Outsourced legal advice - no breach of the code	No	Dismissed 14154
September 2020	Worthing Borough Councillor	Disrespect	Outsourced legal advice - no breach of the Code	No	Dismissed 14185
October 2020	Worthing BC Councillor	Disrespect	Outsourced legal advice -no breach of Code	No	Dismissed 14200
October 2020	Member of public	Disrespect and disrepute	No Breach	No	No further Action 14241
October 2020	Member of public	FB posts	No Breach	No	Dismissed 14264
November 2020	Members of the public	General complaints	No Breach of the Code	No	Dismissed 14261

4.4. Lancing Parish Council

When	Complaint by	Alleged breach of the code	Action taken	Formal Hearing	Conclusion
May 2020	Parish Councillor	Predetermination	Referred for investigation - no evidence of breach	No	No further Action
May 2020	Member of public	Ombudsman- Not code of conduct	Advice given (Ombudsman) Not a Code of Conduct matter	NO	Concluded
May 2020	Members of public	Allegation of racial hatred	Code of Conduct not engaged - acting in private capacity	No	Dismissed 14078

4.5. Sompting Parish Council

There were no complaints for the period 2020/21

5.0 Summary and Trends

5.1. Adur District Council

In respect of Adur District Council, there were 16 complaints. Several complaints were against one particular Councillor, which are continuing. The complainant from the Parish Council appears to be the same complainant. There was only one matter that was referred to the Joint Governance Sub-Committee for hearing, where there was a finding of no breach of the Code of Conduct. Most of the complaints were dismissed or no further action was taken. The Monitoring Officer liaised with the Independent Person where appropriate. Since 2021, the Monitoring Officer has endeavoured to find a local resolution. No advice has been outsourced. No complaint has been referred for investigation.

5.2. Worthing Borough Council

In respect of Worthing Borough Council, there were 10 complaints during 2020. None so far in 2021. Most of the complaints were either dismissed or no further action taken. Again the Monitoring Officer will have liaised with the Independent Person as appropriate. There was only one complaint that was referred to the Joint Governance Sub-Committee for hearing, where the decision made by that Sub-Committee was that there was no breach of the Code of Conduct.

5.3. Lancing Parish Council

In respect of Lancing Parish Council there were 3 complaints. One complaint was dismissed as the Code of Conduct was not engaged, one no further action was taken following an investigation and the third was not a Code of Conduct complaint but a matter for the Local Ombudsman.

5.4. Summary of Complaints

There have been 29 complaints over the course of the year up to the date of this report as illustrated in the tables above. Two complaints, one in respect of Adur District Council and the other in respect of Worthing Borough Council, were referred for hearing following external independent investigations. In

both cases the Joint Governance Sub-Committee found there were no breaches of the Code of Conduct. There were no Code of Conduct complaints in respect of Sompting Parish Council

6.0 Engagement and Communication

- 6.1. Since January 2021, the Monitoring Officer has led a working group of Members and Officers, together with the existing, and the new Independent Persons, looking at a new Code of Conduct and procedure for dealing with the Complaints under the Code of Conduct, which culminated in a report being presented before the Joint Governance Committee on 23rd March 2021 recommending to the Councils of Adur and Worthing that a new Code of Conduct should be adopted based on the LGA Model Code of Conduct, as slightly amended. The Councils of Adur and Worthing adopted the LGA Model Code of Conduct, as slightly amended in April 2021. The Monitoring Officer is now in the process of changing the Constitution. The New Code of Conduct should be placed on the Councils' website for ease of reference.
- 6.2. There was excellent participation by all the Members on the Working Group and the Independent Persons, which culminated in the full report presented to the Joint Governance Committee identifying all the steps and decisions taken in moving the project forward. The Working Group were also interested in ensuring a new up to date Social Media Policy be introduced and other policies as referred to in the report of the 23rd March 2021. The Monitoring Officer is working on these policies.
- 6.3. The Monitoring Officer will be organising training for Members, on the New Code of Conduct and the procedure for dealing with complaints under the New Code in due course. Such training to be extended to the Parish Council Members.
- 6.4. Earlier this year, the Independent Persons of Audr and Worthing Councils attended training on the Code of Conduct Complaints specifically aimed at Independent Persons.
- 6.5. The Monitoring Officer has informed both Parish Clerks of Lancing and Sompting of the Councils' decision to adopt the LGA Model Code of Conduct as slightly amended.

7.0 Financial Implications

7.1. There are no financial implications arising from this report. The costs associated with instructing external investigators are included within the Council's existing Legal Services Budget.

8.0 Legal Implications

- 8.1. The Localism Act 2011 provides the statutory framework for Member conduct, the mandatory obligation for Local Authorities to have a Code of Conduct and for Councils to have local arrangements for dealing with complaints about Member conduct.
- 8.2. The Terms of Reference of the Joint Governance Committee provide that the Committee is responsible for Standards of Ethics and Probity amongst Members. The Standards Procedure Rules provide procedural arrangements for the consideration of complaints relating to Member conduct.
- 8.3. The Localism Act 2011 provides that the District Council is responsible for dealing with allegations relating to Member conduct in respect of any parishes in its area.

Background Papers

- Part 3 Terms of Reference of the Adur District Council and Worthing Borough Council Constitutions
- Standards Procedure Rules
- Localism Act 2011
- Adur District Council Code of Conduct for Elected Members
- Worthing Borough Council Code of Conduct for Elected Members
- Lancing Parish Council Code of Conduct for Elected Members
- Sompting Parish Council Code of Conduct for Elected Members

Officer Contact Details:-

Maria Memoli
Head of Legal Services and Monitoring Officer
01903 221119
maria.memoli@adur-worthing.gov.uk

Sustainability & Risk Assessment

1. Economic

Matter considered and no issues identified

2. Social

2.1 Social Value

Matter considered and no issues identified

2.2 Equality Issues

Matter considered and no issues identified

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified

2.4 Human Rights Issues

Any hearing to be held before the Joint Governance Sub-Committee (for standards) would be based on the principles of natural justice and comply with the Human Rights legislation, particularly the right to a fair hearing.

3. Environmental

Matter considered and no issues identified

4. Governance

Upholding high standards of conduct and probity amongst Members is paramount and breaches of the Code of Conduct have an adverse effect on public confidence in the democratic process and adversely affect the reputation of the Council.

