

5 July 2023

Joint Audit and Governance Committee		
Date:	13 July 2023	
Time:	6.30 pm	
Venue:	QEII Room, Shoreham-Centre, Shoreham-by-Sea	

Committee Membership:

Adur District Council: Councillors; Andy McGregor (Adur Chair), Kevin Boram (Adur Vice-Chair), Catherine Arnold, Tony Bellasis, Ann Bridges, Jim Funnell, Julian Shinn and Debs Stainforth

Worthing Borough Council: Councillors; Dan Hermitage (Worthing Chairman), Mike Barrett (Worthing Vice-Chairman), Ödül Bozkurt, Ibsha Choudhury, Nigel Morgan, Hazel Thorpe, John Turley and Steve Waight

Agenda

Part A

1. 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.

2. Substitute Members

Any substitute members should declare their substitution.

3. Minutes

To approve the minutes of the Joint Audit and Governance Committee meeting held on 30 May 2023, copies of which have been previously circulated.

4. Public Question Time

So as to provide the best opportunity for the Committee to provide the public with the fullest answer, questions from the public should be submitted by **12.00 noon on 10 July 2023**

Where relevant notice of a question has not been given, the person presiding may either choose to give a response at the meeting or respond by undertaking to provide a written response within three working days.

Questions should be submitted to Democratic Services democratic.services@adur-worthing.gov.uk

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

5. Members Questions

Councillors who are not members of this committee can ask questions under CPR 12 Questions should be relevant to the committee where the question is being asked and also relevant to an item on the agenda. Please contact Democratic Services for more information

Members' question time is 30 minutes and questions should be submitted no later than **12.00 noon on 10 July 2023**.

Questions should be submitted to Democratic Services democratic.services@adur-worthing.gov.uk (Note: Members' Question Time will operate for a maximum of 30 minutes.)

6. Items Raised under Urgency Provisions

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

7. Audit Results Report (Pages 5 - 104)

To consider a report by the external auditors from Ernst and Young, a copy is attached as item 7

8. Enquiries to those charged with Governance (Pages 105 - 116)

To consider a report by the Director for Digital and Sustainability, a copy is attached as item 8

9. Risks & Opportunities Update Report (Pages 117 - 138)

To consider a report by the Director for Digital and Sustainability, a copy is attached as item 9

10. Capita Data Breach (Pages 139 - 150)

To consider a report by the Director for Digital and Sustainability, a copy is attached as item 10

11. Amendments to the Constitution (Pages 151 - 160)

To consider a report by the Director for Digital and Sustainability, a copy is attached as item 11

Part B Exempt Reports - Not for Publication

None.

Recording of this meeting

Please note that this meeting is being live streamed and a recording of the meeting will be available on the Council's website. This meeting will remain 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:
Simon Filler Democratic Services 01903 221439 simon.filler@adur-worthing.gov.uk	Joanne Lee Head of Legal Services and Monitoring Officer 01903 221134 joanne.lee@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: Three 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.







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

Dear Joint Audit and Governance Committee Members

2021/22 Audit results report

We are pleased to attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Joint Audit and Governance Committee. We will update the Committee at its meeting scheduled for 13 July 2023 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2021/22 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Adur District Council's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money arrangements.

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

We welcome the opportunity to discuss the contents of this report with you at the Joint Audit and Governance Committee meeting on 13 July 2023.

Yours faithfully

Helen Thompson

Partner

For and on behalf of Ernst & Young LLP

Encl

3 July 2023

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 Audit and 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 Audit and 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 Audit and Governance Committee and management of Adur District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



Executive Summary

Scope update

In our audit planning report presented to the September 2022 Joint Audit and Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan.

Status of the audit

Our audit work in respect of the Council opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- Update to our pension liability testing in respect of the IAS19 2022 triennial revaluation
- Review of the revised accounting for HRA depreciation
- Completion of consultation procedures in relation to the self-referral by the Council to the Regulator of Social Housing
- Final review of completed audit procedures
- · Receipt and review of the final version of the financial statements
- Update of subsequent events procedures to the date of our opinion
- Receipt and review of the letter of representation

Details of each outstanding item, actions required to resolve and responsibility is included in Appendix B.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Narrative Report and Accounts which could influence our final audit opinion.



Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 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. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them 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.

Status of the audit - Value for Money

In the Audit Plan, we reported that our value for money (VFM) risk assessment was in progress but had not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code.

We have since concluded our VFM risk assessment and can confirm that no additional significant weaknesses were identified.

Following completion of the audit of the financial statements, we have revisited our assessment and remain satisfied that we have not identified a risk of significant weakness. As a result, we have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03).

Executive Summary

Audit differences

A triennial review of the West Sussex Pension Fund was undertaken as of March 2022 with reporting released in March 2023. This triennial review resulted in a revised IAS19 report being issued as at 31 March 2022. We are in the process of testing the underlying data which supports this triennial review in order to provide assurance over the revised IAS19 entries.

We have identified one item which has been corrected by management:

1. Following the completion of the 2020/21 audit, we agreed with management that they would obtain an updated valuation report from their external valuer to ensure that the valuation date was at 31 March 2022. Previously, the valuation was undertaken as at 1 April, which was a contributory factor to the delay in completing our audit work in the prior year. Management has therefore updated the valuation of investment properties disclosed in the draft financial statements as at 31 March 2022. This has reduced the value of these investment properties by £1.61m. Similarly, Surplus assets increased in value by £829k for the same reason.

No other corrected or uncorrected misstatements have been identified which exceed our reporting threshold.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. The Council updated the Annual Governance Statement during the course of the audit to include reference to the self-referral to Regulator of Social Housing in respect of the condition of the Council's housing stock. Following this amendment, we have no matters to report as a result of this work.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission for 2021/22. However, we do not expect any issues in performing this work as the Council falls below the threshold set within the guidance from HM Treasury and the group audit instructions for 2021/22 on which our work is based.

We have no other matters to report.

Areas of audit focus

In our Audit Plan, we identified a number of key areas of focus for our audit of the financial report of Adur District Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Fraud Risk	Findings & Conclusions
Misstatements due to fraud or error (management override)	We have not identified any evidence that management has overridden controls in order to prepare fraudulent financial statement balances or postings within the financial statements.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	We have not identified any evidence of manipulation of expenditure through incorrect capitalisation of revenue expenditure within the Revenue Expenditure Funded from Capital Under Statute balance.
	We have concluded our work on the testing of additions made to Property, Plant and Equipment during the year and have not identified any evidence of manipulation through incorrect capitalisation of revenue expenditure within the Property, Plant and Equipment additions balance.

Significant Risk	Findings & Conclusions
Valuation of Land and Buildings in Property, Plant & Equipment (PPE) under Existing Use Value (EUV) or Fair Value (FV) and Assets Held For Sale (AHFS) under Fair Value (FV)	We employed the use of our own expert to support the work in relation to the valuation of land, buildings and assets held-for-sale valued on an EUV of FV basis. Our expert reviewed the valuation of 6 properties, and ultimately found all 6 to be within the expected range. The local audit team tested a further 7 assets back to supporting information. We did not identify any misstatements from these procedures. In order to prepare the financial statements, the Council used the valuation of surplus assets from 2020/21 in 2021/22, as the 2021/22 balances were not available. The updated valuation has now been obtained and the financial statements updated to reflect the valuation report. Surplus assets increased in value by £829k. Our work in this area is completed, subject to final review.
Valuation of Investment Properties (IP) under Fair Value (FV)	In order to prepare the financial statements, the Council used the valuation of investment properties from 2020/21 in 2021/22, as the 2021/22 balances were not available. The updated valuation has now been obtained and the financial statements updated to reflect the valuation report. This reduced the value of these investment properties by £1.61m. Our detailed testing did not identify any evidence of material misstatement arising from the valuation of Investment Properties under Fair Value. Our work in this area is completed, subject to final review.

Executive Summary

Area of Audit Focus / Inherent Risk	Findings & Conclusions
Valuation of Land & Buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC)	We have not identified any evidence of material misstatement arising from the valuation of land and buildings under a depreciated replacement cost basis. Our work in this area is completed, subject to final review.
Valuation of Housing Revenue Account (HRA) properties	We have not identified any evidence of material misstatement arising from the valuation of those properties held within the Housing Revenue Account.
Infrastructure assets	Our work concluded the Council's current accounting practice continues to be in accordance with the CIPFA Code of Local Authority Accounting. Where subsequent expenditure is incurred to replace part of an asset, management writes out the value of the old part being replaced.
Pension Liability Valuation	We tested the Council's pension liability valuation and assessed the work of the Council's actuary. We are satisfied that the pension liability and associated balances within the financial statements are not materially misstated. We have undertaken additional audit procedures in responses to the updated ISA540 regarding accounting estimates. These have included the production of a parallel IAS19 report by an EY pensions expert which was then compared to the report prepared by Hymans Robertson. No material differences were identified from this process.
	A triennial review of the West Sussex Pension Fund was undertaken as of March 2022 with reporting released in March 2023. This triennial review resulted in a revised IAS19 report being issued as at 31 March 2022. We are in the process of testing the underlying data which supports this triennial review in order to provide assurance over the revised IAS19 entries.
Going Concern Disclosure	We have completed our audit procedures around the going concern disclosure and are satisfied that the Council's use of the going concern assumption is appropriate. We will continue to work with officers to ensure the disclosure is up to date at the point of signing the audit report.

We request that you review these and other matters set out in this report to ensure:

- There are no residual further considerations or matters that could impact these issues
- You concur with the resolution of the issue
- There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Joint Audit and Governance Committee or Management.

Independence

Please refer to Section 07 for our update on Independence.





Significant risk

Misstatements due to fraud or error (management override)

What is the risk?

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

What did we do?

In response to this risk, we:

- Identified fraud risks during the planning stages.
- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Undertook processes to understand the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud.
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

What judgements are we focused on?

We focused on aspects of the financial statements which are open to estimation and judgment, which would facilitate management overriding controls:

- Unusual or unexpected journal entries;
- Material accounting estimates, such as the valuation of land, buildings, council dwellings and investment property and IAS 19 pension balances; and
- Unusual transactions within the financial statements.

What is the status of our work?

Our audit work has not identified any material issues, inappropriate judgements or unusual transactions which indicated that there had been any misreporting of the Council's financial position, or that management had overridden control.

No indication of fraud has been identified.

Significant risk

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

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 Council 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 believe the risk of manipulation is most likely to manifest in the incorrect capitalisation of revenue expenditure through either inappropriate additions to Property, Plant and Equipment or incorrect classification of expenditure as revenue funded from capital under statue (REFCUS), as there is an incentive to reduce expenditure which is funded from Council Tax.

PPE: Additions totalled £9.5m in the 2021/22 unaudited financial statements.

REFCUS: totalled £1.28m in the 2021/22 unaudited financial statements.

What judgements are we focused on?

We focused on the Council's judgements to classify expenditure as either revenue or capital in nature. We tested a sample of items to confirm that the Council's judgement was supported by sufficient evidence and was genuinely capital in nature.

What did we do?

In response to this risk, we:

- Tested a sample of PPE to ensure that the expenditure incurred and capitalised is clearly capital in nature. We also ensured the transaction was supported by sufficient evidence to verify its value and the period to which it related.
- Tested a sample of REFCUS, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ring fenced capital resources. As with PPE additions, we also ensured these items were supported by sufficient evidence to verify the value and period to which it related.
- Performed a review of significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

We have concluded our work on the testing of additions made to Property, Plant and Equipment during the year and have not identified any evidence of manipulation through incorrect capitalisation of revenue expenditure within the Property, Plant and Equipment additions balance.

We found no evidence of incorrect capitalisation of revenue expenditure in the REFCUS balance within the financial statements.

We are satisfied that the transactions tested were supported by evidence which confirmed the valuation, nature of the expenditure, period to which it related to and confirmed that it was correctly classified.

We were satisfied that journals posted were appropriate.

We identified no evidence of fraud in revenue and expenditure recognition through the above testing.



Areas of Audit Focus Significant risk

Valuation of Land and Buildings in Property, Plant & Equipment (PPE) under Existing Use Value (EUV) or Fair Value (FV) and Asset Held For Sale under Fair Value (FV)

What is the risk?

The valuation of land and buildings valued on an EUV/FV basis represent material figures within the Council's financial statements. The valuation of these assets is reliant upon expert valuations based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

What judgements are we focused on?

We focused on those assumptions that directly impact the valuation of these assets - such as the yield adopted and forecast future income.

What did we do?

We:

- Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations.
- Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation. Additional work has been completed in this area, including detailed review of a sample of assets by our own valuer.
- Sample tested key asset information used by the valuer in performing their valuation (e.g. yield adopted and forecast future income has been agreed to external sources).
- Confirmed that the valuation was undertaken to ensure all assets required to be valued within a 5 year rolling programme as required by the Code for PPE had been completed, which confirmed that the entire asset base had been revalued by Wilks, Head & Eve in 2021/22, so there was no risk of material misstatement arising from the lack of valuation of assets.
- Confirmed that the valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have occurred in year had been communicated to the valuer.
- Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.
- Tested the accounting entries posted via journal to ensure they have been correctly processed in the financial statements.



Areas of Audit Focus Significant risk

What is the status of our work?

In order to prepare the financial statements, the Council used the valuation of surplus assets from 2020/21 in 2021/22, as the 2021/22 balances were not available. The updated valuation has now been obtained and the financial statements updated to reflect the valuation report. Surplus assets increased in value by £829k.

We employed the use of our own expert to support the work in relation to the valuation of land, buildings and assets held for sale valued on an EUV of FV basis. Our expert reviewed the valuation of 6 properties, and found all 6 to be within the expected range.

The local audit team tested a further 7 assets back to supporting information. We did not identify any misstatements from these procedures.

We are therefore satisfied that there is no evidence of material misstatement associated with the valuation of land and buildings valued on an Existing Use Value or Fair Value basis, and assets held-for-sale on a Fair Value basis.

While no assets fell outside our expected range, Wilks Head & Eve's valuation methodology continues use a gross yield rather than a net yield in determining property valuations on behalf of the Council. We do not consider this is in line with open market practice. A gross yield does not consider relevant purchase costs attributable to the property. If the Council were to sell the asset, any purchaser would reflect their purchase cost within the price offered. The Council should continue to challenge this approach when taken by their specialist.

Our work in this area is completed, subject to final review.



Areas of Audit Focus Significant risk

Valuation of Investment Properties (IP) under Fair Value (FV)

The valuation of investment properties represent material figures within the Council's financial statements. The valuation of these assets is reliant upon expert valuations based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

Investment Property assets valued on an FV basis totalled £81.139m in the 2021/22 unaudited financial statements.

What judgements are we focused on?

We focused on those assumptions that directly impact the valuation of these assets - such as the yield adopted and forecast future income.

What did we do?

We:

- Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations.
- Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation. Additional work has been completed in this area, including detailed review of a sample of assets by our own valuer.
- Sample tested key asset information used by the valuer in performing their valuation (e.g., yield adopted and forecast future income has been agreed to external sources).
- Confirmed that the valuation was undertaken to ensure all investment property had been revalued in year as required by the Code.
- Confirmed that the valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have occurred in year had been communicated to the valuer.
- Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.
- Tested the accounting entries posted via journal to ensure they have been correctly processed in the financial statements.



Significant risk

What is our conclusion?

Our testing is complete but subject to review. Following the completion of the 2020/21 audit, we agreed with management that they would obtain an updated valuation report from their external valuer to ensure that the valuation date was at 31 March 2022. Previously, the valuation was undertaken as at 1 April, which was a contributory factor to the delay in completing our audit work in the prior year. Management has therefore updated the valuation of investment properties disclosed in the draft financial statements as at 31 March 2022. This has reduced the value of these investment properties by £1.61m.

Our detailed testing did not identify any evidence of material misstatement arising from the valuation of Investment Properties under Fair Value.

Our work in this area is completed, subject to final review.



Our response to areas of audit focus



Further details on procedures/work performed

What is the risk / area of focus?

Valuation of land and buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC) The value of land and buildings in PPE under DRC 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 which are required to calculate these balances held in the balance sheet. Although there is a risk for land and buildings under DRC to be misstated 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.

At 31 March 2022, the value of PPE under DRC was £18.9m based on the unaudited financial statements.

What did we do?

We:

- Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations.
- Challenged the assumptions used by the Council's valuer by reference to external evidence. This included considering significant or unusual movements in valuation.
- Sample tested key asset information used by the valuer in performing their valuation (e.g. building areas to support valuations based on price per square metre).
- Confirmed that the valuation was undertaken to ensure all assets required to be valued within a 5 year rolling programme as required by the Code for PPE had been completed, which confirmed that the entire asset base had been revalued by Wilks, Head & Eve in 2021/22, so there was no risk of material misstatement arising from the lack of valuation of assets.
- Confirmed that as the entire asset base bad been revalued, there was no risk that assets not subject to valuation in 2021/22 driving a misstatement.
- Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.
- Tested the accounting entries posted via journal to ensure they have been correctly processed in the financial statements.

No material audit differences have been identified from our work to address this area of focus.

Our work in this area is completed, subject to final review.



Our response to areas of audit focus



Further details on procedures/work performed

What is the risk / area of focus?

Valuation of Housing Revenue Account (HRA) properties

The value of HRA properties represents a significant balance 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 which are required to calculate these

balances held in the balance sheet and HRA notes. HRA properties are inherently not subject to material uncertainty arising dur to market conditions.

At 31 March 2022, the value of HRA properties was £198.3m based on the unaudited financial statements.

What did we do?

We:

- Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations.
- Challenged the assumptions used by the Council's valuer by reference to external evidence. This included considering significant or unusual movements in valuation.
- Sample tested key asset information used by the valuer in performing their valuation (e.g. by completing our own research for prices to other third-party resources including Zoopla and Rightmove).
- Sample tested and undertook analytical procedures to support the valuation of HRA properties valued using the beacon approach.
- Confirmed that the valuation was undertaken to ensure all assets required to be valued within a 5 year rolling programme as required by the Code for PPE had been completed, which confirmed that the entire asset base had been revalued by Wilks, Head & Eve in 2021/22, so there was no risk of material misstatement arising from the lack of valuation of assets.
- Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.

What are our findings and conclusions?

No material audit differences have been identified from our work to address this area of focus.

The Council are in the process of reviewing their accounting policies in respect of depreciation charged on its HRA properties. We will review working papers and the revised accounting entries once these have been prepared.



Our response to areas of audit focus



Further details on procedures/work performed

What is the risk / area of focus?

Infrastructure Assets

In March 2022, an issue was raised with the National Audit Office's Local Government technical network in relation to the accounting for infrastructure assets. Under the CIPFA Code of Local Authority Accounting, these assets are held at depreciated historic cost. Following more detailed consideration by auditors this year, it has been identified that whilst local authorities add expenditure incurred on replacing or enhancing such assets, most do not appear to be reviewing the Code requirement to establish whether this spend is a replacement of an asset, or a recognised component, and therefore, are not derecognising the old component. As a consequence gross cost/gross accumulation is therefore continually increasing, and the balance sheet may be misstated where the expenditure is a replacement for an asset/component not fully depreciated.

Our work in 2020/21 concluded the Council's current accounting practice is in line with the CIPFA Code. However, as a consequence of the issue above CIPFA is considering a potential Code amendment. We will ensure the Council's accounting treatment of infrastructure assets complies with any updated guidance or Code amendments issued by CIPFA.

What did we do?

We confirmed the Council's accounting practice for infrastructure assets remains in line with the published CIPFA Code of Local Authority Accounting. The Council has therefore not needed to adopt the temporary solution for accounting for infrastructure assets issued by DLUHC and CIPFA. Our work focused on:

- Obtaining evidence to match the subsequent expenditure to the carrying amount of the replaced part or component that is being derecognised.
- Understanding the Councils approach to depreciating infrastructure assets, ensuring that the asset lives were reasonable and undertaking sensitivity analysis to understand the potential impact of over or understating the asset lives.
- Testing the accounting entries have been correctly processed in the financial statements.

Our work concluded the Council's current accounting practice continues to be in accordance with the CIPFA Code of Local Authority Accounting. Where subsequent expenditure is incurred to replace part of an asset, management writes out the value of the old component being replaced.

We are therefore satisfied there is no material misstatement arising from the accounting treatment of the Trusts infrastructure assets.

Our response to areas of audit focus



Further details on procedures/work performed

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 2022 this totalled f6.1m.

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.

What did we do?

We:

- Obtained assurances over the information supplied to the actuary in relation to Adur District Council:
- Assessed 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;
- Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's actuarial model: and
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

What are our findings and conclusions?

In response to the requirements of ISA540, the auditing standard on accounting estimates, we based our audit approach on procedures to evaluate management's process. The standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we undertook further procedures to create an auditor's estimate, to gain assurance. We employed the services of an EY Pensions specialist to review the Council's IAS19 reports and run a parallel actuarial model which was compared to that produced by Hymans Robertson. This confirmed there was no material misstatement arising from those estimation procedures undertaken by Hymans Robertson.

We were satisfied there was no evidence of material misstatement arising from the work completed above.

(contd.)



Our response to areas of audit focus



Further details on procedures/work performed

Pension Liability Valuation (Contd.)

A triennial review of the West Sussex Pension Fund was undertaken as of March 2022 with reporting released in March 2023. This triennial review resulted in a revised IAS19 report being issued as at 31 March 2022. We are in the process of testing the underlying data which supports this triennial review in order to provide assurance over the revised IAS19 entries.

Our response to areas of audit focus



Further details on procedures/work performed

What is the risk / area of focus?

Going Concern Disclosure

There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 during 2021/22, there is a need for the Council to ensure it's going concern assessment, including its cashflow forecast, is robust and appropriately comprehensive.

The Council is required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

What did we do?

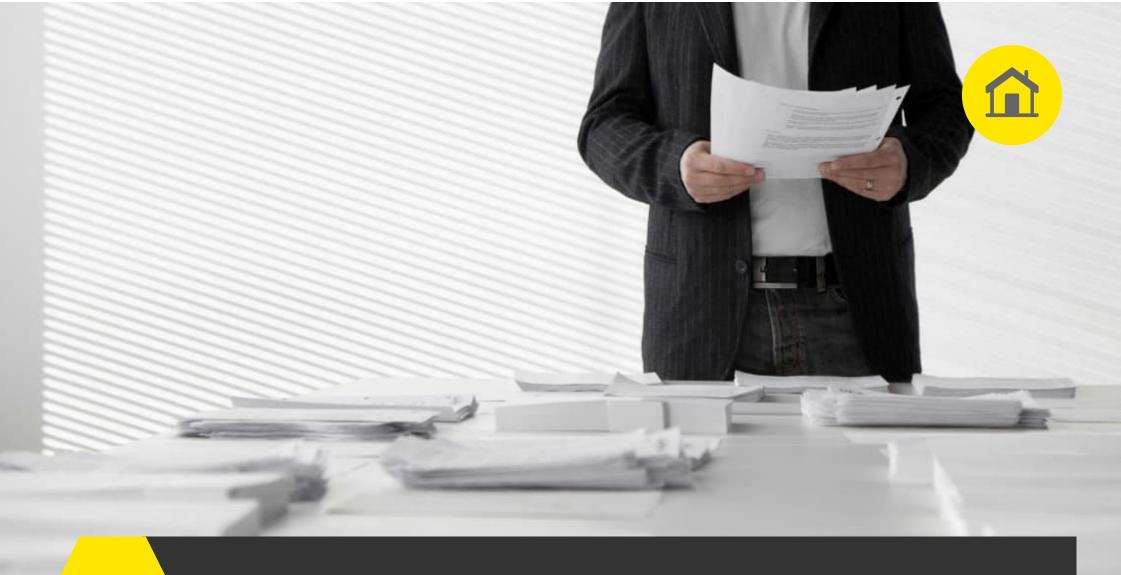
We:

- Challenged management's identification of events or conditions impacting going concern.
- Tested management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- Reviewed the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern including an assessment of any underlying need to borrow.
- Undertook a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when drawing our conclusions on going concern.
- Challenged the disclosure made in the accounts in respect of going concern and any material uncertainties.

What are our findings and conclusions?

We have completed our work relating to going concern and are satisfied the use of the going concern assumption remains appropriate for the Council, and it has access to sufficient working capital to support its operations for a period of at least 12 months from the date of our audit report.

We will continue to work with officers to ensure the disclosure is up to date at the point of signing the audit report.



Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADUR DISTRICT COUNCIL

Opinion

We have audited the financial statements of Adur District Council (the Council') for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the Movement in Reserves Statement; Comprehensive Income and Expenditure Statement; Balance Sheet; Cash Flow Statement; and the related notes 1 to 40; the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 12; the

Collection Fund Income and Expenditure Account and the related notes 1 to 5.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- give a true and fair view of the financial position of Adur District Council as at 31 March 2022 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

Basis for opinion

We conducted our audit in accordance with International Standards on

Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Council's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2021/22, other than the financial statements and our auditor's report



Draft audit report

Our opinion on the financial statements

thereon. The Chief Financial Officer is responsible for the other information contained within the Statement of Accounts 2021/22.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council
- \bullet we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and

Accountability Act 2014 (as amended)

- \bullet we make an application for judicial review under Section 31 of the Local Audit and
- Accountability Act 2014 (as amended)
- we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects.

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 34, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to cease operations, or has no realistic alternative but to do so.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Draft audit report

Our opinion on the financial statements

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Council and determined that the most significant are:

- Local Government Act 1972,
- Local Government and Housing Act 1989 (England and Wales)
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992)
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020, and 2022,

- Waste and Emissions Trading Act 2003
- Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948),
- · Business Rate Supplements Act 2009,
- The Local Government Finance Act 2012.
- The Local Audit and Accountability Act 2014 (as amended), and
- The Accounts and Audit Regulations 2015.

In addition, the Council has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and health and safety.

We understood how Adur District Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the head of internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Council's committee minutes, and through enquiry of employees to confirm Council policies. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified misstatements due to fraud or error (management override) and the risk of fraud in revenue and expenditure recognition through inappropriate capitalisation of revenue expenditure to be our fraud risks.



Draft audit report

Our opinion on the financial statements

To address our fraud risk of misstatements due to fraud or error (management override), we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately. In addition, we assessed whether the judgements made in making accounting estimates were indicative of a potential bias and evaluated the business rationale of any significant transactions that are unusual or outside of the normal course of business.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Council's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether the Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of Adur District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Adur District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Helen Thompson (Key Audit Partner) Ernst & Young LLP (Local Auditor) Southampton, July 2023





Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements and adjustments greater than £57.8k which have been corrected by management:

Following the completion of the 2020/21 audit, we agreed with management that they would obtain an updated valuation report from their external valuer to ensure that the valuation date was at 31 March 2022. Previously, the valuation was undertaken as at 1 April, which was a contributory factor to the delay in completing our audit work in the prior year. Management has therefore updated the valuation of investment properties disclosed in the draft financial statements as at 31 March 2022. This has reduced the value of these investment properties by £1.61m.

Uncorrected misstatements are shown on the next slide.



Value for money

The Council's responsibilities for value for money (VFM)

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 a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIPFA code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

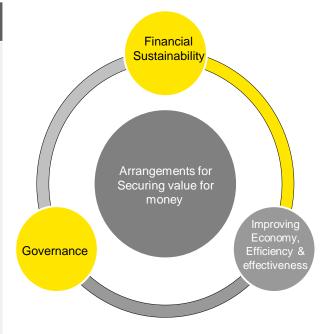
Risk assessment

In the Audit Plan, we reported that our value for money (VFM) risk assessment was in progress but had not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code.

We have since concluded our VFM risk assessment and can confirm that no additional significant weaknesses were identified.

Following completion of the audit of the financial statements, we have revisited our assessment and remain satisfied that we have not identified a risk of significant weakness.

We have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03). We plan to issue the VFM commentary as part of issuing the Auditor's Annual Report alongside the audit opinion on the financial statements.





Cher reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2021/22 with the audited financial statements.

Financial information in the Statement of Accounts 2021/22 and published with the financial statements was consistent with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements. The Council updated the Annual Governance Statement during the course of the audit to include reference to the self-referral to Regulator of Social Housing in respect of the condition of the Council's housing stock. Following this amendment, we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have not yet performed the procedures required on the Whole of Government Accounts submission for 2021/22. However, we do not expect any issues in performing this work as the Council falls below the threshold set within the guidance from HM Treasury and the group audit instructions for 2021/22 on which our work is based.

₩ Other reporting issues

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- · Related parties;
- External confirmations;
- · Going concern; and
- Consideration of laws and regulations.

In February 2023, the Council made a self-referral to Regulator of Social Housing in respect of the condition of the Council's housing stock. In May 2023, the Regulator issued a regulatory notice. This represents non-compliance with laws and regulations applicable to the Council. As a result, we are in the process of completing an internal consultation in respect of the matter.

We have no other matters to report.





Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The next page includes a summary of the fees due for the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted. We confirm that we have not undertaken non-audit work other than the certification of the Council's Housing Benefit Claim.

EY Transparency Report 2022

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 30 June 2022:

EY UK 2022 Transparency Report | EY UK



Relationships, services and related threats and safeguards

Services provided by Ernst & Young

Description	Planned Fee 2021/22 £	Scale Fee 2021/22 £	Final Fee 2020/21 £
PSAA Scale Fee	37,054	37,054	37,054
Total agreed fees:			
PSAA expected additional minimal core fees (Note 1):			
• VFM	TBC	6,000	6,012
ISA 540 accounting estimates		2,500	2,509
2020/21 scale fee variation determined by PSAA excl VFM / ISA 540 (Note 2)	N/A	N/A	37,389
2021/22 fee variation (Note 3)	TBC	TBC	N/A
Total Proposed Fees	TBC	TBC	82,964
Housing Benefit Claim Certification Fees	TBC	N/A	40,030

We have updated the table above to reflect the actual scale fee variation determined by the PSAA for 2020/21.

- (1) In August 2021, PSAA published 'Additional information for 2020/21 audit fees'. PSAA commissioned external independent technical research for setting standardised fee variations to assess the expected impact on audit work programmes of a range of new and updated audit requirements. In the absence of alternate information, we have included the same minimum fees in 2021/22.
- (2) In June 2022, PSAA determined the additional fee for reoccurring relating to changes in the scope of auditor work excluding VFM and ISA540.
- (3) The additional fee for 2021/22 and any other specific costs incurred will be discussed with officers before being put forward for PSAA approval, following the completion of our audit.





Required communications with the Joint Audit and Governance

There are certain communications that we must provide to the those charged with governance of UK entities. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Joint Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report - September 2022 Joint Audit and Governance Committee.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit planning report - September 2022 Joint Audit and Governance Committee.
Significant findings from the audit	 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 Written representations that we are seeking Expected modifications to the audit report Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report - March 2023 and July 2023 Joint Audit and Governance Committee.

		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 related to going concern Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements The appropriateness of related disclosures in the financial statements 	Audit Results Report - March 2023 and July 2023 Joint Audit and Governance Committee
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 Material misstatements corrected by management 	Audit Results Report - March 2023 and July 2023 Joint Audit and Governance Committee
Subsequent events	• Enquiry of the Joint Audit and Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit Results Report - March 2023 and July 2023 Joint Audit and Governance Committee



		Our Reporting to you
Required communications	What is reported?	When and where
Fraud	 Enquiries of the Joint Audit and 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 Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected Any other matters related to fraud, relevant to Joint Audit and Governance Committee responsibility. 	Audit Results Report - March 2023 and July 2023 Joint Audit and Governance Committee
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 - March 2023 and July 2023 Joint Audit and Governance Committee
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 - September 2022 and Audit Results Report - March 2023 and July 2023 Joint Audit and Governance Committee
4		

		Our Reporting to you
Required communications	What is reported?	When and where
	Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: Relationships between EY, the company and senior management, its affiliates and its connected parties Services provided by EY that may reasonably bear on the auditors' objectivity and independence Related safeguards Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard The Joint Audit and Governance Committee should also be provided an opportunity to discuss matters affecting auditor independence	
External confirmations	 Management's refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit Results Report - March 2023 and July 2023 Joint Audit and Governance Committee
Consideration of laws and regulations	 Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur Enquiry of the Joint Audit and 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 Audit and Governance Committee may be aware of 	Audit Results Report - March 2023 and July 2023 Joint Audit and Governance Committee

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	Significant deficiencies in internal controls identified during the audit.	Audit Results Report - March 2023 and July 2023 Joint Audit and Governance Committee
Written representations we are requesting from management and/or those charged with governance	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - March 2023 and July 2023 Joint Audit and Governance Committee
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - March 2023 and July 2023 Joint Audit and Governance Committee
Auditors report	 Key audit matters that we will include in our auditor's report Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - March 2023 and July 2023 Joint Audit and Governance Committee



Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Review of the revised accounting for HRA depreciation	Management to provide, EY to audit.	Management and EY
Completion of consultation procedures in relation to the self-referral by the Council to the Regulator of Social Housing	EY to complete consultation procedures.	EY
Update of IAS 19 Pension Liability testing in respect of the 2022 Triennial Review	EY are working with West Sussex Pension Fund to test a sample of membership data that informed the triennial review.	EY
Final review of completed audit procedures	EY to complete	EY
Receipt and review of the final version of the financial statements	Council to prepare final version of accounts	Management and EY
Update of subsequent events procedures to the date of our opinion	EY to complete at point of signing	EY
Receipt and review of the letter of representation	Council to prepare letter on headed paper	Management and EY

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion. A draft of the current opinion is included in Section 03.



Appendix C

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead] [Date]

Ernst & Young [Address]

This letter of representations is provided in connection with your audit of the financial statements of Adur District Council ("the Council") for the year ended 31 March 2022. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Adur District Council as of 31 March 2022 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with [the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the

United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

- 2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), and are free of material misstatements, including omissions. We have approved the financial statements.
- 3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
- 4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls and the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on our system of internal controls.
- 5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].

We do not agree that items [specify items in question] constitute differences because [specify reasons for disagreement].

6. We confirm the Council does not have securities (debt or equity) listed on

Management representation letter

Management Rep Letter

a recognized exchange.

- B. Non-compliance with law and regulations, including fraud
- 1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
- 2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
- 3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:
- · involving financial improprieties;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other noncompliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

- C. Information Provided and Completeness of Information and Transactions
- 1. We have provided you with:
- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit: and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.
- 3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: TBC.
- 4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
- 5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to



Appendix C

Management representation letter

Management Rep Letter

the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

- 6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
- 7. From the date of our last management representation letter or the beginning of the current period for initial audits through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount
- D. Liabilities and Contingencies
- 1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
- 2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
- 3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note [X] to the financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note 3 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. As described in Note 5 to the financial statements, there have been no events. including events related to the COVID-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

- 1. We acknowledge our responsibility for the preparation of the other information. The other information comprises Narrative Statement and Annual Governance Statement.
- 2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Climate-related matters

- 1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and reflected in the financial statements.
- 2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), aligned with the statements we have made in the other information or other public communications made by us.

Management representation letter

Management Rep Letter

- I. Ownership of Assets
- 1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.
- 2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
- 3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
- 4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. We have no other line of credit arrangements.
- J. Reserves
- 1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.
- K. Contingent Liabilities
- 1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).
- 2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:
- (1) Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners or examinations by taxing authorities) none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

(2) Wording to be added for referral to Regulator of Social Housing

H.Use of the Work of a Specialist

We agree with the findings of the specialists that we engaged to evaluate the IAS 19 liability and valuation of land, buildings and investment properties and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

H. Estimates

- 1.We confirm that the significant judgments made in making the estimate of the valuation of the IAS 19 pensions liability and the valuation of land, buildings and investment properties have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
- 2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the estimate of the valuation of the IAS 19 pensions liability and the valuation of land, buildings and investment properties.
- 3.We confirm that the significant assumptions used in making the estimate of the valuation of the IAS 19 pensions liability and the valuation of land, buildings and investment properties appropriately reflect our intent and ability to carry out the estimate of the valuation of the IAS 19 pensions liability and the valuation of land, buildings and investment properties on behalf of the entity.



Appendix C

Management representation letter

Management Rep Letter

- 1. We confirm that the disclosures made in the financial statements with respect to the accounting estimate, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
- 2. We confirm that appropriate specialized skills or expertise has been applied in making the estimate of the valuation of the IAS 19 pensions liability and the valuation of land, buildings and investment properties.
- 3. We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements, including due to the COVID-19 pandemic.
- H.Retirement benefits
- 1.On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully, Chief Financial Officer confirm that this letter has been discussed and agreed by the Joint Audit and Governance Committee.

(Chairman of the Joint Audit and Governance Committee)

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.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2017 EYGM Limited. All Rights Reserved.

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com







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

Dear Joint Audit and Governance Committee Members

2021/22 Audit results report

We are pleased to attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Joint Audit and Governance Committee. We will update the Committee at its meeting scheduled for 13 July 2023 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2021/22 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Worthing Borough Council's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money arrangements.

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

We welcome the opportunity to discuss the contents of this report with you at the Joint Audit and Governance Committee meeting on 13 July 2023.

Yours faithfully

Helen Thompson

Partner

For and on behalf of Ernst & Young LLP

Encl

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 Audit and 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 Audit and 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 Audit and Governance Committee and management of Worthing Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



Executive Summary

Scope update

In our audit planning report presented to the September 2022 Joint Audit and Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan.

Status of the audit

Our audit work in respect of the Council opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- Update to our pension liability testing in respect of the IAS19 2022 triennial revaluation
- Finalisation of PPE valuations work
- Final review of completed audit procedures
- · Receipt and review of the final version of the financial statements
- Update of subsequent events procedures to the date of our opinion
- Receipt and review of the letter of representation

Details of each outstanding item, actions required to resolve and responsibility is included in Appendix B.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Narrative Report and Accounts which could influence our final audit opinion.



Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 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. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them 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.

Status of the audit - Value for Money

In the Audit Plan, we reported that our value for money (VFM) risk assessment was in progress but had not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code.

We have since concluded our VFM risk assessment and can confirm that no additional significant weaknesses were identified.

Following completion of the audit of the financial statements, we have revisited our assessment and remain satisfied that we have not identified a risk of significant weakness. As a result, we have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03).

Executive Summary

Audit differences

A triennial review of the West Sussex Pension Fund was undertaken as of March 2022 with reporting released in March 2023. This triennial review resulted in a revised IAS19 report being issued as at 31 March 2022. We are in the process of testing the underlying data which supports this triennial review in order to provide assurance over the revised IAS19 entries which will replace the existing liability figures within the financial statements.

We have identified three items which have been corrected by management:

- 1. Following the completion of the 2020/21 audit, we agreed with management that they would obtain an updated valuation report from their external valuer to ensure that the valuation date was at 31 March 2022. Previously, the valuation was undertaken as at 1 April, which was a contributory factor to the delay in completing our audit work in the prior year. Management has therefore updated the valuation of investment properties disclosed in the draft financial statements as at 31 March 2022. This has reduced the value of these investment properties by £587k. Similarly, surplus assets increased in value by £739k.
- 2. Our PPE valuation testing of Teville Gate identified a difference in judgement between the EY valuation specialist and the Council's specialist valuer which suggests the valuation of the asset is overstated by £1.09m.
- 3. Our specialist's testing of 1450 Parkway, an investment property, resulted in a revision by management's specialist to the yield used. This amended the valuation of the asset from £4.316m to £3.1743m.

We will provide the Joint Audit and Governance Committee with a verbal update on any further audit differences on 23 March 2023.

Other reporting issues

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.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission for 2021/22. However, we do not expect any issues in performing this work as the Council falls below the threshold set within the guidance from HM Treasury and the group audit instructions for 2021/22 on which our work is based.

We have no other matters to report.

Areas of audit focus

In our Audit Plan, we identified a number of key areas of focus for our audit of the financial report of Worthing Borough Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Fraud Risk	Findings & Conclusions
Misstatements due to fraud or error (management override)	We have not identified any evidence that management has overridden controls in order to prepare fraudulent financial statement balances or postings within the financial statements.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of	We have not identified any evidence of manipulation of expenditure through incorrect capitalisation of revenue expenditure within the Revenue Expenditure Funded from Capital Under Statute balance.
revenue expenditure	We have concluded our work on the testing of additions made to Property, Plant and Equipment during the year and have not identified any evidence of manipulation through incorrect capitalisation of revenue expenditure within the Property, Plant and Equipment additions balance.

Significant Risk	Findings & Conclusions
Valuation of Land and Buildings in Property, Plant & Equipment (PPE) under Existing Use Value or Fair Value and Assets Held For Sale under Fair Value	In order to prepare the financial statements, the Council used the valuation of surplus assets from 2020/21 in 2021/22, as the 2021/22 balances were not available. The updated valuation has now been obtained and the financial statements updated to reflect the valuation report. Surplus assets increased in value by £739k. Our testing of Teville Gate identified a difference in judgement between the EY valuation specialist and the Council's specialist valuer which suggests the valuation of the asset is overstated by £1.09m. This has been corrected in the final version of the financial statements. Subject to final review, we have not identified any evidence of material misstatement arising from the valuation of land and buildings under existing use value or fair value and assets held for sale under fair value.
Valuation of Investment Properties under Fair Value	In order to prepare the financial statements, the Council used the valuation of investment properties from 2020/21 in 2021/22, as the 2021/22 balances were not available. The updated valuation has now been obtained and the financial statements updated to reflect the valuation report. This reduced the value of these investment properties by £587k. We requested EY Real Estate to review the valuation of 5 investment properties held under fair value. Their report challenged the valuation of those assets tested and resulted in the revised valuation of one asset, and the valuation for Interface House was considered to be outside the expected range by £0.374m. Subject to final review, the detailed testing undertaken by the local audit team did not identify any evidence of material misstatement arising from the valuation of investment properties under fair value.

Executive Summary

Areas of audit focus

Area of Audit Focus / Inherent Risk	Findings & Conclusions
Valuation of Land & Buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost	Subject to final review, we have not identified any evidence of material misstatement arising from the valuation of land and buildings under a depreciated replacement cost basis.
Infrastructure assets	Our work concluded the Council's current accounting practice continues to be in accordance with the CIPFA Code of Local Authority Accounting. Where subsequent expenditure is incurred to replace part of an asset, management writes out the value of the old part being replaced.
Pension Liability Valuation	We tested the Council's pension liability valuation and assessed the work of the Council's actuary. We are satisfied that the pension liability and associated balances within the financial statements are not materially misstated. We have undertaken additional audit procedures in responses to the updated ISA540 regarding accounting estimates. These have included the production of a parallel IAS19 report by an EY pensions expert which was then compared to the report prepared by Hymans Robertson. No material differences were identified from this process.
	A triennial review of the West Sussex Pension Fund was undertaken as of March 2022 with reporting released in March 2023. This triennial review resulted in a revised IAS19 report being issued as at 31 March 2022. We are in the process of testing the underlying data which supports this triennial review in order to provide assurance over the revised IAS19 entries.
Going Concern Disclosure	We have completed our audit procedures around the going concern disclosure and are satisfied that the Council's use of the going concern assumption is appropriate. We will continue to work with officers to ensure the disclosure is up to date at the point of signing the audit report.

We request that you review these and other matters set out in this report to ensure:

- There are no residual further considerations or matters that could impact these issues
- You concur with the resolution of the issue
- There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Joint Audit and Governance Committee or Management.

Independence

Please refer to Section 07 for our update on Independence.





Significant risk

Misstatements due to fraud or error (management override)

What is the risk?

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

What did we do?

In response to this risk, we:

- Identified fraud risks during the planning stages.
- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Undertook processes to understand the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud.
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

What judgements are we focused on?

We focused on aspects of the financial statements which are open to estimation and judgment, which would facilitate management overriding controls:

- Unusual or unexpected journal entries;
- Material accounting estimates, such as the valuation of land, buildings, council dwellings and investment property and IAS 19 pension balances; and
- Unusual transactions within the financial statements.

What is the status of our work?

Our audit work has not identified any material issues, inappropriate judgements or unusual transactions which indicated that there had been any misreporting of the Council's financial position, or that management had overridden control.

No indication of fraud has been identified.

Significant risk

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

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 Council 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 believe the risk of manipulation is most likely to manifest in the incorrect capitalisation of revenue expenditure through either inappropriate additions to Property, Plant and Equipment or incorrect classification of expenditure as revenue funded from capital under statue (REFCUS), as there is an incentive to reduce expenditure which is funded from Council Tax.

PPE: Additions totalled £23.9m in the 2021/22 unaudited financial statements.

REFCUS: totalled £2.1m in the 2021/22 unaudited financial statements.

What judgements are we focused on?

We focused on the Council's judgements to classify expenditure as either revenue or capital in nature. We tested a sample of items to confirm that the Council's judgement was supported by sufficient evidence and was genuinely capital in nature.

What did we do?

In response to this risk, we:

- Tested a sample of PPE to ensure that the expenditure incurred and capitalised is clearly capital in nature. We also ensured the transaction was supported by sufficient evidence to verify its value and the period to which it related.
- Tested a sample of REFCUS, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ring fenced capital resources. As with PPE additions, we also ensured these items were supported by sufficient evidence to verify the value and period to which it related.
- Performed a review of significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

What is the status of our work?

We have concluded our work on the testing of additions made to Property, Plant and Equipment during the year and have not identified any evidence of manipulation through incorrect capitalisation of revenue expenditure within the Property, Plant and Equipment additions balance.

We found no evidence of incorrect capitalisation of revenue expenditure in the REFCUS balance within the financial statements.

We are satisfied that the transactions tested were supported by evidence which confirmed the valuation, nature of the expenditure, period to which it related to and confirmed that it was correctly classified.

We were satisfied that journals posted were appropriate.

We identified no evidence of fraud in revenue and expenditure recognition through the above testing.



Areas of Audit Focus Significant risk

Valuation of Land and Buildings in Property, Plant & Equipment (PPE) under Existing Use Value (EUV) or Fair Value (FV) and Asset Held For Sale under Fair Value (FV)

What is the risk?

The valuation of land and buildings valued on an EUV/FV basis represent material figures within the Council's financial statements. The valuation of these assets is reliant upon expert valuations based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

PPE assets valued on an EUV/FV basis totalled £80.3m in 2021/22 based on the unaudited financial statements.

What judgements are we focused on?

We focused on those assumptions that directly impact the valuation of these assets - such as the yield adopted and forecast future income.

What did we do?

We:

- Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations.
- Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation. Additional work has been completed in this area, including detailed review of a sample of assets by our own valuer.
- Sample tested key asset information used by the valuer in performing their valuation (e.g., yield adopted and forecast future income has been agreed to external sources).
- Confirmed that the valuation was undertaken to ensure all assets required to be valued within a 5 year rolling programme as required by the Code for PPE had been completed, which confirmed that the entire asset base had been revalued by Wilks, Head & Eve in 2021/22, so there was no risk of material misstatement arising from the lack of valuation of assets.
- Confirmed that the valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have occurred in year had been communicated to the valuer.
- Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.
- Tested the accounting entries posted via journal to ensure they have been correctly processed in the financial statements.



Significant risk

What is the status of our work?

In order to prepare the financial statements, the Council used the valuation of surplus assets from 2020/21 in 2021/22, as the 2021/22 balances were not available. The updated valuation has now been obtained and the financial statements updated to reflect the valuation report. Surplus assets increased in value by £739k.

The local audit team tested a sample of assets back to supporting information. Our testing of Teville Gate identified a difference in judgement between the EY valuation specialist and the Council's specialist valuer which suggests the valuation of the asset is overstated by £1.09m. This has been corrected in the final version of the financial statements.

We did not identify any other misstatements.

There is no evidence of material misstatement associated with the valuation of land and buildings valued on an existing use value or fair value basis, and assets held-forsale on a fair value basis.

We note that Wilks Head & Eve's valuation methodology continues to use a gross yield rather than a net yield in determining property valuations on behalf of the Council. We do not consider this is in line with open market practice. A gross yield does not consider relevant purchase costs attributable to the property. If the Council were to sell the asset, any purchaser would reflect their purchase cost within the price offered. The Council should continue to challenge this approach when taken by their management specialist.



Areas of Audit Focus Significant risk

Valuation of Investment Properties (IP) under Fair Value (FV)

The valuation of investment properties represent material figures within the Council's financial statements. The valuation of these assets is reliant upon expert valuations based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

Investment Property assets valued on an FV basis totalled £76.4m in the 2021/22 unaudited financial statements.

What judgements are we focused on?

We focused on those assumptions that directly impact the valuation of these assets - such as the yield adopted and forecast future income.

What did we do?

We:

- Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations.
- Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation. Additional work has been completed in this area, including detailed review of a sample of assets by our own valuer.
- Sample tested key asset information used by the valuer in performing their valuation (e.g., yield adopted and forecast future income has been agreed to external sources).
- Confirmed that the valuation was undertaken to ensure all investment property had been revalued in year as required by the Code.
- Confirmed that the valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have occurred in year had been communicated to the valuer.
- Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.
- Tested the accounting entries posted via journal to ensure they have been correctly processed in the financial statements.



Significant risk

In order to prepare the financial statements, the Council used the valuation of investment properties from 2020/21 in 2021/22, as the 2021/22 balances were not available. The updated valuation has now been obtained and the financial statements updated to reflect the valuation report. This reduced the value of these investment properties by £587k.

We employed EY Real Estate to review the valuation of 5 investment properties held under fair value. Of these, the specialist challenge led to the revised valuation of one asset from £4.316m to £3.173m. One further asset, Interface House, remains outside the EY specialists expected range by £0.374m. The impact of this is in the process of being documented.

Subject to final review, the detailed testing undertaken by the local audit team did not identify any evidence of material misstatement arising from the valuation of investment properties under fair value.



Our response to areas of audit focus



Further details on procedures/work performed

What is the risk / area of focus?

Valuation of land and buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC) The value of land and buildings in PPE under DRC 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 which are required to calculate these balances held in the balance sheet. Although there is a risk for land and buildings under DRC to be misstated 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.

At 31 March 2022, the value of PPE under DRC was £65.2m based on the unaudited financial statements.

What did we do?

We:

- Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations.
- Challenged the assumptions used by the Council's valuer by reference to external evidence. This included considering significant or unusual movements in valuation.
- Sample tested key asset information used by the valuer in performing their valuation (e.g. building areas to support valuations based on price per square metre).
- Confirmed that the valuation was undertaken to ensure all assets required to be valued within a 5 year rolling programme as required by the Code for PPE had been completed, which confirmed that the entire asset base had been revalued by Wilks, Head & Eve in 2021/22, so there was no risk of material misstatement arising from the lack of valuation of assets.
- Confirmed that as the entire asset base bad been revalued, there was no risk that assets not subject to valuation in 2021/22 driving a misstatement.
- Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.
- Tested the accounting entries posted via journal to ensure they have been correctly processed in the financial statements.

Subject to review, no material audit differences have been identified from our work to address this area of focus.



Our response to areas of audit focus



Further details on procedures/work performed

What is the risk / area of focus?

Infrastructure Assets

In March 2022, an issue was raised with the National Audit Office's Local Government technical network in relation to the accounting for infrastructure assets. Under the CIPFA Code of Local Authority Accounting, these assets are held at depreciated historic cost. Following more detailed consideration by auditors this year, it has been identified that whilst local authorities add expenditure incurred on replacing or enhancing such assets, most do not appear to be reviewing the Code requirement to establish whether this spend is a replacement of an asset, or a recognised component, and therefore, are not derecognising the old component. As a consequence gross cost/gross accumulation is therefore continually increasing, and the balance sheet may be misstated where the expenditure is a replacement for an asset/component not fully depreciated.

Our work in 2020/21 concluded the Council's current accounting practice is in line with the CIPFA Code. However, as a consequence of the issue above CIPFA is considering a potential Code amendment. We will ensure the Council's accounting treatment of infrastructure assets complies with any updated guidance or Code amendments issued by CIPFA.

What did we do?

We confirmed the Council's accounting practice for infrastructure assets remains in line with the published CIPFA Code of Local Authority Accounting. The Council has therefore not needed to adopt the temporary solution for accounting for infrastructure assets issued by DLUHC and CIPFA. Our work focused on:

- Obtaining evidence to match the subsequent expenditure to the carrying amount of the replaced part or component that is being derecognised.
- Understanding the Councils approach to depreciating infrastructure assets, ensuring that the asset lives were reasonable and undertaking sensitivity analysis to understand the potential impact of over or understating the asset lives.
- Testing the accounting entries have been correctly processed in the financial statements.

What are our findings and conclusions?

Our work concluded the Council's current accounting practice continues to be in accordance with the CIPFA Code of Local Authority Accounting. Where subsequent expenditure is incurred to replace part of an asset, management writes out the value of the old part being replaced.



Areas of Audit Focus

Our response to areas of audit focus



Further details on procedures/work performed

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 2022 this totalled f7.7m.

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.

What did we do?

We:

- Obtained assurances over the information supplied to the actuary in relation to Worthing Borough Council;
- Assessed 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;
- Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's actuarial model: and
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

What are our findings and conclusions?

In response to the requirements of ISA540, the auditing standard on accounting estimates, we based our audit approach on procedures to evaluate management's process. The standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we undertook further procedures to create an auditor's estimate, to gain assurance. We employed the services of an EY Pensions specialist to review the Council's IAS19 reports and run a parallel actuarial model which was compared to that produced by Hymans Robertson. This confirmed there was no material misstatement arising from those estimation procedures undertaken by Hymans Robertson.

We were satisfied there was no evidence of material misstatement arising from the work completed above.



Areas of Audit Focus

Our response to areas of audit focus



Further details on procedures/work performed

A triennial review of the West Sussex Pension Fund was undertaken as of March 2022 with reporting released in March 2023. This triennial review resulted in a revised IAS19 report being issued as at 31 March 2022. We are in the process of testing the underlying data which supports this triennial review in order to provide assurance over the revised IAS19 entries.



Areas of Audit Focus

Our response to areas of audit focus



Further details on procedures/work performed

What is the risk / area of focus?

Going Concern Disclosure

There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 during 2021/22, there is a need for the Council to ensure it's going concern assessment, including its cashflow forecast, is robust and appropriately comprehensive.

The Council is required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

What did we do?

We:

- Challenged management's identification of events or conditions impacting going concern.
- Tested management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- Reviewed the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern including an assessment of any underlying need to borrow.
- Undertook a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when drawing our conclusions on going concern.
- Challenged the disclosure made in the accounts in respect of going concern and any material uncertainties.

What are our findings and conclusions?

We have completed our work relating to going concern and are satisfied the use of the going concern assumption remains appropriate for the Council, and it has access to sufficient working capital to support its operations for a period of at least 12 months from the date of our audit report.

We will continue to work with officers to ensure the disclosure is up to date at the point of signing the audit report.



Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORTHING BOROUGH COUNCIL

Opinion

We have audited the financial statements of Worthing Borough Council ('the Council') for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the Movement in Reserves Statement; Comprehensive Income and Expenditure Statement; Balance Sheet; Cash Flow Statement; and the related notes 1 to 40; the Collection Fund Income and Expenditure Account and the related notes 1 to 5.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- give a true and fair view of the financial position of Worthing Borough Council as at 31 March 2022 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGNO1, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Council's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2021/22, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information contained within the Statement of Accounts 2021/22.

Draft audit report

Our opinion on the financial statements

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- \bullet we make an application for judicial review under Section 31 of the Local Audit and

- Accountability Act 2014 (as amended)
- we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects.

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 33, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to cease operations, or has no realistic alternative but to do so.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial



Draft audit report

Our opinion on the financial statements

statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Council and determined that the most significant are:

- Local Government Act 1972,
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992)
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020, and 2022,
- Waste and Emissions Trading Act 2003
- \bullet Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948),

- Business Rate Supplements Act 2009,
- The Local Government Finance Act 2012.
- The Local Audit and Accountability Act 2014 (as amended), and
- The Accounts and Audit Regulations 2015.

In addition, the Council has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and health and safety.

We understood how Worthing Borough Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the head of internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Council's committee minutes, and through enquiry of employees to confirm Council policies. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified misstatements due to fraud or error (management override) and the risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure to be our fraud risks.

Draft audit report

Our opinion on the financial statements

To address our fraud risk of misstatements due to fraud or error (management override), we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately. In addition, we assessed whether the judgements made in making accounting estimates were indicative of a potential bias and evaluated the business rationale of any significant transactions that are unusual or outside of the normal course of business.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Council's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether the Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of Worthing Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Worthing Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Helen Thompson (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Southampton, July 2023





Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements and adjustments greater than £72.6k which have been corrected by management:

- 1. Following the completion of the 2020/21 audit, we agreed with management that they would obtain an updated valuation report from their external valuer to ensure that the valuation date was at 31 March 2022. Previously, the valuation was undertaken as at 1 April, which was a contributory factor to the delay in completing our audit work in the prior year. Management has therefore updated the valuation of investment properties disclosed in the draft financial statements as at 31 March 2022. This has reduced the value of these investment properties by £587k. Similarly, Surplus assets increased in value by £739k.
- 2. Our PPE valuation testing of Teville Gate identified a difference in judgement between the EY valuation specialist and the Councils specialist valuer which suggests the valuation of the asset is overstated by £1.09m.
- 3. Our specialist's testing of 1450 Parkway, an investment property, resulted in a revision by management's specialist to the yield used. This amended the of the valuation of the asset from £4.316m to £3.173m.

Uncorrected misstatements are shown on the next slide.



Audit Differences

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Joint Audit and Governance Committee and provided within the Letter of Representation:

Uncorrected misstatements 31 March 2022 (£'000)		Effect on the current period:				(Decre	Net assets ase)/Increase
	OCI Debit/ (Credit)	Comprehensive Income and Expenditure Statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)	Reserves Debit/ (Credit)
Errors							
Judgemental differences:							
Valuation difference arising on Interface House investment property			(374,000)				374,000
Balance sheet totals			(374,000)				374,000
Cumulative effect of uncorrected misstatements			(374,000)				374,000

There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the financial statements for the year ended 31 March 2022



Value for money

The Council's responsibilities for value for money (VFM)

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 a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIPFA code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

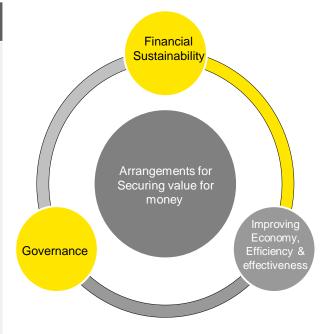
Risk assessment

In the Audit Plan, we reported that our value for money (VFM) risk assessment was in progress but had not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code.

We have since concluded our VFM risk assessment and can confirm that no additional significant weaknesses were identified.

Following completion of the audit of the financial statements, we have revisited our assessment and remain satisfied that we have not identified a risk of significant weakness.

We have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03). We plan to issue the VFM commentary as part of issuing the Auditor's Annual Report alongside the audit opinion on the financial statements.





Cher reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2021/22 with the audited financial statements.

Financial information in the Statement of Accounts 2021/22 and published with the financial statements was consistent with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have not yet performed the procedures required on the Whole of Government Accounts submission for 2021/22. However, we do not expect any issues in performing this work as the Council falls below the threshold set within the guidance from HM Treasury and the group audit instructions for 2021/22 on which our work is based.

Cher reporting issues

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We have no matters to report.





Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The next page includes a summary of the fees due for the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted. We confirm that we have not undertaken non-audit work other than the certification of the Council's Housing Benefit Claim.

EY Transparency Report 2022

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 30 June 2022:

EY UK 2022 Transparency Report | EY UK



Relationships, services and related threats and safeguards

Services provided by Ernst & Young

Description	Planned Fee 2021/22 £	Scale Fee 2021/22 £	Final Fee 2020/21 £
PSAA Scale Fee	36,311	36,311	36,311
Total agreed fees:			
PSAA expected additional minimal core fees (Note 1):			
• VFM	TBC	6,000	6,071
 ISA 540 accounting estimates 		2,500	2,541
2020/21 scale fee variation determined by PSAA excl VFM / ISA 540 (Note 2)	N/A	N/A	39,941
2021/22 fee variation (Note 3)	TBC	TBC	N/A
Total Proposed Fees	TBC	TBC	84,864
Housing Benefit Claim Certification Fees	TBC	N/A	27,510

We have updated the table above to reflect the actual scale fee variation determined by the PSAA for 2020/21.

- (1) In August 2021, PSAA published 'Additional information for 2020/21 audit fees'. PSAA commissioned external independent technical research for setting standardised fee variations to assess the expected impact on audit work programmes of a range of new and updated audit requirements. In the absence of alternate information, we have included the same minimum fees in 2021/22.
- (2) In June 2022, PSAA determined the additional fee for reoccurring relating to changes in the scope of auditor work excluding VFM and ISA540.
- (3) The additional fee for 2021/22 and any other specific costs incurred will be discussed with officers before being put forward for PSAA approval, following the completion of our audit.





Required communications with the Joint Audit and Governance

There are certain communications that we must provide to the those charged with governance of UK entities. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Joint Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report - September 2022 Joint Audit and Governance Committee.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit planning report - September 2022 Joint Audit and Governance Committee.
Significant findings from the audit	 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 Written representations that we are seeking Expected modifications to the audit report Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report - March and July 2023 Joint Audit and Governance Committee.

		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 related to going concern Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements The appropriateness of related disclosures in the financial statements 	Audit Results Report - March and July 2023 Joint Audit and Governance Committee.
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 Material misstatements corrected by management 	Audit Results Report - March and July 2023 Joint Audit and Governance Committee.
Subsequent events	 Enquiry of the Joint Audit and Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit Results Report - March and July 2023 Joint Audit and Governance Committee.



		Our Reporting to you
Required communications	What is reported?	When and where
Fraud	 Enquiries of the Joint Audit and 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 Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected Any other matters related to fraud, relevant to Joint Audit and Governance Committee responsibility. 	Audit Results Report - March and July 2023 Joint Audit and Governance Committee.
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 - March and July 2023 Joint Audit and Governance Committee.
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 - September 2022 and Audit Results Report - March 2023 and July Joint Audit and Governance Committee.
9		

		Our Reporting to you
Required communications	What is reported?	When and where
	Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: Relationships between EY, the company and senior management, its affiliates and its connected parties Services provided by EY that may reasonably bear on the auditors' objectivity and independence Related safeguards Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard The Joint Audit and Governance Committee should also be provided an opportunity to discuss matters affecting auditor independence	
External confirmations	 Management's refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit Results Report - March 2023 and July Joint Audit and Governance Committee.
Consideration of laws and regulations	 Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur Enquiry of the Joint Audit and 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 Audit and Governance Committee may be aware of 	Audit Results Report - March and July 2023 Joint Audit and Governance Committee.



		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	Significant deficiencies in internal controls identified during the audit.	Audit Results Report - March and July 2023 Joint Audit and Governance Committee.
Written representations we are requesting from management and/or those charged with governance	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - March and July 2023 Joint Audit and Governance Committee.
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - March and July 2023 Joint Audit and Governance Committee.
Auditors report	 Key audit matters that we will include in our auditor's report Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - March and July 2023 Joint Audit and Governance Committee.

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Update of IAS 19 Pension Liability testing in respect of the 2022 Triennial Review	EY are working with West Sussex Pension Fund to test a sample of membership data that informed the triennial review.	EY
Valuation of Land and Buildings	EY to complete documentation procedures	EY
Final review of completed audit procedures	EY to complete	EY
Receipt and review of the final version of the financial statements	Council to prepare final version of accounts	Management and EY
Update of subsequent events procedures to the date of our opinion	EY to complete at point of signing	EY
Receipt and review of the letter of representation	Council to prepare letter on headed paper	Management and EY

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion. A draft of the current opinion is included in Section 03.



Appendix C

Management representation letter

[To be prepared on the entity's letterhead] [Date]

Ernst & Young [Address]

This letter of representations is provided in connection with your audit of the financial statements of Worthing Borough Council ("the Council") for the year ended 31 March 2022. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Worthing Borough Council as of 31 March 2022 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with [the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for

Infrastructure Assets (November 2022)).

- 2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), and are free of material misstatements, including omissions. We have approved the financial statements.
- 3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
- 4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls and the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on our system of internal controls.
- 5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement]. We do not agree that items [specify items in question] constitute differences because [specify reasons for disagreement].

Management representation letter

Management Rep Letter

- 6. We confirm the Council does not have securities (debt or equity) listed on a recognized exchange.
- B. Non-compliance with law and regulations, including fraud
- 1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
- 2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
- 3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:
- involving financial improprieties;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other noncompliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.
- $\hbox{C. Information Provided and Completeness of Information and Transactions}\\$
- 1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.
- 3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: TBC.
- 4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
- 5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).



Appendix C

Management representation letter

- 6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
- 7. From the date of our last management representation letter or the beginning of the current period for initial audits through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount
- D. Liabilities and Contingencies
- 1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
- 2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
- 3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.
- E. Going Concern
- 1. Note 3 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

- F. Subsequent Events
- 1. As described in Note 5 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.
- G. Other information
- 1. We acknowledge our responsibility for the preparation of the other information. The other information comprises Narrative Statement and Annual Governance Statement.
- 2. We confirm that the content contained within the other information is consistent with the financial statements.
- H. Climate-related matters
- 1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and reflected in the financial statements.
- 2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), aligned with the statements we have made in the other information or other public communications made by us.
- I. Ownership of Assets
- 1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.
- 2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.

Management representation letter

Management Rep Letter

- 3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
- 4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. We have no other line of credit arrangements.
- J. Reserves
- 1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.
- K. Contingent Liabilities
- 1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).
- 2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:
- (1) Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners or examinations by taxing authorities) none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

H. Use of the Work of a Specialist

We agree with the findings of the specialists that we engaged to evaluate the IAS 19 liability and valuation of land, buildings and investment properties and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in

an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

H. Estimates

- We confirm that the significant judgments made in making the estimate of the valuation of the IAS 19 pensions liability and the valuation of land, buildings and investment properties have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
- 2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the estimate of the valuation of the IAS 19 pensions liability and the valuation of land, buildings and investment properties.
- We confirm that the significant assumptions used in making the estimate of the valuation of the IAS 19 pensions liability and the valuation of land, buildings and investment properties appropriately reflect our intent and ability to carry out the estimate of the valuation of the IAS 19 pensions liability and the valuation of land, buildings and investment properties on behalf of the entity.
- 4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
- 5. We confirm that appropriate specialized skills or expertise has been applied in making the estimate of the valuation of the IAS 19 pensions liability and the valuation of land, buildings and investment properties.



Appendix C

Management representation letter

Management Rep Letter

- We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements, including due to the COVID-19 pandemic.
- Retirement benefits
- On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,
Chief Financial Officer
confirm that this letter has been discussed and agreed by the Joint Audit and Governance Committee.

(Chairman of the Joint Audit and Governance Committee)

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.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2017 EYGM Limited. All Rights Reserved.

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com

Agenda Item 8



Joint Audit and Governance Committee 13 July 2023

Key Decision [Yes/No]

Ward(s) Affected:

Enquiries to those charged with Governance Report by the Director for Sustainability & Resources

Executive Summary

1. Purpose

- 1.1 Our external auditors, Ernst and Young, have asked that the Committee considers a letter about how the Joint Audit and Governance Committee gains assurance from management regarding the financial governance arrangements of the Councils. The Chairmen of the Committee have received two letters, one for Adur District Council, and one the Worthing Borough Council. The letter to Adur District Council is attached as Appendix 1, which is identical to the letter to Worthing Borough Council.
- 1.2 To assist the Committee in its deliberation of the letter, attached at Appendix 2 is the proposed response to each of the questions raised. This will form the basis of a formal letter if approved.

2. Recommendations

2.1 The Joint Audit and Governance Committee is asked to consider and agree the proposed response to the audit letter.

3. Context

3.1 The audit of the Council's financial statements is guided by International Standards of Auditing (ISAs). In order to comply with a number of these ISA's, each year the Chairmen of the Joint Audit and Governance Committee are written to by the Council's external auditor. The purpose of this letter is to obtain an understanding on how those charged with governance (the Joint Audit and Governance Committee) exercise oversight of management's processes in relation to fraud, laws and regulations and going concern.

4. Issues for consideration

4.1 It is proposed that the Committee discusses its draft response to the letter at Appendix 2. Members should be aware that the Committee is also asked to comment on whether the Councils are a 'going concern'. This is addressed separately below.

5. Going Concern

- 5.1 In accounting terminology, "going concern" refers to an organisations' ability to continue functioning as a business entity. For the Councils, it is the responsibility of the Joint Audit and Governance Committee to assess whether the going concern assumption is appropriate when preparing the financial statements. The Councils are required to disclose in the notes to the Financial Statements whether there are any factors that may put the organisations' status as a going concern in doubt.
- In forming an opinion on whether the Councils and the Joint Committee are 'going concerns' it is important to note the following:
 - The budgets reported to Councils and the Joint Strategic Committee were balanced in 2022/23 and 2023/24
 - The budget monitoring and outturn reports show that both Councils continued to spend largely within the overall budget in 2022/23 with a small overspend in Adur.
 - Both Councils have a reasonable level of reserves and have a strategy to build reserves over the forthcoming years.

 There is a significant financial impact on the Council finances in the current year due to pressures resulting from the economic climate and associated inflation. Currently it is assessed that both Council's have sufficient reserves to fund the consequences of these financial pressures in 2023/24 although the reserves will be depleted by the year end.

Consequently, at this time the Committee should have no concerns about whether the Councils and the Joint Committee are going concerns.

6. Engagement and Communication

- 6.1 The Monitoring Officer has been consulted on the proposed responses to the External Auditors.
- 6.2 The purpose of the report is to consult with the members of the Joint Audit and Governance Committee on the proposed response to our External Auditors

7. Financial Implications

7.1 There are no financial implications arising from this report.

8. Legal Implications

- 8.1 This report concerns the audit of the Statements of Accounts which will be prepared in accordance with statutory instrument number 2015/234, the Accounts and Audit (England) Regulations 2015; and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, based on International Financial Reporting Standards (IFRS).
- 8.2 Section 3(1) of the Local Government Act 1999 (LGA 1999) contains a general duty on a best value authority 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.
- 8.3 Each Council's external and internal auditors shall have the like powers set out in the Local Audit and Accountability Act 2014.

Joanne Lee 04/07/2023

Background Papers

Regular reports to the Joint Governance Committee on the progress of the work of internal audit

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 provides a proposed response to the letter from the External Auditor on how the Committee gains oversight of the Councils' management processes and arrangement.

This forms part of the Councils' annual audit which is part of the financial governance arrangements of the Councils.



Grosvenor Square ey.com Southampton SO15 2BE

Ernst & Young LLP Tel: + 44 2380 382 100 Grosvenor House Fax: + 44 2380 382 001

Councillor Andy McGregor Chair of the Joint Governance Committee Adur District Council c/o Worthing Town Hall Chapel Road Worthing, West Sussex **BN11 1HB**

10 March 2023

Direct line: 023 8038 2099

Email: hthompson2@uk.ey.com

Dear Cllr McGregor

Understanding how the Joint Governance Committee gains assurance from management - Adur District Council

Auditing standards require us to formally update our understanding of your arrangements for oversight of management processes and arrangements annually. Therefore, we are writing to ask that you please provide a response to the following questions.

- 1) How does the Joint Governance Committee, as 'those charged with governance' at the Authority, exercise oversight of management's processes in relation to:
 - · undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);
 - · communicating to employees its view on business practice and ethical behaviour (for example by updating, communicating and monitoring against the Authority code of conduct);
 - · encouraging employees to report their concerns about fraud; and
 - · communicating to you the processes for identifying and responding to fraud or error?
- 2) How does the Joint Governance Committee oversee management processes for identifying and responding to the risk of fraud and the controls established by management to address specific risks of fraud the Authority has identified, or that otherwise help prevent, deter and detect fraud?
- 3) Is the Committee aware of any:
- · breaches of, or deficiencies in, internal control;
- any instances of management override of controls and the nature and circumstances of such overrides; and
- · actual, suspected or alleged frauds during 2022/23?

The UK Firm Ernat & Young LLP is a limited liability partnership registered in England and Wales with registered number 0C300001 and is a member firm of Ernat & Young Global Limited. A still members' names is assallable for inspection at 1 More London Place, London SET 2AF, the tim's principal place of business and registered office and at Comparise Places White Jilweys (wildget-Information-about-a-company) under the registration number 0C300001. Not all partners are members of Ernat & Young LLP is an at Young LLP is a multi-listophirary practice and is authorised and regulated by the Institute of Chartered Accountants in England and Wales, the Solicitors Regulation Authority (authorisation number 614947), the linearist Charter (authority captured accountants) and the property of the Place (authority captured accountants).



- 4) Is the Committee aware allegations regarding the Authority's financial reporting (including those received through a whistleblower program)? If so, what are the Committee's responses to such allegations
- 5) Is the Committee aware of any matters arising from the procedures implemented for the receipt, retention and treatment of allegations (including whistleblowers) regarding accounting, internal accounting controls or auditing matters? Such procedures include those for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters, and the response to such allegations.
- 6) Is the Joint Governance Committee aware any organisational or management pressure to meet financial or operating targets?
- 7) How does the Joint Governance Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2022/23?
- 8) Is the Joint Governance Committee aware of any actual or potential litigation or claims that would affect the financial statements?
- 9) How does the Joint Governance Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?
- 10) What does the Joint Governance Committee consider to be the related parties that are significant to the CCG and what is its understanding of the relationships and transactions with those related parties?
- 11) Does the Joint Governance Committee have concerns regarding relationships or transactions with related parties and, if so, what is the substance of those concerns?
- 12) Is the Joint Governance Committee aware if the Authority has entered into any significant unusual transaction? If so, please provide details.

Please would you provide a response, after 1 April 2023, covering the whole of 2022/23, by email or letter either on behalf of those charged with governance or from yourself in your capacity as Chair of the Joint Governance Committee. If possible, please could we have your response by 3 April 2023.

Thank you for your assistance. If you have any queries in respect of this letter, please contact Aphiwe Dudeni at aphiwe.dudeni@uk.ey.com

Yours sincerely

Usler Comm

Helen Thompson

Partner

For and on behalf of Ernst & Young LLP

QUESTION	PROPOSED RESPONSE
1. How does the Joint Governance Committee, as 'those charged with governance' at the authority exercise oversight of management's processes in relation to:	
 undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments)? 	The Joint Audit and Governance Committee has received regular reports from the Head of Internal Audit in relation to the operation of the control environment which is used to inform the Committee's view of management processes.
	Management has assessed that the risk of material fraud affecting the financial statements is very low. There is a robust system of internal control operating as reported by the Head of Internal Audit to the council and no evidence of material fraud.
 communicating to employees its view on business practice and ethical behaviour (for example by updating, communicating and monitoring against the Authority's code of conduct); 	The Joint Audit and Governance Committee has oversight of this. The Councils have a code of conduct which is approved by the Committee. The Committee is also aware that Democratic Services keeps a register of Officer and Member interests.
 encouraging employees to report their concerns about fraud; and 	The Committee is aware that the Council has a well-publicised whistle blowing policy for staff to use. The Council also has several other policies and procedures in place which the Committee has oversight of including:
	 Code of conduct for members Council Policies (e.g. counter Fraud & Corruption). Financial and Contract Standing Orders Staff & Member declarations of interest. Programme of audits by Internal Audit. Work by External Audit.

QUESTION	PROPOSED RESPONSE
How does the Joint Audit and Governance Committee, as 'those charged with governance' exercise oversight of management's processes in relation to: (continued)	
 communicating to you the processes for identifying and responding to fraud or error? 	The Joint Audit and Governance Committee has oversight of this and receives regular reports from internal audit. These include regular updates from the Corporate Fraud manager.
2. How does the Joint Audit and Governance Committee oversee management processes for identifying and responding to the risk of fraud and the controls established by management to address specific risks of fraud that the Authority has identified, or that otherside helps	The Joint Audit and Governance Committee has oversight of this and monitors this through the reports provided by internal audit. The committee receives details of any limited and nil assurance audit reports and any special audit reviews commissioned.
prevent, deter and detect fraud.	Audit reports also include a summary of the work of the fraud team.
3. Is the Joint Audit and Governance Committee aware of any:	
 breaches of or deficiencies in internal control? 	We are not aware of any breaches of internal control other than those brought to our attention through the work of internal audit.
 Any instances of management override of controls and the nature and circumstances of such overrides; and 	We are not aware of any instances of management override of controls.
actual, suspected or alleged frauds during 2022/23?	We are not aware of any actual, suspected or alleged frauds other than those brought to our attention through the work of internal audit, the monitoring officer, and the S151 Officer.
4. Is the Committee aware of allegations regarding the Authority's financial reporting (including those received through a whistleblower program)? If so, what are the Committee's responses to such allegations.	The Committee is not aware of any allegations regarding the Authorities financial reporting.

QUESTION	PROPOSED RESPONSE
5. Is the Committee aware of any matters arising from the procedures implemented for the receipt, retention and treatment of allegations (including whistleblowers) regarding accounting, internal accounting controls or auditing matters? Such procedures include those for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters, and the response to such allegations.	The Committee is not aware of any matters arising from procedures implemented for the receipts, retention and treatment of allegations other than those brought to our attention through the work of internal audit, the monitoring officer, and the S151 Officer.
Is the Committee aware of any organisational or management pressure to meet financial or operating targets?	Officers are asked to monitor budgets and report to members over or under spends in a transparent manner, they will be questioned on any over or under performance against budget. However, there is no undue organisational or management pressure to meet financial or operating targets. There are no staff incentives for meeting financial or operating targets.
7. How does the Joint Audit and Governance Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance in 2022/23?	The Councils Legal Service Team lead by the Monitoring Office has a general advisory role to all Council Services as supplemented by specialist legal advice when necessary; All reports must be reviewed by the legal officers and include a legal implications paragraph before any decision is made; A legal officer is available for all meetings of the Council to ensure that Council operates within the law; Legal issues are considered as part of audit work and recorded in the relevant Report presented to the Committee; Committee approves the constitution, delegations, financial regulations and contract standing orders which provide guidance on procedural matters to ensure Council operates within the law. Training is arranged by the legal team on new legislation and matters of particular significance.

QUESTION	PROPOSED RESPONSE
7. How does the Joint Audit and Governance Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance in 2022/23? (continued)	The Committee is not aware of any instances of non-compliance other than those brought to our attention through the work of internal audit or by the monitoring officer.
8. Is the Joint Audit and Governance Committee aware of any actual or potential litigation or claims that would	Any potential litigation claims are disclosed within the statement of accounts.
affect the financial statements?	The Committee is not aware of any instances of any other potential claims other than those brought to our attention by the Chief Financial Officer or by the monitoring officer.
9. How does the Joint Audit and Governance Committee satisfy itself that it is appropriate to adopt the 'going concern' basis in preparing the financial statements?	 The Committee considers the overall financial information available to it. These include: The annual revenue budget; The Councils track record in spending within the budgets set; The Councils' levels of reserves. The level of any contingency budgets The Committee has carried out this assessment and we are of the opinion that the
	Councils' and the Joint Committee have the ability to continue as a going concern.
10. What does the Joint Audit and Governance Committee consider to be the related parties that are significant to the Authority and what is its understanding of the relationships and transactions with those related parties?	The members of the Committee have received guidance on related party transactions from the S151 officer. The Committee understands that significant related parties include members and officers of the Council or their close family members.
F	The Committee is not aware of any significant related parties or transactions other than those disclosed within the Statement of Accounts
11. Does the Joint Audit and Governance Committee have concerns regarding relationships with related parties and, if so, what is the substance of those concerns?	The Committee does not have any concerns regarding relationships with related parties.

QUESTION	PROPOSED RESPONSE
12. Is the Joint Audit and Governance Committee aware if the Authority has entered into any significant unusual transaction? If so, please provide details.	The Committee is not aware of any unusual transactions

Agenda Item 9



Joint Audit and Governance Committee 13 July 2023

Key Decision [No]

Ward(s) Affected:N/A

Risks & Opportunities Update Report

Report by the Director for 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 the Risks and Opportunities be noted; and
- 2.2 That the Committee agree to receive a further progress report in January 2024.

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 29 November 2022. Further information on the management of Risks and Opportunities by the Councils is contained in the Risks and Opportunities Management Strategy

4. Issues for consideration

4.1 The Councils have been impacted this year again by a number of issues where the outcomes are uncertain which could lead to an impact on the delivery of the long and short term objectives if no action was taken to mitigate these risks. The Councils have needed to be proactive in the management of these business risks and there have been significant challenges in setting the budgets this year. It has been a long time since the Councils had any certainty during budget setting.

5. Engagement and Communication

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

6. Financial Implications

6.1 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.

7. Legal Implications

7.1 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 Audit and Governance Committee has the responsibility for monitoring the effective

development and operation of risk and opportunity management.

Joanne Lee 04/06/2023

Background Papers

Adur & Worthing Risk and Opportunity Management Strategy 2021 - 2023 Risk and Opportunity Management updates report to the Joint Governance Committee on 29 November 2022

Officer Contact Details:-

Mark Lowe, Scrutiny & Risk Officer, 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. 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 Risks and Opportunities to be considered by the Joint Audit and Governance Committee.

APPENDIX A

Joint Audit and Governance Committee - 13 July 2023

Updates on Risk and Opportunity Management

	November 2022 update	July 2023 update
Corporate Risks and Opportunities	12 Risks - No change 4 Opportunities - No change	14 Risks - Plus 2 4 Opportunities - No change
Service Risks and Opportunities		
<u>Communities Directorate</u>		N/A
Housing Adur Homes Wellbeing	4 Risks - No change 2 Opportunities - No change 5 Risks - No change 6 Risks - No change	
New Housing & Communities Directorate	N/A	
Residents Services		3 Risks
Community, Capacity & Resilience		4 Risks
Housing, Homelessness & Prevention		8 Risks

9 Risks - No change	N/A		
6 Risks - No change 1 Opportunity - No change 6 Risks - No change 4 Risks - Plus 1 3 Risks - No change			
N/A			
	5 Risks 1 Opportunity 6 Risks 10 Risks 2 Risks		
6 Risks - No change 10 Risks - No change 8 Risks - No change 19 Risks - No change 1 Risk - No change	N/A		
	6 Risks - No change 1 Opportunity - No change 6 Risks - No change 4 Risks - Plus 1 3 Risks - No change N/A 6 Risks - No change 10 Risks - No change 8 Risks - No change 19 Risks - No change		

New Place Directorate	N/A	
Place & Economy Regenerative Development Planning		11 Risks 15 Risks 19 Risks

High Risks on Service Risk registers	November 2022 update	July 2023
Housing Adur Homes Financial Services Legal & Democratic Services	2 - No change 2 - No change 4 - No change 1	2 - No change 1 - Minus 1 4 - No change 0
Residents Services Regenerative Development	N/A N/A	1

Risks where assessment score has increased since the last report

Regenerative Development - Estates income - Risk that the Councils fail to meet property income targets which affects the Council funds. Risk increased to High because this year's Budget Plan places a high priority on the disposal of several key sites. The Council needs to ensure that this work is appropriately resourced. Recruitment of staff with the appropriate skills and the use of suitable advisors remains challenging and will remain a priority.



Risks where assessment score has reduced since the previous report.

Legal & Democratic Services - Legal Services capacity risk - Risk reduced to Medium Risk from High because Legal Services have successfully recruited candidates and are monitoring workloads.

Major Projects - New Monks Farm and Shoreham Airport - Risk that planning applications are not approved and housing and employment land required in the Local Plan is not achieved - Risk reduced to low risk because planning permission granted for additional homes and potential for land to be developed for employment purposes improving.

Regenerative Development - Risk that commercial leased out premises are not safe, lawful and compliant with requirements. Risk reduced to Low risk because clarity on the risk management approach has been achieved with a number of properties being fully passed over to the estates team for management.

New Risks/Opportunities added since last report or changes to Risk descriptions	Corporate Risk - Risks to service delivery due to staff vacancies and recruitment difficulties - High Risk
	Corporate Risk - Orchard Housing system and ongoing issues with communications with Academy and other systems - Medium Risk
Risks/Opportunities removed since last report.	
	Planning - Risk of failure to adopt Worthing Local Plan - Risk removed because Local Plan has now been adopted and no High Court challenge received.
	Operations & Sustainability - Risk of failure in the recruitment and retention of HGV drivers/mechanics due to national shortage. Potential impact on the delivery of the alternate weekly refuse and recycling collection service and other waste collection services - Risk removed because of mitigations to resolve pay issues and other methods introduced to resolve recruitment and retention.

		PRATE /DIRECTORATE HIGH (RED) RISKS		0	luuraak	I Shaliba and Dialamakin	01-1
Category Corporate	C1	Risk / Opportunity Risk that Adur Council will fail to comply with statutory health and safety obligations as a social landlord (Adur Homes)	July 2023 There is a significant Improvement Programme underway with AHs following the self referral to the Regulator for Social Housing. This programme is being developed and shared with the Regulator and work has been reported to Members. The full programme is due to be shared with Members in September outlining the focus of measures to address compliance, governance, performance and a range of other measures to improve the service on behalf of our tenants/leaseholders	Owner CLT	Major	Likelihood Risk ratir Very Likely High	No change
Corporate	C2	Cost of living crisis	July 2023 We have yet to fully recover from the pandemic, recovery has undoubtedly been hampered by the Cost of Living crisis. Whilst overall levels of vulnerability in Adur and Worthing are generally lower-overall than the national average, there are significant inequalities between wards. With regard to Universal Credit, the Department for Work and Pensions has confirmed that for Adur and Worthing, the length of time on Universal Credit has a significant impact on the cost of living, over 900 have been on UC for over 3 years (this could correlate with those claiming Personal Independence Payments). We know that long-term unemployment is hugely problematic in terms of tackling inequalities. Our most recent report from Citizens Advice for the 4th quarter of 2022-2023 presents a worrying picture when compared to the same period in the previous year: In Worthing there has been a 45% increase in the number of issues and clients presenting with benefit issues, 25% increase in the number of Universal Credit issues, 80% increase in the number of utilities and communications issues In Adur, the number of benefit and Tax Credit issues has more than doubled, there has been a 162% increase in the number of debt issues, 17% more men are coming to us for financial services help We have remained committed to being data informed using LIFT to identify residents facing financial hardship and debt, we continue to use the Proactive approach to target these residents, to offer help and assistance. We have commissioned additional resources through an interactive early help platform, TellJo, We have secured significant resources through the UKSPF to fund a no Interest Loans Scheme, tackle fuel poverty and build upon both the OneStop and Proactive approach to ameliorate the risks of the CoL crisis. In respect of the round 4 HSF we have successfully lobbied the County Council level to directly allocate £221,850 to A&W councils so that we offer a one off payment to 1,748 households who will miss out on the £900 Government cost o		Major	Very Likely High	No change

APPENDIX B -	CORPC	RATE /DIRECTORATE HIGH (RED) RISKS					
Category	Ref	Risk / Opportunity	Latest update and Internal Controls	Owner	Impact	Likelihood Risk rat	ing Status
Corporate	СЗ	Wider economic uncertainty in relation to inflation, interest rates and workforce shortages which are impacting on local businesses, including energy costs, upward pressure on wages, inability to fill vacancies, skills shortages	July 2023 - The Councils have navigated these pressures carefully in order to set a balanced budget for 23/24, and schemes like the Worthing Heat Network are aiming to provide options for other organisations, such as Worthing Hospital to achieve energy security. The Councils have developed an Economy theme in the new corporate plan called "Thriving Economy" which will work to ensure "A varied and resilient economy that works for everyone. Our local business strengths are known worldwide. Businesses create jobs to support local people and create aspiration in our communities, they respect and nurture the environment." This approach will help to ensure that our places are well positioned to benefit from those opportunities that will arise in a new economy founded on regenerative principles.		Major	Likely High	No change
Corporate	C4	Council Finances - Risk that Councils finances will continue to be under pressure	June 2023 - Councils continue to be under financial pressure. Inflation remains high which is impacting a number of budget lines including pay where the proposed budget will be insufficient. Given the Councils overall financial position, this remains a key risk for the future.	CLT	Major	Very Likely High	No change

ategory	Ref	DRATE /DIRECTORATE HIGH (RED) RISKS Risk / Opportunity	Latest update and Internal Controls	Owner	Impact	Likelihood Risk rating	Status
orporate	C5	Housing supply - Limited housing supply in all areas and all tenures is a	July 2023	CLT	Impact Major		Worse
		key risk for the Councils in terms of both discharging its statutory duty	New housing and homelessness prevention strategies are being developed				
		to prevent homelessness and support those at risk, as well as placing critical budgetary pressures on the Councils. Managing this demand is	this year, focusing on developing the new strategic approach to tackling homelessness, housing needs and housing supply. A new A&W				
		challenging and places additional capacity pressures on the operational	Homelessness Prevention Partnership has been created to develop a more				
		teams.	collaborative approach to addressing the drivers for this work.				
			Strategic work continues, the Mental Health Housing Strategy resulting in				
			Mental Health Housing Advisors funded by Sussex Partnerhip Trust				
			colocating with the Housing Needs Team, the workers are now embedded,				
			with outcomes currently reported for West Sussex with local District and Borough sets being planned. In last reported quarter (Qu.4 22/23) 98% of				
			cases were either supported to remain in current accommodation or move to				
			alternative accommodation, with only 40% of these cases with support of the				
			local authority, preventing homelessness. The work is not only preventing				
			homelessness via case work, but by improving relationships and pathways				
			between services, increasing knowledge of housing and homelessness				
			triggers enabling mental helath workers to manage low level issues and refer cases appropriately to the Housing Needs Team.				
			Demand in homelessness continues to increase, driven by 'no fault' section				
			21 notices as landlord increase rents and sell their properties as a result of				
			new regualtions, as well as family evictions as lack of affordable supply is				
			resulting in households being unable to secure their own housing in the				
			private sector and are presenting to the council as homeless.				
			Additional pressures are anticipated as interest rates increase, affecting				
			mortgages as well as arising from Ukraine and Afghan schemes as the Home Office implements the ending of bed and breakfast accommodation and				
			temporary arrangements break down.				
			Worthing Housing Conference took place in February, bringing together				
			developers, private and social landlords as well as commissioned providers to				
			highlight the needs and build partnerships around our opportunities to meet				
			our housing needs.				
			Affordable Housing Delivery Group and subgroup continue to meet to identify				
			opportunities to develop our owned and contracted temporary accommodation portfolios to meet current and predicted future demand. As				
			well as building our strategic relationship with Homes England, we are also				
			working closely with the Department for Levelling Up and Communities and				
			Homes England to secure revenue and capital for housing programmes for				
			single homelessness. Increasing our portfolio of owned temporary				
			accommodation is a prirority as the most cost effective way to deliver good standard local accommodation.				
			Opening Doors continues to work with private landlords to secure private				
			sector housing but this is becoming more challenging; the gap between rents				
			and LHA continues to increase with Adur / Worthing notably having least				
			supply and biggest shortfall for 2bedroom properties alongside landlords				
			selling properties. There are currently 41 properties on the scheme with 16 new in the pipeline. 31 have been 'floated off' to date - with the council no				
			longer guaranteeing the rent and the landlord now managing the tenancy. 28				
			arrangements have been ended predominantly due to the landlords				
			increasing the rents or selling the properties. We are developing the scheme further for all household sizes, a pilot first trialled under the single homeless				
			Next Steps Accommodation Programme. Accommodation is first let as				
			Temporary Accommodation and then converted to Assured Shorthold				
			Tenancies under the Opening Doors Scheme and then backfilled with new				

APPENDIX B	- CORPC	PRATE /DIRECTORATE HIGH (RED) RISKS						
Category	Ref	Risk / Opportunity	Latest update and Internal Controls	Owner	Impact	Likelihood	d Risk rating	Status
Corporate	C7	IT Disaster recovery - Risk that 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.	June 2023. ICT and Emergency Response Teams have undertaken a review of procedures and a revised IT Disaster Recovery Plan is nearing completion. All systems have been reviewed and all critical and medium priority systems have specific recovery plans documented. A major network refresh project will be delivered by early 2024, which will deliver major improvements to the position, and increased resilience through a "software defined" network with reduced reliance on hardware.	CLT	Extreme	Moderate	High	Improved
Corporate	C8	Risk that major projects are not delivered.	July 2023 - Inflationary pressures in the construction sector and wider economic uncertainty have had a significant impact on the development sector. Supply of certain materials such as steel, labour and timber has been difficult with a resultant increase in prices. A number of the major projects are market facing so dependent on rental income or disposable income to make their business cases suitable. Should inflation sustain without a commensurate increase in commercial income then the viability of some projects will be challenging. Interest rates are increasing which is undermining the viability of the invest to save proposals. The Councils will need to explore a range of options to ensure that major projects are still able to come forward in a manner which delivers the best outcomes for our communities.	CLT	Major	Likely	High	No change
Corporate	C11	Climate emergency risk - Councils need to mitigate climate change, adapt to climate change and prepare for more frequent extreme climate events and impacts.	June 2023. Progress against the 2030 carbon neutral target is good. The Worthing Heat Network project has progressed well and contract award is expected in July 2023 and will decarbonise heat to the Worthing civic centre site. A green fleet strategy will be completed in summer 2023 and a £1m project to test the use of hydrogen at the crematorium will be the first of its kind in the UK. The Trees for Streets programme launched in June 2023 and work is progressing on a greening guide to help drive the delivery of nature based solutions in development, public realm and open spaces. The Sussex Bay marine project has recently secured external grant funding and a major application is being prepared in partnership with the Universities of Sussex, Brighton and Portsmouth. A revised engagement and participation strategy with businesses and communities is being devised to build strong approach to the delivery of wider area missions for carbon, nature and circular economy.	CLT	Major	Likely	High	Improved
Corporate	C12	Delivery of partnership working and joint services - Risk effect - Delivery of Adur & Worthing Councils partnership working arrangements model and the provision of joint services is impacted by the different competing priorities being set by the new administrations which leads to a failure to deliver strategic objectives, potential reputational damage, an impact on the budget costs for both Councils. A potential risk of the breakdown of partnership arrangements which would be unaffordable.	July 2023 - New governance arrangements introduced following the review of the Constitutions to enable decisions to be taken, and scrutiny undertaken, by individual authorities for sole matters, while retaining joint management and scrutiny of shared operational services. Regular meetings of both Leaders with the Chief Executive to support good working relationships. Regular meetings between the Councils Leadership Team and both Executive teams, and meetings between Director and portfolio holders. Development of shared objectives where possible, such as climate, cost of living crisis and a range of other key agendas. Individual Council priorities now agreed and supported by a new Corporate Plan (Our Plan).	,	Major	Likely	High	No change

APPENDIX B - 0 Category	CORPO Ref	RATE /DIRECTORATE HIGH (RED) RISKS Risk / Opportunity	Latest update and Internal Controls	Owner	Impact	Likelihood	l Risk rating	Status
Corporate	C13	Risks to service delivery due to staff vacancies and recruitment difficulties.	June 2023. As part of the new organisational design a People & Change team is being established, under the Chief Executive with a new Assistant Director post currently being recruited to. This team will lead the development of a workforce strategy that will seek to address key strategic issues around recruitment and retention, particular in key areas of skill shortage, addressing sucession planning, remuneration and talent retention. Local government in general is suffering recruitment issues in a number of key areas, and work to develop solutions in partnership with neighbouring authorities will be explored.	CLT	Major	Likely	High	New Risk added June 2023
Financial Services	F1	Risk to overall financial position - Known areas of risk within the budget eg Income from demand led services, outcomes of job evaluation, Pay award higher than assumed.	June 2023 - Council holds some contingency budgets against inflationary pressures 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. Budget management strategy in place to build reserves and to better manage risks. Risk still persists due to economic uncertainty and inflation.	SG	Major	Very Likely	High	Worse
Financial Services	F2	Future spending requirements are under-estimated - Budgets are insufficient to fund core costs leading to an overspend.	June 2023 - Council has set a balanced budget for 2023/24. Closely monitor progress through Budget/ Performance Monitoring. Where issues are identified build into 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.	SG	Major	Likely	High	Worse

APPENDIX B - C	ORPO	RATE /DIRECTORATE HIGH (RED) RISKS						
Category	Ref	Risk / Opportunity	Latest update and Internal Controls	Owner	Impact	Likelihood	Risk rating	Status
Financial Services	F3	Risk that future resources from Government are less than assumed	June 2023 - Lobby Government for an appropriate resource distribution. Take action to reduce the overall cost of services or increase income where possible.	SG	Major	Likely	High	Worse
			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.					
			Particular issue in 23/24 Financial Year is likely due to fairer funding review					
Financial Services	F4	General risk of not finding significant budget savings from both Councils.	June 2023 - Sufficient savings have been identified to meet 2023/24 budget pressures.	SG	Major	Likely	High	Worse
			Introduced Medium Term Financial Plan Tracker to check savings over 3 years.					
			Risk is now for the 2024/25 budget round which is due to start in July.					

	ORPO Ref	RATE /DIRECTORATE HIGH (RED) RISKS Risk / Opportunity	Latest update and Internal Controls	Owner	Impact	Likelihood	Risk rating	Status
Housing Prevention & Homelessness	HPH1	Risk of the rising costs of emergency and temporary accommodation - Risk that it puts an Increased pressure on general funds Councils have to spend money on expensive B&B type accommodation.	Worthing Housing Conference took place in February, bringing together developers, private and social landlords as well as commissioned providers to highlight the needs and build partnerships around our opportunities to meet our housing needs. Affordable Housing Delivery Group and subgroup continue to meet to identify opportunities to develop our owned and contracted temporary accommodation portfolios to meet current and predicted future demand. As well as building our strategic relationship with Homes England, we are also working closely with the Department for Levelling Up and Communities and Homes England to secure revenue and capital for housing programmes for single homelessness. Increasing our portfolio of owned temporary accommodation is a prirority as the most cost effective way to deliver good standard local accommodation. Opening Doors continues to work with private landlords to secure private sector housing but this is becoming more challenging; the gap between rents and LHA continues to increase with Adur / Worthing notably having least supply and biggest shortfall for 2bedroom properties alongside landlords selling properties. There are currently 41 properties on the scheme with 16 new in the pipeline. 31 have been 'floated off' to date - withthe council no longer guaranteeing the rent and the landlord now managing the tenancy. 28 arrangements have been ended predominantly due to the landlords increasing the rents or selling the properties. We are developing the scheme further for all household sizes, a pilot first trialled under the single homeless Next Steps Accommodation and then converted to Assured Shorthold Tenancies under the Opening Doors Scheme and then backfilled with new temporary accommodation units. This scheme builds landlord confidence and increases our private sector opportunites.		Major	Very Likely	High	No change

APPENDIX B - C	ORPO	RATE /DIRECTORATE HIGH (RED) RISKS						
Category	Ref	Risk / Opportunity	Latest update and Internal Controls	Owner	Impact	Likelihood	Risk rating	Status
Prevention & Homelessness		Overall Risk of increasing demand for housing advice and homelessness applications	New housing and homelessness prevention strategies are being developed this year, focusing on developing the new strategic approach to tackling homelessness, housing needs and housing supply. A new A&W Homelessness Prevention Partnership has been created to develop a more collaborative approach to addressing the drivers for this work. Strategic work continues, the Mental Health Housing Strategy resulting in Mental Health Housing Advisors funded by Sussex Partnerhip Trust colocating with the Housing Needs Team, the workers are now embedded, with outcomes currently reported for West Sussex with local District and Borough sets being planned. In last reported quarter (Qu.4 22/23) 98% of cases were either supported to remain in current accommodation or move to alternative accommodation, with only 40% of these cases with support of the local authority, preventing homelessness. The work is not only preventing homelessness via case work, but by improving relationships and pathways between services, increasing knowledge of housing and homelessness triggers enabling mental helath workers to manage low level issues and refer cases appropriately to the Housing Needs Team. Demand in homelessness continues to increase, driven by 'no fault' section 21 notices as landlord increase rents and sell their properties as a result of new regulations, as well as family evictions as lack of affordable supply is resulting in households being unable to secure their own housing in the private sector and are presenting to the council as homeless. Additional pressures are anticipated as interest rates increase, affecting mortgages as well as arising from Ukraine and Afghan schemes as the Home Office implements the ending of bed and breakfast accommodation and temporary arrangements break down. Recruitment to provide additional capacity and triage is underway.		Major	Very Likely		No change
Housing Prevention & Homelessness	НРН3	Housing Revenue Account - Financial sustainability as a result of Rent Reduction Policy and Rent collection levels - Impact on budget and service provision	July 2023 The government's announcement on 17 November 2022 that the maximum social rent increase will be capped at 7% (with inflation at 11.1%) will increase the pressure on the HRA. With the cost of living crisis, rent collection is predicted to drop as households struggle with their financies but inflation will increase the cost of delivering services. Given the forecasted challenges for the Country's economy for the next few years, the pressure on the HRA is likely to continue for a while. A review of services offered will be undertaken with the likelihood that their will be a reduction in service offer. Housing Transformation Programme has been absorbed into corporate change, which will look at achieving the right balance of staffing, optimised processes and procedures to ensure efficiency and balance budget.	AE	Major	Likely	High	Worse

APPENDIX B - C Category		RATE /DIRECTORATE HIGH (RED) RISKS Risk / Opportunity	Latest update and Internal Controls	Owner	Impact	Likelihoo	od Risk ratin	g Status
Operations & Sustainability	OS1	Adoption of the Environment Act - Additional duties being proposed for Local Authorities - Risk that the proposals in the Environment Act could have significant implications for how the Councils collect waste and recycling from households and businesses. Risks include operational risks (eg having to reconfigure rounds and fleet to change how recycling and food waste is collected and financial risks associated with the potential need for additional fleet, staff and depot requirements.		IJ	Major	Likely	High	No change
Regenerative Development	RD1	Estates Income - Risk that the Councils fail to meet property income targets which affects the Council funds.	June 2023 - this year's Budget Plan places a high priority on the disposal of several key sites. The Council needs to ensure that this work is appropriately resourced. Recruitment of staff with the appropriate skills and the use of suitable advisors remains challenging and will remain a priority.	СС	Major	Likely	High	Worse
Resident Services	RS1	Revenues and Benefits Team - Reductions in staffing levels may affect service provision. Increase claim turn-around times, increased error/fraud and overpayments, hardship to vulnerable claimants and reputational damage to Councils. Revenues Team has been unable to absorb additional work volumes since April 2013. Opportunity to develop digital solutions that automate some processes. Backlog on Revenues processing times.	June 2023 - The performance of the benefits team has reduced and processing times increased due to less staff and additional work requested by the DWP - full case reviews. The performance of the revenues team has significantly reduced and the backlog increased, due to the recruitment freeze and pay and grading of the posts which has seen experienced staff leave. Currently running with 5 vacant posts. As a result of this a decison was made to stop recovery action for the new financial year which will be reviewed in August 2023. Customer Service staff are calling customers that are in arrears as they will no longer receive a formal reminder. Job roles were re-evaluated in June at a higher pay rate and recruitment will start urgently. A backlog taskforce is being established with specialist temps to recover the position. Majority of self service work implemented. Staff led discovery work completed and translated into a programme of work which includes the introduction of e-forms and automation of data handling of data provided by customers - Director has oversight of this work.	SL	Major	Likely	High	Worse

This page is intentionally left blank

Category	Ref	Risk / Opportunity	Latest update and Internal Controls	Owner	Impact	Likelihood	Risk rating	Status
Major Projects		пок, орроганку	Extest aparts and mornal controls		mpaot			Otatuo
Major Projects	MP1	Union Place development - Risk that the Council will be delayed in bringing the site forward as a mixed use development.	June 2023 - Significant progress made on Joint Venture with Roffey Homes which will be formally entered into in Summer 2023, with planning application to follow shortly thereafter. Some risk attached to the commercial, procurement and state aid elements of the joint venture while opportunity for commercial return from the partnership will come forward in time.					
I				CC/JA	Minor	Unlikely	Low	No change
Major Projects	MP2	Decoy Farm development - Risk that 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.	June 2023 - Planning permission granted in full at March 2023 planning committee. Review/ outline business case underway to determine whether to proceed with development or dispose of the site to enable private sector to deliver the scheme. Local Growth funding of £4.84 million secured to reduce the risk of the project and to ensure a viable redevelopment. Work completed to inform development proposals. Business case prepared and submitted to Coast to Capital. Funding drawn down. Deliverable development strategy in place. Commencement of testing and onsite works ensures that progress is being made and LEP funding will be secured in line with agreements.					

APPENDIX (C - MAJC	OR PROJECTS RISKS						
Category	Ref	Risk / Opportunity	Latest update and Internal Controls	Owner	Impact	Likelihood	Risk rating	Status
Major Projects	MP3	Development of former Adur Civic Centre - Phase 1 and Phase 2 - Risk that development will not proceed or will be delayed and the social, economic and environmental benefits of development will not be realised.	June 2023 - Planning permission granted for the full redevelopment of the site. Recent tree protest and occupation placed delivery in jeopardy, however, successful negotiation between community groups, councillors and Hyde Housing has ensured a way forward on the scheme. Current build cost inflation places development viality in a tighter position than before, but subsidy from Homes England means that the scheme is likely to proceed. Early construction of drainage works etc is now completed. 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 submitted August 2021 and approved in February 2022.	CC/JA	Minor	Moderate	Medium	Worse
Major Projects	MP4	Redevelopment of the Grafton development site - Risk that the development does not proceed in order to create residential units, new car parks and public realm improvements.	June 2023- with a clear progress being made on other sites, work has commenced on determing how to engage with a development partner for the site. Plan to bring to market for redevelopment in late 2023.	CC/JA		Moderate	Medium	Worse
Major Projects	MP5	Provision of flood defence walls on the Sussex Yacht Club site - Risk that if flood defence walls are not built then there may be further flooding which will affect long term investment and growth along the Western Harbour Arm regeneration area.	June 2023 - Good progress being made to resolve impediments blocking construction of the new flood defence wall with rights of way and macro drainage issues being resolved. Likely start on site for construction in Autumn 2023.	cc	Moderate	Rare	Low	No change
Major Projects	MP6	Redevelopment of the Worthing Civic Centre car park site - Risk that the redevelopment does not proceed or is delayed.	June 2023 - Progressing well on site. Some issues with the contract emerging which have been reported to JSCSC in June 2023.	cc	Moderate	Rare	Low	No change

APPENDIX C	- MAJO	R PROJECTS RISKS						
Category	Ref	Risk / Opportunity	Latest update and Internal Controls	Owner	Impact	Likelihood	Risk rating	Status
Major Projects	MP7	Teville Gate redevelopment site - Delays in the redevelopment of the Teville Gate site or it does not proceed.	June 2023 - following a review of the Hyde Housing proposals in the course of due diligence work it was identified that not having undertaken a marketing exercise for the site placed a risk on the proposed joint venture relationship as a number of other parties could be affected by it and seek to judicially review the decision. The Council has started soft marketing of the site and is in discussions with interested parties.	JA/CC	Major	Unlikely	Medium	Worse
Major Projects	MP8	New Monks Farm and Shoreham Airport - Risk that developments are delayed.	June 2023 - Planning Committee resolved to grant planning permission for reserved matters at the airport subject to resolving landscaping and drainage issues. Ikea has started the marketing of its site and it is hoped that a commercial development delivering high quality jobs will be delivered. Cala Homes has secured planning permission for the additional 34 dwellings. Work has started on the new commercial floorspace at the airport.		Mari			
	1400		L 0000 T 400	JA/CC	Minor	Unlikely	Low	Improved
Major Projects	MP9	West Sompting redevelopment - Failure to secure planning permission and delay in the delivery of a strategic housing site.	June 2023 - The s106 agreement is close to signing and the developer is looking to start Phase 1 next year. The delivery of this strategic housing site has been delayed and therefore it remains a risk that we do not deliver the 5 year supply of housing required.	JA	Moderate	Moderate	Medium	No change
Major Projects	MP10	Shoreham Harbour regeneration - Risk that Harbour regeneration does not happen as development sites are unviable.	June 2023 - This risk has been reduced as a result of higher densities being approved. However there has been a public reaction to the height scale and density of recent developments and the fact that on 60% of the sites the allocation has already reached the 1100 dwellings expected. As a result Members have agreed that as part of the Local Plan review the density and supporting infrastructure for the remainder of the Western Harbour Arm sites should be reassessed and this process is underway. A lower density could increase the risk that the remaining undeveloped sites do not come forward. Planning Committee has just refused two sites (Howard Kent and Frosts) on the grounds of overdevelopment. Revised scheme approved for Frosts redevelopment and appeal submitted in relation to Howard Kent.	JA	Moderate	Moderate	Medium	Improved

APPENDIX C	- MAJO	R PROJECTS RISKS						
Category	Ref	Risk / Opportunity	Latest update and Internal Controls	Owner	Impact	Likelihood	Risk rating	Status
Major Projects	MP11	Chatsmore Farm development - Risk to strategic gap and emerging Local Plan	June 2023 - The Local Plan Inspectors report has been received and fully supports the approach to Chatsmore Farm that it should remain undeveloped and allocated as a Local Green Gap. This reduces any impact on the emerging Local Plan. However, Persimmon Homes is pursuing legal action to try and secure permission for housing on the site. The Council successfully overturned the s78 appeal decision to allow 475 dwellings on the site in the High Court but the SofS and Persimmon Homes were given leave to challenge the decision in the Court of Appeal, however, on 30 June 2023 the Court of Appeal has dismissed the appeal by Persimmon Homes and ordered them to pay the Council costs for the High Court and Court of Appeal decisions subject to assessment.	JA	Major	Moderate	Medium	Improved

Agenda Item 10



Joint Audit and Governance Committee 13 July 2023

Key Decision [No]

Ward(s) Affected: All

Capita Data Breach

Report by the Director for Digital & Sustainability

Officer Contact Details

Name: Adam Saunders

Role: ICT & Digital Services Manager

Telephone: 07554764785

Email: adam.saunders@adur-worthing.gov.uk

Executive Summary

1. Purpose

- This report aims to provide the Joint Audit and Governance Committee with a comprehensive overview of the Capita data breach incident that occurred in April 2023.
- The purpose of this report is to present an analysis of the incidents, the
 implications, and the investigatory actions taken by Adur and Worthing
 Councils. Additionally, it will outline the measures implemented by our
 supplier to address the breaches and mitigate the risk of similar incidents in
 the future.

2. Recommendations

• The Joint Governance Committee is asked to note the contents of this report.

3. Context

3.1. Background

- 3.1.1. On May 11th, 2023, Adur and Worthing Councils became aware of a significant data breach potentially involving sensitive information stored in the Capita-hosted Amazon S3 bucket**. Capita is our strategic partner and responsible for hosting our Academy system, which the Revenues and Benefits team utilises. This breach resulted from the exposure of an unsecured Amazon S3 bucket, raising concerns regarding unauthorised access to personal data, including benefit claims and council tax information, about residents across multiple authorities, including Adur and Worthing.
 - **Amazon Simple Storage Service (Amazon S3) is an object storage service that offers industry-leading scalability, data availability, security, and performance. You can use Amazon S3 to store and retrieve any amount of data at any time, from anywhere.
- 3.1.2. Adur and Worthing Councils is the data controller and Capita Ltd is the data processor (they process the Councils' data under a contract).
 The UK GDPR defines these relationships as follows:-
- 3.1.3. **Controller** the natural or legal person, public authority, agency or other body which, alone or jointly with others, determines the purposes and means of processing personal data.
- 3.1.4. **Processor** the natural or legal person, public authority, agency or other body which processes personal data on behalf of the controller.

3.2. Nature of the Breach

- 3.2.1. The breach involves an Amazon Web Services hosting repository called the "Hosting Service." Capita utilised this non-password-protected online storage site to share publicly-available information, such as software release notes and user guides for its software, with clients.
- 3.2.2. In addition, during 2021, the Hosting Service was also utilised by Capita for transferring our Annual billing process data to Adur District Council and Worthing Borough Council. However, Capita discontinued using the Hosting Service as a means of storing such data for Adur and Worthing after 2021, this was due to Adur and Worthing migrating our on-premise Academy system to a full SaaS Capita Cloud solution which is in a secure Microsoft Azure platform. It is possible that other

councils that were affected by the breach much more seriously were those who continued with on-premise solutions.

3.3. Impact of the Breach Overall

3.3.1. The breach has affected approximately 12 Councils to varying extents. A considerable volume of data, including personally identifiable information and financial records, was potentially at risk. It is crucial to note that this breach and the associated data risks were unrelated to any cyber incident or deliberate attack.

3.4. Impact on Adur and Worthing

- 3.4.1. The Capita storage location was found to have 84 files relating to Adur and Worthing Councils data which was initially uploaded to the bucket in April 2021 and remained unsecured until the exposure was discovered by a security researcher on the 25th of April 2023.
- 3.4.2. Within the repository, one file referenced a single citizen's Housing Benefit claim number and address (however the Housing Benefit claim had been closed on 16.07.2020 as they moved from the address). Furthermore, several other files included approximately 111 Property reference numbers. These numbers could be used with external sources, such as the Valuation Office Agency website or Electoral Registers, to identify individuals and transform the data into personally identifiable information.
- 3.4.3. Whilst property reference numbers and open Electoral Registers are held in the public domain separately on their respective websites, the data was exposed in the online bucket by Capita Ltd and processed without the instruction or consent of Adur and Worthing Councils by Capita Ltd. The data was not intended to be processed, thus creating a data breach. Adur and Worthing Councils <u>Benefits Privacy Notice</u> sets out and includes:-

How and why we collect and use your personal data

The type of personal data that we collect

When and why we will share personal data with other organisations

The rights and choices you have in relation to the personal data that we hold about you

4. Risk

- 4.1. A comprehensive risk assessment was conducted to evaluate potential risks to the rights and freedoms of affected data subjects, primarily customers but also risks to the Councils' data. This assessment was performed by the Information Governance Manager in accordance with the Data Protection Act 2018/UK GDPR and aligns with the guidance issued by the Information Commissioner's Office.
- 4.2. Several factors were considered including the number of records, the number of data subjects, the sensitivity of the data, any potential impact on customers, and the likelihood of risk to the human rights and freedoms of any customers that may be affected.
- 4.3. There were also several factors considered within the risk assessment that was required to be answered by Capita Ltd in their capacity as a data processor on behalf of the Councils, these included containment and mitigation measures that Capita Ltd took upon discovery of the incident and their investigation. As a data processor, Capita Ltd must cooperate and comply with their contractual obligations to the Councils, which includes cooperation with investigations and any corrective or investigative powers imposed by the Information Commissioner's Office. This is because an individual can also bring a claim directly against a processor and a data controller in court. A processor can be held liable under Article 82 UK GDPR to pay compensation for any damage caused by processing (including non-material damage such as distress). Processors will only be liable for the damage if they have failed to comply with UK GDPR provisions specifically relating to processors; or if a processor has acted without the controller's lawful instructions or against those instructions. Processors will not be liable if they can prove that they are not in any way responsible for the event giving rise to the damage.
- 4.4. Adur and Worthing Councils' carefully considered the incident. In the interests of transparency, the possibility of adverse reputational damages and accountability decided to report the incident to the Information Commissioner's Office as a data breach. It is important that the Councils demonstrate their commitment to data protection and uphold the integrity and reputation of Adur and Worthing Councils.
- 4.5. The Councils have received a risk assessment from Capita Ltd and the Councils have completed our own risk assessment.

- 4.6. The conclusion was considered a low risk based upon the low amount of data subjects that may be potentially affected by the data breach and that the data was indirectly identifiable.
- 4.7. The Information Commissioner's Office has been provided with the details of these risk assessments and the case has been withdrawn on the understanding that if the situation changes and a further assessment is required, this will be reported back to the ICO if the risk outcomes result in a high risk as described above.

5. Incident Response

5.1. **Capita**

- 5.1.1. On the 25th April 2023, Capita became aware that information stored on the Amazon S3 Hosting Service was, for a period of time, capable of being accessed by unauthorised persons that could identify the relevant URL for the Hosting Service.
- 5.1.2. Capita secured all access to the data on a precautionary basis on 26th April 2023, at which point the data was no longer publicly accessible.
- 5.1.3. The contractual notice sent to us regarding the breach by Capita was not sent until the 16th of May 2023
- 5.1.4. Provided Adur and Worthing on request all files related to the data breach for an internal investigation.
- 5.1.5. Capita has been unable to confirm if the data had been accessed by any unauthorised person during the time the bucket was left unrestricted and forensic investigations continue.

5.2. Adur and Worthing

- 5.2.1. We became aware of the potential breach on the 11th of May 2023 via another council's email communication sent to an Academy user group. They had come across an <u>online article</u> highlighting the breach, including screenshots of the data, including Adur and Worthing file names.
- 5.2.2. The ICT & Digital Services Manager raised the urgent concern and query to Capita on the same day.
- 5.2.3. In response to this alert, the internal Cyber Security Incident Response Plan was promptly invoked by the ICT & Digital services manager and subsequent regular Director stand-up meetings were

implemented.

- 5.2.4. A comprehensive tracking system was established to record all actions, decisions and updates related to the breach. This tracking system remains an active document, continuously updated as new information becomes available.
- 5.2.5. Our Revenues & Benefits Operations Manager has checked each file that was part of the data breach meticulously to ensure we understand the scale and impact of the breach by Capita with our data; each file has had the findings tracked to confirm what is in the file and if any personal data was included and if any identifiable data was included.
- 5.2.6. Whilst the risk to Adur and Worthing is low, many Councils are adversely affected by this breach on a much larger scale in terms of data subjects and the sensitivity of their data sets.
- 5.2.7. One of the primary factors contributing to our organisation's minimised impact compared to others is how Academy is configured. This configuration has been implemented to ensure that the output files generated at the end of each year's operations contain only a single personal dataset identifier within the comprehensive report. Consequently, this approach significantly reduces the potential risks associated with data compromise following its generation.

6. Engagement and Communication

- 6.1. Press release (Tuesday, 23 May 2023) <u>Investigation into Capita data breach</u> progressing
- 6.2. Adur and Worthing continue to engage with multiple internal and external stakeholders to ensure we understand the true nature of the impact and that Capita is made accountable for the breach.
- 6.3. The following are engaged in the data breach response and assisting us with our ongoing investigations and findings.

Incident Response Group - Multiple other impacted councils
Local Government Association
Local Government Cyber Security Team
Information Commissioner's Office
Legal
Capita Managing Director
Capita Public Sector Director

6.4. As part of the escalation, all affected Local Authorities have collectively attended calls with the Local Government Association Improvement and Policy Advisor for Cyber, Digital and Technology. The LGA agreed to give some thoughts on how the LGA could help with links into DHLUC and the Cabinet Office alongside sending a joint communication back to Capita on behalf of impacted authorities.

7. Lessons Learnt and Digital Recommendations

- 7.1. The most crucial action is understanding our third-party suppliers better and having stronger assurance around Risk Management and Data Security.
 - 7.1.1. Review all *existing* major Digital contracts involving third-party suppliers processing any personal data on behalf of Adur and Worthing Councils; checks would include but not be limited to:

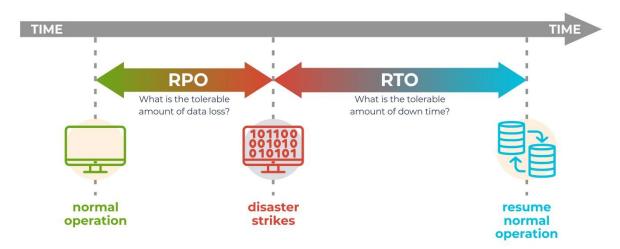
Officers are expected to comply with the Council's existing Contract Standing Orders they must understand how data within a contract is processed within the management of the contract.

https://intranet.adur-worthing.gov.uk/our-organisation/services/procure ment/contract-standing-orders/

- 7.1.2. Ensure quarterly supplier meetings are taking place with representation from the service, digital and supplier and that Cyber & Data Security is a standing agenda item.
- 7.1.3. Ensure each supplier is compliant with data protection law and UK GDPR regulations. In the event that sub-processors are engaged, the sub-processing agreement must be provided to the head processor which must be provided in turn to the data controller. The UK GDPR requires that a sub-processing agreement carry equivalent terms to those in the main controller-processor agreement.
- 7.1.4. Asses data handling and access controls (encryption, data transfer, data storage, recovery)
- 7.1.5. Setup auditing and monitoring of suppliers
- 7.1.6. Ensure all contracts cover cyber security and are part of our Cyber Incident Response Plan.
- 7.1.7. Check what security certification suppliers hold, Cyber Essentials, ISO27001 for example.

NCSC - How to assess and gain confidence in your supply chain cyber security

- 7.1.8. Ensure supplier involvement in business continuity and disaster recovery procedures and periodically test these in a planned real-life situation.
- 7.2. Review what 4th party* suppliers & technology are being used by our suppliers that could affect the integrity of Adur and Worthing's data in the event of a cyber-attack or data breach.
 - *A fourth-party vendor is generally our third party's third-party vendor. (They are a sub-processor of the data processor). Our organisation does not have a direct contractual relationship with the fourth party, but our third-party would.
- 7.3. Ensure the inclusion of a new templated security requirement document in any new digital system procurement process.
- 7.4. Effective contract management requires robust measures to ensure data security and protect against potential cyber-attacks. To address this we should design a Contract Management Toolkit. A comprehensive resource designed to support services in implementing best practices for data security and mitigating cyber risks. This toolkit would provide practical guidance and essential tools to enhance contract management processes while prioritising sensitive information's confidentiality, integrity, and availability. By utilising this toolkit, services could fortify their contract management practices, safeguard valuable data, and minimise the risk of cyber threats.
- 7.5. As part of our IT Disaster Recovery Plan, we continue to implement the above measures with our suppliers and document recovery procedures that impact RPOs and RTOs fully.



8.0 Financial Implications

- 8.1 The costs associated with dealing with the breach are funded from within existing budgets.
- 8.2 The Councils regularly invest in technology and digital facilities to ensure that our arrangements are kept up to date to mitigate against risks of data breaches and system failure.

Finance Officer: Sarah Gobey Date: 3rd July 2023

9. Legal Implications

9.1 In delivering services both Adur District and Worthing Borough Councils are required to comply with the legal provisions set out in the Data Protection Act 2018 and the UK General Data Protection Regulation and, when exercising this duty to have full regard to any guidance and interpretation of the legislation provided by the Information Commissioner's Office.

Legal Officer: Joanne Lee Date 4/7/23

Background Papers

- Joint Governance Committee 27 September 2022, Item 9
- Cyber Incident Response Plan
- Data Protection Policy
- Information Security Policy

Sustainability & Risk Assessment

1. Economic

1.1. Financial Losses:

1.1.1. Data breaches can lead to substantial financial losses for individuals, businesses, and government organisations. Organisations may face direct costs such as legal fees, investigation expenses, and customer compensation. Indirect costs include reputational damage, loss of customers, and decreased market value.

1.2. Productivity and Operational Disruption:

1.2.1. Breaches often disrupt normal operations, leading to downtime and decreased productivity. Recovery efforts can be time-consuming and expensive, including system repairs, data restoration, and enhanced security measures.

1.3. **Intellectual Property Theft:**

- 1.3.1. Breaches can result in the theft of valuable intellectual property, trade secrets, or proprietary information, causing severe financial damage to organisations.
- 1.3.2. The provision of effective digital services to citizens by the Councils supports the economy, for example by enabling the distribution of benefits to residents and the collection of council tax and business rates, among many other services.

2. Social

2.1. Social Value

2.1.1. **Privacy Concerns:**

Data breaches compromise the privacy of individuals, exposing their personal and sensitive information to unauthorised parties. This can lead to identity theft, fraud, and other forms of cybercrime, eroding public trust in online platforms.

2.1.2. Psychological Effects:

Data breaches can psychologically impact affected individuals, causing anxiety, stress, and a sense of violation. The fear of further breaches can also lead to a reluctance to engage in online activities, hindering digital participation.

Social Engineering and Targeted Attacks:

2.1.3. Cybercriminals can leverage the stolen data for social engineering purposes, manipulating individuals through phishing attempts, impersonation, or blackmail. This can further contribute to social instability and personal harm.

2.2. Equality Issues

2.2.1. **Digital Divide:**

Data breaches can exacerbate existing inequalities in access to technology. Vulnerable populations, such as low-income individuals, may lack the resources or knowledge to protect themselves adequately, making them more susceptible to cyber-attacks.

2.2.2. **Discrimination and Bias:**

Breaches that expose sensitive information like race, gender, or health conditions can perpetuate discrimination and reinforce existing biases. Such data can be exploited to target individuals or discriminate in employment, housing, or financial decisions.

2.2.3. Trust and Confidence Gap:

Data breaches erode trust in online platforms and digital services. People who have previously been victimised or belong to marginalised communities may be less willing to engage with technology, limiting their access to opportunities and services.

2.3. Community Safety Issues (Section 17)

2.3.1. Financial Fraud:

Following a data breach, individuals' financial information, such as credit card details or bank account numbers, may be compromised. This can lead to financial fraud, including unauthorised transactions, identity theft, or fraudulent use of personal information, impacting the community's financial safety.

2.3.2. Cyber Extortion and Ransomware:

Some data breaches are accompanied by cyber extortion attempts or the deployment of ransomware. Cybercriminals may demand ransom payments in exchange for not releasing sensitive data or restoring affected systems. These activities can disrupt community safety by targeting critical infrastructure, businesses, or public services.

2.3.3. Online Scams and Phishing:

Cybercriminals may exploit the aftermath of a data breach by launching targeted phishing campaigns or online scams. They may impersonate legitimate organisations or individuals to deceive community members into providing sensitive information or fall victim to fraudulent schemes.

2.4. Human Rights Issues

2.4.1. We have considered the rights and freedoms of the data subjects within our risk assessments under Article 8, Human Rights Act 1998 together with the Data Protection Act 2018 and UK GDPR, Article 5(1) requires that personal data shall be:

"(f) processed in a manner that ensures appropriate security of the personal data, including protection against unauthorised or unlawful processing and against accidental loss, destruction or damage, using appropriate technical or organisational measures ('integrity and confidentiality')." Due to the fact that there is a low quantum of customers affected and also indirect personal data breached, this has resulted in a low risk to the rights and freedoms of the data subjects (customers).

2.4.2. Right to Privacy:

Data breaches often involve the unauthorised access or disclosure of personal information, violating individuals' right to privacy. This breach of privacy can lead to a loss of control over personal data, exposing individuals to potential identity theft, fraud, or other malicious activities.

2.4.3. Right to Data Protection:

Data breaches can compromise the security measures to protect personal information, undermining the right to data protection. This right includes ensuring that personal data is processed securely and only used for legitimate purposes.

2.4.4. Right to Non-Discrimination:

Data breaches that expose sensitive personal information can contribute to discrimination. This includes instances where data containing racial or ethnic origin, religious beliefs, political opinions, or other protected characteristics are exposed, leading to potential discrimination or targeting.

3. Environmental

3.1. The matter was considered and no issues were identified.

4. Governance

- The digital strategy is aligned with the Council's corporate strategy.
- The Technology & Information Board oversees data protection, cyber and other digital and data issues.

Agenda Item 11



Joint Audit and Governance Committee 13th July 2023

Key Decision [Yes/No]

Ward(s) Affected:

Amendments to the Constitution

Report by Monitoring Officer

Executive Summary

1. Purpose

- 1.1. This report seeks to update Members of the Joint Audit & Governance Committee with recent amendments made to Adur District Council's and Worthing Borough Council's Constitutions by the Monitoring Officer.
- 1.2. The Monitoring Officer has a duty to maintain an up-to-date version of the Council's Constitutions and to ensure that they are publicly available. The Monitoring Officer has the authority, as set out in Article 11, paragraph 11.03, of each Constitution, to "make minor and inconsequential amendments to the Constitution at any time".

2. Recommendations

2.1 Members of the Joint Audit & Governance Committee are asked to consider the amendments in this Report and note the use of the Monitoring Officer's delegation to make minor and inconsequential amendments.

3. Context

- 3.1. In the October 2022 Council meetings, both Adur District and Worthing Borough Councils approved the Chief Executive's Corporate Strategy set out in Our Plan. As a consequence, operational changes have been made to Directorates, the Services within them and the titles given to the Senior Leadership Team. Attached as an Appendix to this Report is a copy of the revised structure chart.
- 3.2. At Article 11.01 (d) of the Constitutions it is written that the 'Chief Executive will from time to time report to Full Council on the overall departmental structure of the Council, showing the management structure and deployment of Officers. There have been operational and consequential amendments to the senior leadership structure arising from prior approval of Our Plan. A copy of the revised structure chart is attached to this Report and the Chief Executive Officer will be updating both Council in the July meetings.
- 3.3. It is also a year since the former Interim Monitoring Officer carried out a review of the Constitutions. Working with the document for this period of time, has highlighted some minor and inconsequential amendments required to clarify some of the changes that have been made and previously approved by both Councils.

4. Amendments arising from approval of Our Plan

- 4.1. Following the approval of Our Plan and the operational amendments to the structure chart, the Monitoring Officer has made the following minor and inconsequential amendments to the Constitution:-
 - The Scheme of Delegations has been updated to reflect the new Officer titles, and also to move existing delegations into the correct direcorates.
- 4.2. Under the Councils' Constitutions the power to appoint Proper Officers is delegated to the Chief Executive following consultation with the Monitoring Officer:-
 - The Proper Officer and Authorised Officer Functions section of the Constitution at Part 4, has been updated to reflect the changes to job titles. For functions relating to Democratic

Services, the Proper Officer is now the Director for Sustainability and Resources, rather than the Director for Communities and Wellbeing and general amendments throughout the Constitution have been made to reflect this.

5. Other Minor and Inconsequential Amendments

- 5.1 After working with our updated Constitutions certain typographical amendments have been required as well as other inconsequential amendments to clarify the previously agreed amendments by both Councils.
- 5.2 In addition to the amendments at Paragraphs 4 and 5.1 above, there is also a minor and inconsequential amendment to update the Joint Senior Staff Committee Terms of Reference. In January 2017 the Joint Governance Committee approved a report by the Monitoring Officer which amended Members' involvement in the appointment of and discipline of the Councils' Senior Officers. The Report required consequential changes to the Officer Employment Procedure Rules and terms of reference for the Staffing Committees. In the recent recruitment process it has come to light that the consequential amendment to the Joint Senior Staff Committee was not made and this is referred to below under Part 3 Responsibility for Functions.
- 5.3 Also at Part 3 below, are amendments to the Cabinet Portfolios arising after the Worthing Borough Council Annual Meeting in May.

Part 1 - Summary and Explanation

• ADC - Paragraph 1.09 - "Error! Bookmark not defined" deleted.

Part 3 - Responsibility for Functions

- Councillor names within Cabinet Portfolios updated in WBC Constitution.
- Joint Senior Staff Committee Terms of Reference "To be responsible for the function of the appointment of the Non-Statutory Chief Officers and Deputy Chief Officer" deleted to reflect the decision of both Councils in February 2018.

Part 4 - Procedure Rules

- 12.8 Record of Questions and Answers Now reads: "(a)
 Questions asked on notice under Procedure Rule 12 will be recorded in
 the minutes, as will any written answer provided. This includes any
 questions that are asked but not answered at the meeting in the time
 allotted."
- Clause 13 Main Opposition Priority Motion Clarification of procedure which now reads:
 - "(a) The largest political group not forming part of the Administration may submit one item of business to be placed on the agenda of an ordinary meeting of the Council to be treated as Priority Opposition Business. The submission shall include a brief description of the item of business (which will allow members and the public to understand the nature of the topic to be discussed) and the name of the member presenting it. The description and the name of the presenter shall be included on the agenda. Notice of the item must be submitted no later than the deadline for the receipt of motions (Rule 14).
 - (b) Priority Opposition Business shall take the form of a statement and the total time allowed for the item will be 15 minutes. The member named on the agenda as presenting the statement may speak for up to five minutes. A member responding on behalf of the Administration may speak for up to five minutes. The Leader of the largest political group not forming part of the Administration may exercise a right of reply for up to five minutes. The matter under discussion shall not be put to the vote and no other questions or debate shall be allowed.
 - (c) Priority Opposition Business shall not be taken at the Annual Meeting, the meeting convened to approve the Council's budget or a meeting called for a specific purpose."
- Motions on Notice The working group that went through the
 constitutional review in 2022 agreed that all Motions should be able to
 be debated by Council. However the amendments made to the
 automatic referral of a motion (without debate) also removed the
 requirement for the Motion to be referred to the correct Cabinet or
 Committee for a decision. A clarification has therefore been re-inserted
 to ensure that after debate the Motion is then referred to the
 appropriate decision maker, at reinstated paragraph 14.5:-

[&]quot;Referral of Motions to the Cabinet or a Committee"

All accepted motions shall be debated by Full Council. Where a decision is required by the Cabinet or a Committee the motion will automatically be referred to the next practical meeting of the Cabinet or Committee."

- Rules of Debate typographical amendment to include capital letters for the heading at 16.21 "Council - Committee Recommendations and Reports"
- Overview and Scrutiny Procedure Rules Working Groups paragraph
 6.1 amended to read "Working Groups may be established by the Committee as..."
- Joint Overview and Scrutiny Procedure Rules Working Groups paragraph 6.1 amended to read "Working Groups may be established by the Committee as..."
- Member Complaints and Standards Sub-Committee Procedure Rules -
 - Paragraph 2.1 amended to add "using the online complaints form" Paragraph 3.1 amended to add "..acknowledge receipt to the Complainant and..."
- Officer Employment Procedure Rules operational amendment at paragraph 2.4.1 to include "(d) The Head of Paid Service will notify the Leader of the Council in advance of any recruitment process for the appointment of a non-statutory Chief Officer."

Part 5 - Codes and Protocols

 Monitoring Officer Protocol - Paragraph 3.3 (for operational continuity) amended to include "The Head of Paid Service shall nominate one of the outgoing Monitoring Officer's Deputies to continue their appointment as Deputy until the new interim or permanent Monitoring Officer is appointed."

Part 6 - Members' Allowances Scheme- after approval by Full Council in February 2023

 Date of approval of Allowance Scheme amended from December 2019 to February 2023.

- Date of allowances updated to 2023/2024 in WBC Constitution
- Basic Allowance figures updated
- Special Responsibility Allowances figures updated
- "Child Carer Allowance" and "Dependent Person Carer Allowance" deleted under Other Allowances in table
- "Dependent Person Carer Allowance and Child Carer Allowance" section added.
- "Parental Leave" section added.
- "Indexing of Allowances" section added.
- "Notes" section added in WBC Constitution

Part 8 - Joint Arrangements - Adur

 Constitution of the Adur Homes Management Board section amended at 3.1 to reflect composition of the Board following the Referral Report to JAGC

5. Minor and Inconsequential Amendments arising from clarification questions by Members

5.1 Part 2 - Articles of the Constitution

- Article 5 Chairing the Council Wording added for WBC Constitution:
 "(iv) Although as a Councillor the Mayor will have been elected
 through their political party the actual role of the Mayor is non-political
 and the office of Mayor is not to be used to promote or support any
 particular political party, including the use of regalia for the purposes of
 electioneering.
- Article 5 Chairing the Council Wording added for ADC Constitution:
 "(v) Although as a Councillor they will have been elected through
 their political party, the actual role of the Chair is non-political and the
 office of Chair is not to be used to promote or support any particular
 political party, including the use of regalia for the purposes of
 electioneering.

6. Financial Implications

6.1. There are no financial implications arising from this report.

7. Legal Implications

7.1. Article 11, paragraph 11.03, of the Councils' Constitutions sets out the Functions of the Monitoring Officer and states "The Monitoring Officer has the delegated authority to make minor and inconsequential amendments to the Constitution at any time".

Background Papers

- Joint Governance Committee Report 24th January 2017 Elected Member Involvement in the Appointment and Discipline of the Councils' Senior Officers and Minute extracts from Adur District Council and Worthing Borough Council dated February 2017;
- Minutes extracts from Adur District Council and Worthing Borough Council dated October 2022 (Approval of Our Plan);
- Minutes extracts from Adur District Council and Worthing Borough Council dated February 2023 (Member Allowances Scheme)

Appendices

- Revised Structure Chart
- Links to the <u>Adur District Council</u> and <u>Worthing Borough Council</u> Constitutions.

Officer Contact Details:-

Joanne Lee

Assistant Director and Monitoring Officer, Legal & Democratic Services 01903 221134

Joanne.lee@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 risk of not having up-to-date Constitutions is that procedures and practices may not be transparent, fair and consistent and may increase the risk of legal challenge.

Adur & Worthing Councils: Senior Management structure diagram and breakdown of services



Adur & Worthing Councils. Worthing Town Hall, Chapel Road, Worthing, West Sussex. BN11 1HA 01903 239999 www.adur-worthing.gov.uk



Director for Place (CLT)

Assistant Director Place & Economy (CLT)



Andy Willems

- Economic Investment (LEP) / Growth Deal / City Region
- Economic Development, Inward Investment & Business
- Place Shaping, Urban Realm & Town Centre Management
- Skills & Enterprise
- Business Engagement & Partnerships
- BID (Business Improvement District) Levy
- External Funding
- Visitors & Events
- Commercial Development
- Parks & Open Spaces
- Engineering Coastal Monitoring
- Concessions
- Foreshore
- Worthing Pier

Martin Randall

Assistant Director



- Projects · Estates & Property

- Facilities management (incl. security, porters, pool cars)
- Facilities Management (Worthing Town Hall, Portland House)
- Housing Estate
- Housing Development
- Asset Management

Regenerative Development (CLT)



Cian Cronin Major Regeneration

- Property Investment
- Building Surveying (incl_maintenance)

- Regeneration Projects

Head of **Planning**



James Appleton

- Planning Policy Major Planning
- Development
- Management • Building Control
- Land Charges
- Local Land & Property Gazetteer (LLPG)
- Street Naming & Numbering
- Fire Safety Advisory Services
- Flood Defence (Strategic Flood Risk Assessments)

Assistant Director Housing Homelessness & Prevention (CLT)



Vacant

- Housing Solutions
- Housing Need & Homelessness
- Housing Business Support
- Housing Tenancy Services (Adur Homes)
- Housing Leasehold Services (Adur Homes)
- Building Services (Adur Homes)
- Housing Repairs & Maintenance (Adur Homes)
- Housing Systems & Support
- Private Sector Housing Disabled Facilities
- Grants Community Alarm
- Housing Major Works



Director for Housing & Communities (CLT)

Head of Community, Capacity & Resilience



Paula Doherty

- · Health & Wellbeing • Safer Communities
- Third Sector &
- Partnerships Places &
- Neighbourhoods Safeguarding
- Digital & financial inclusion
- Employability
- Social Prescribing

Head of **Resident Services**



Vacant

- Council Tax & NNDR (National Non-Domestic Rates)
- Benefits
- Customer Service Customer Insight
- Business Support
- Proactive
- Reprographics

Assistant Director



Sarah Gobey

- Management & Technical Accounting
 - Treasury
 - management
 - Insurances • Capital programme
 - management and accounting
 - Taxation advice
- Exchequer & Fraud: Cashiers
 - · Payments and
- Payroll Corporate Fraud

Internal Audit

- · Strategic Accounting:
 - - - Regulatory
 - - - Contracts



Assistant Director

Legal & Democratic

- Legal:
- Function
- Litigation &
- Property
- Information Governance
- Procurement &
- Scrutiny

Assistant Director Operations & Sustainability (CLT)



Joanne Lee

- Monitoring Officer
- Projects &
- Governance

- Electoral Services
- Democratic Services



Paul Brewer

Director for Sustainability & Resources (CLT)

Jan Jonker

- Carbon reduction • Climate change &
- adaptation • Nature restoration & biodiversity
- Recycling & Refuse
- Commercial Waste Street Cleansing
- Fleet Management
- Bereavement Services • Public Health & Regulation (Environmental Health, Licensing)
- Parking Services
- Emergency Planning
- Business Continuity • Corporate Health &

Safety

Head of Technology & Design

Vacant

Digital Transformation

• Systems Support &

Information Systems

Information Security

Service Design

Development

(MIS), Data &

Management



Vacant

- Human Resources:
 - Strategic HR Partnering

Assistant Director

People & Change (CLT)

- Employee Relations
- Employee Resourcing
- Employee Wellbeing Organisational Development
- Learning & development

• Cultural change

- Organisational Performance & Effectiveness
- Communications: • Press & Media Relations
- Social Media Content Development
- Branding

Relationship management for Culture and Leisure has been delegated to the Director for Place

This page is intentionally left blank