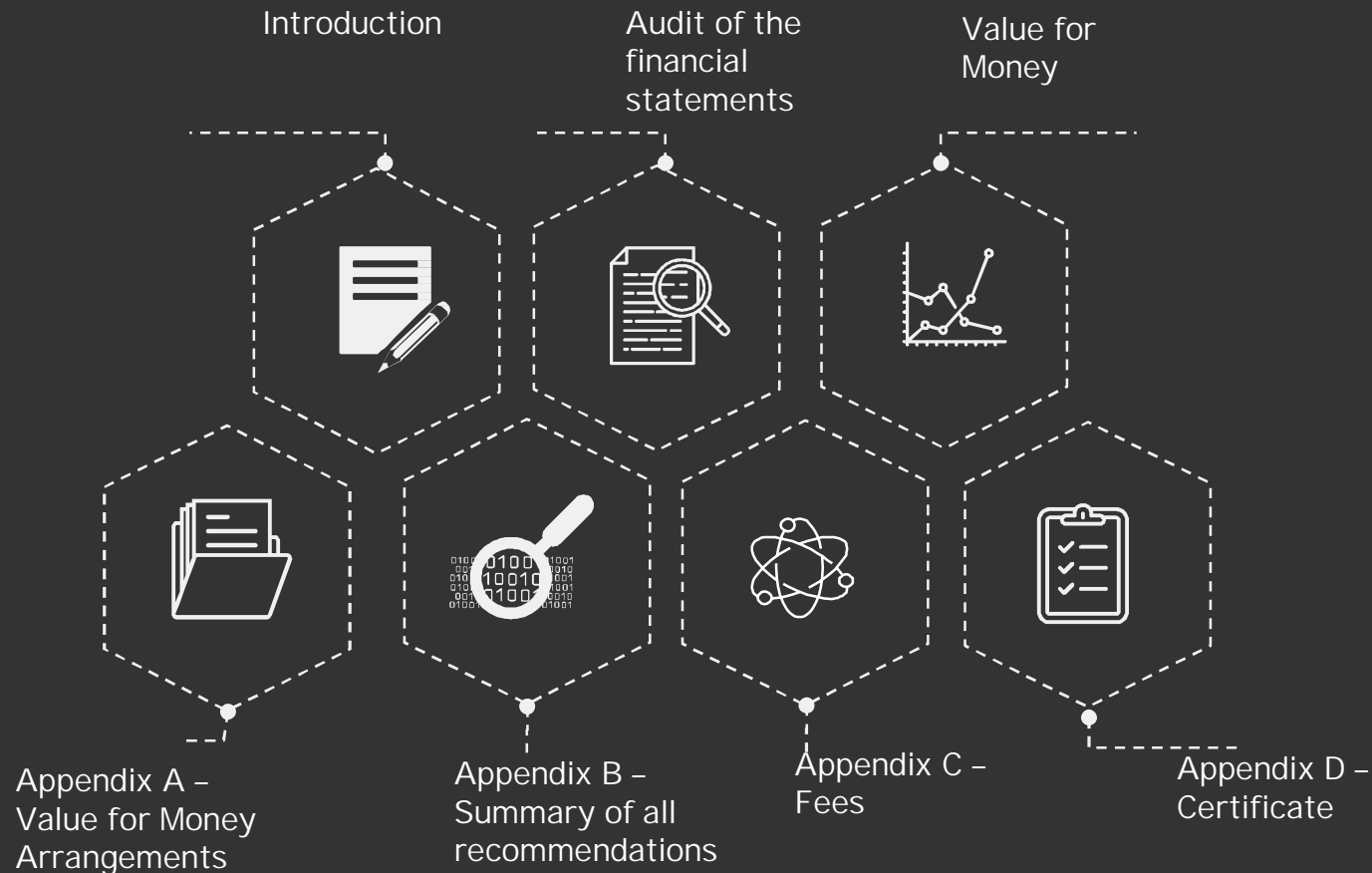




Adur District Council Auditor's Annual Report

Year ended 31 March 2022

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.psa.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 July 2021)” 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 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 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.



Introduction

Purpose

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on value for money (VFM) arrangements, which aims to draw to the attention of the Council, or the wider public, relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

For Adur District Council we have undertaken our 2021/22 audit work in accordance with the Full Audit Planning Report that we presented to the September 2022 Joint Audit and Governance Committee meeting. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2021/22 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Council:

The Council is responsible for preparing and publishing its financial statements, narrative statement and annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



Introduction (continued)

2012/22 Conclusions

Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2022 and of its expenditure and income for the year then ended. We issued our auditor’s report on xx September 2023.
Going concern	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.
Consistency of the other information published with the financial statement	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
Value for money (VFM)	We had matters to report by exception on the Council’s VFM arrangements. We have included our VFM commentary in Section 03.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.
Whole of government accounts/certificate	We received the 2021/22 WGA Group Audit Instructions as issued by the National Audit Office (‘NAO’) and we confirmed that the Council is under the threshold of £2bn for full audit procedures (threshold is consistent with 2020/21). However, the increase in HM Treasury’s local government threshold means that there is a risk the NAO WGA team might require some assurances from auditors of bodies below the threshold. At the date of this report, we have not been informed that the NAO has completed their sample selection for the 2021/22 WGA process. This does not prevent us from completing our audit report, but it delays the issue of the audit certificate.

Audit of the financial statements

Key findings

The Narrative Statement and Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

On XX September 2023, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 13 July 2023 Joint Audit and Governance Committee meeting, and updated our findings in a report to the Committee on 26 September 2023. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan. In our Audit Results Report, we reported one recommendation for management to discuss with their expert valuer for land and buildings.

Significant risk	Findings and Conclusion
Risk of fraud in revenue and expenditure recognition	We did not identify any material weaknesses in controls or evidence of material management override, instances of inappropriate judgements being applied; or any other transactions during our audit which appear unusual or outside the Council's normal course of business.
Inappropriate capitalisation of revenue expenditure	We completed our work on this significant risk and did not identify any instances where expenditure was inappropriately capitalised.
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)	<p>We engaged our real estates valuation specialists to help us complete this work. We are satisfied that the Council's disclosure is materially accurate. We reported one uncorrected judgmental misstatement relating to the valuation of community centres which suggested the assets could be undervalued by £205,000.</p> <p>We also reported a number of control recommendations on the record keeping and valuation process for property, plant and equipment.</p>
Valuation of Investment Properties (IP) under Fair Value (FV)	We employed the use of our own expert to support our work. After management posted the audit adjustments identified, we reported one uncorrected misstatement relating to a judgmental aggregate understatement in the fair value movement in valuation across a small number of the Council's investment properties totaling £295,000.
Valuation of land and buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC)	We concluded that the valuation of land and buildings in PPE under DRC are fairly stated and appropriately disclosed.
Accounting for infrastructure assets	<p>We concluded that the accounting practice of Adur District Council for infrastructure assets 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.</p> <p>We are satisfied that the approach taken by management to depreciating infrastructure assets is reasonable.</p>

Audit of the financial statements – Adur District Council

Key findings (continued)

Other area of audit focus	Findings and Conclusion
Valuation of Housing Revenue Account (HRA) properties	<p>We were satisfied that the valuation of HRA properties is fairly stated and appropriately disclosed.</p> <p>The Council had revised the accounting policy in respect of depreciation charged on its HRA properties. We challenged this revision and concluded that the revised accounting entries and disclosures were appropriately recognised and disclosed.</p>
Pension Liability Valuation	<p>Our planned work in this area was completed, and included our assessment of the impact of the triennial valuation on IAS19 amounts.</p> <p>As a result of the full triennial valuation at 31 March 2022, the Council instructed the actuary to re-run the IAS 19 results as at the reporting date. This resulted in an increase of the pension liability balance by £0.95m, which the Council amended in the accounts, along with the relevant disclosures. We undertook further work to review the revised disclosures and we are satisfied these appropriately reflect the revised IAS19 reporting.</p>
Going Concern Disclosure	<p>We completed our planned procedures. We did not identify any material uncertainties with regards to the going concern of the Council and following certain adjustments to the disclosure related to the timing of the audit finalisation, we considered the going concern disclosure to be appropriate and sufficient.</p>

We identified risks of significant weaknesses in the Council's VFM arrangements for 2021/22.

Our VFM commentary highlights relevant issues for the Council and the wider public.

We had matters to report by exception in the audit report.

Scope

We are required to report on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our VFM risk assessment to the July 2023 Joint Audit and Governance Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Council committee reports, meetings with the officers and evaluation of associated documentation through our regular engagement with Council management and the finance team.

Reporting

We concluded our VFM risk assessment and reported we had not identified a risk of significant weakness to the July 2023 Joint Audit and Governance Committee. Subsequently, we have considered the Council's self-referral to the Regulator of Social Housing in February 2023 and, following further investigation, concluded that there were weaknesses in the Council's proper arrangements for 2021/22. As a result, we had matters to report by exception in the audit report on the financial statements.

Our commentary for 2021/22 is set out in Appendix A. The commentary in this Appendix summarises our conclusions over the arrangements at the Council in relation to our reporting criteria (see below) throughout 2021/22. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Annual Auditors Report and have been updated for 2021/22.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weaknesses identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weaknesses identified
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	No significant risks identified	Significant weakness identified in the criterion: how the body evaluates the services it provides to assess performance and identify areas for improvement

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

The 2021/22 and 2022/23 revenue budgets were set as balanced budgets and compiled within the context of the Government's Comprehensive Spending Review, the Chancellor's Budget, and the local government settlement. There has been a significant decline in overall government income in recent years with increasing amounts of income being generated locally through council tax, business rates, fees and charges, and income from commercial property.

In order to achieve a balanced budget, the Council has continued to pursue savings through efficiency reviews, procurement, and base budget reviews to set a balanced budget each year. These planned savings were set out in the short-term financial plans. For 2021/22, the savings target totaled £1,291,650. This was fully achieved. For 2022/23 the savings target decreased significantly to £169,210 which has been fully achieved.

The Council's Joint Strategic Committee has maintained oversight over the financial performance of the Council, and performance against revenue budget is reported at least quarterly to the Committee. These initiatives have resulted in an underspend of £183,000 compared to the budget for the year ending 31 March 2022 and an overspend of £10,000 for the year ending 31 March 2023.

The Council prepares a five-year revenue budget as part of its medium-term financial planning. The budget strategy for 2021/22 to 2025/26 was prepared with the aim to deliver the Council's service delivery objectives outlined in its 3-year plan. These forecasts are updated throughout the year to give the Council a clear view of the forthcoming financial challenges and consider the fall in government funding. The Council has consequently identified significant budget reductions over the period 2021-22 to 2025-26. Due to the financial pressures the Council is facing, it needs to identify significant savings or deliver income growth over the medium term to balance the budget, particularly if it wants to deliver on its service delivery objectives. The current financial strategy including the savings strategy includes plans to:

- Increase income from commercial services
- Dispose assets and reduce the costs associated with the capital programme.
- Increase income from the commercial property portfolio
- Reduce the costs associated with housing need through prevention and better commissioning
- Reduce costs through business efficiency and digital investment

Each year, a detailed schedule of the individual savings proposals is prepared and built directly into the budget. It is then monitored through the Council's Committee structure to take corrective action where necessary.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to plan and manage its resources to ensure that it can continue to deliver its services. However, the Council will need to fully fund the housing improvement plan required in response to its self-referral to the Regulator of Social Housing, and this funding will need to be included within its financial planning arrangements.



Value for Money (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

The Council continues to maintain adequate arrangements to monitor and assess risk and gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud and corruption. The Council's risk management framework guides the development of risk and opportunity management at a strategic and operational level and to ensure that risks are appropriately managed and controlled. This aids the achievement of the Council's strategic priorities, supports its decision-making processes, and protects its reputation and other assets and is compliant with statutory and regulatory obligations. These risks are identified as a routine process of all services and these are regularly reviewed and updated. This risk management framework is supported and informed by the work of the Council's Internal Audit function.

Primary oversight of the risk management framework is the responsibility of the Council with some aspects delegated to the Joint Audit & Governance Committee and Joint Strategic Committee. These committees meet on a regular basis during which key issues are raised and addressed with effective challenge from members. All decisions of the Council and these Committees are accompanied by a detailed report which details the rationale for the decision, the options considered, legal advice and financial advice. Under the constitution, all decisions may be called in by members for review prior to implementation on specific grounds. These reviews are the purview of the Overview and Scrutiny Committee.

The Council has implemented systems to ensure conflicts of interest are identified, recorded and acted upon accordingly, excluding anyone from decision-making where a conflict arises, and making public declaration of interests through its Register of Interests which is published on the Council's website and covers employees and members. Regular training is provided to members on standards issues, so all members are aware of the requirements.

We considered the Council's risk management process in light of the self-referral to the Regulator of Social Housing, and are satisfied that the Council has appropriately reflected the issue in the 21/22 Annual Governance Statement. We therefore conclude that the referral to the Regulator does not represent a risk of significant weakness and there is no risk in respect of the proper arrangements.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to make informed decisions and properly manage its risks.



Value for Money (continued)

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

At the start of the year, the Council's organisational performance management was undertaken via a six-monthly review of the targets, outputs and outcomes described in the Council's Plan. This approach to organisational performance was updated in year following the full delivery of the previous organisational plan (Platforms for Our Places). It was replaced in October 2022 to align with the updated 3-year Corporate Plan. Progress has since continued to be reported to the Joint Overview & Scrutiny Committee. Platform performances are reviewed, and areas of improvement implemented through multidisciplinary and directorate teams that oversee the delivery of council activities under each Platform Priority. The Council's Leadership Team takes overall accountability at an officer level for delivery of Platforms through quarterly Leadership Team Platform performance meetings. Any issues identified by internal audit are monitored via the internal audit service and reported to the Joint Audit & Governance Committee four times a year. Officers not taking sufficient action on these service improvements may be requested to report to the Committee.

Most services have performance information and standards used to compare and assess performance with other councils or with nationally recognised performance frameworks (e.g Housemark, Department of Work and Pensions and national planning indicators). Where a service is identified in need of improvement a transformation team is set up to support service improvement.

The Council has mechanisms to engage with the communities and has developed a consultation policy which reflects the Council's ambition to enable and empower communities to shape the places within which they live and work, influence formal decision making and make informed choices around the services they receive. The Council recognises that to be effective, this policy must inspire and support a genuine two-way dialogue with all sections of the community and other stakeholders. Therefore, in addition to the formal consultation procedures, residents have the option to engage in a dialogue through social media sites, petition schemes, stakeholder forums, tenant associations, council meetings (open to the public), and their local councillor. This process is supported by an established complaints procedure, where results are reported to the Joint Overview & Scrutiny Committee.

The Council continues to work closely with Worthing Borough Council through the Adur and Worthing Joint Committee, and the partnership continues to enable the Council to progress against its corporate plan. The Council also engages in the Safer Communities Partnership and a number of local business partnerships.

Significant weakness

The Council undertook a diagnostic review of compliance with Adur Homes housing stock against relevant Housing Standards, triggered by the Regulator of Social Housing writing to all registered social housing providers. This identified a number of areas where the Council was not compliant with the required standards. Following the Council's self-referral for non-compliance with these standards on 24 February 2023, the Regulator of Social Housing published a regulatory notice on 10 May 2023 noting the Council had breached 1.1 and 1.2 of the Homes Standard.

We have reviewed the Council's arrangements in this area and identified the following points.

The Council's Constitution was refreshed in November 2022 and governance arrangements for council housing are clearly specified. Portfolio holder and officer responsibility is clear, as is the fact that responsibility for the standard of housing sits with the Adur Homes Board and that any matters connected to the provision and maintenance of Council housing stock sits with the Council.



Value for Money (continued)

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

The Joint Overview & Scrutiny Committee (JOSC) appropriately and proactively carried out its role in scrutinising the repairs and maintenance service and set up a Working Group, which first reported in October 2020 and then continued its focussed scrutiny role throughout 2021/22. In addition, Internal Audit undertook relevant work in 2018/19 and 2019/20 and agreed actions with management but not all actions were fully implemented, and some delivery deadlines were pushed out to at least 2022. Joint Audit & Governance Committee (JAGC) records show that Internal Audit was persistent in raising Members' awareness to the fact that actions had not been implemented. By November 2021, the Corporate Risk Register recorded that the Council had recruited a number of post holders with a remit to address the gaps in arrangements, had set up a Task & Finish Group chaired by the Director for Economy, and had put in place processes to cover off checks for fire, water and gas. However, there remained no dwelling asset register or system to enable oversight of the currency of checks and ensure compliance with the full range of RSH requirements into the future.

The investigation carried out by the Director of Communities in winter 2022 identified that governance arrangements were insufficient to ensure council dwellings meet the full range of the Homes Standards. We note that materials available to tenants via the Council's website referenced different aspects of the Homes Standard in different documents, making it difficult for tenants to understand the standards the Council had committed to in terms of the quality and safety of the homes in which they lived.

The Council did not have a robust system in place which enabled it to manage or monitor its compliance with the Homes Standards, including regulatory health and safety checks, for the 2021/22 financial year. While it had some records for some areas of checks (eg electrical checks) for others it appears to have none; nor did it have an overview of the health and safety checks it should have been undertaking, or systems and records for monitoring delivery or planning to address issues arising.

The Council's information on the financial implications of housing compliance and non-compliance was also limited. Specifically, we note the Council had not considered the potential for escalated complaints, or the financial implications of housing compliance / non-compliance in its budgets for the 2021/22 financial year; nor had it made provision for disrepair claims or rectifying the issues leading to claims. However, it appears that the financial implications have been the subject of focus in subsequent financial years. Whilst this demonstrates the Council's recent move to improve governance of the HRA, it also indicates the HRA in 2021/22 was not robust in terms of enabling effective management of council dwellings.

In summary we note that whilst the Council was aware of the Homes Standards, and had work going on to ensure compliance, it had not effectively collated the information in such a way which enabled it to evaluate the services it provided to its tenants and therefore had not assessed its performance or identified areas for improvement in the year under review.

Conclusion: Based on the work performed, the Council had a significant weakness in its arrangements for how the body evaluates the services it provides to assess performance and identify areas for improvement.

We recommend the following action is taken to address the weakness:

- Assign responsibility for understanding and ensuring compliance with the full breadth of the Housing Standards as they will apply to the Council going forwards. This should include understanding the potential liabilities and penalties for non-compliance.
- Establish arrangements and responsibility which enable the Council to adhere to its commitments in its current housing improvement plan.
- Expand the housing improvement plan to cover the full breadth of the Regulator's current and planned Standards and appropriately factor the associated costs into the Medium Term Financial Strategy and Housing Revenue Account, and the potential risks to the risk register.

Appendices



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Appendix A – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

Findings

The Council's service delivery objectives for 2022-2025 have been set out in their strategic plan titled "Our Plan" and forms the basis of the Council's strategic planning, including its short-term and medium-term financial plans. In this document, the Council sets out:

- It's purpose
- How they work
- Their principles
- Their foundations
- Their missions.

The Council prepares an annual revenue budget as part of its short-term financial planning. The 2021/22 and 2022/23 revenue budgets were set as a balanced budgets and compiled within the context of the Government's Comprehensive Spending Review, the Chancellor's Budget, and the local government settlement. There has been a significant decline in overall government income in recent years with increasing amounts of income being generated locally through council tax, business rates, fees and charges, and income from commercial property.

In addition to the national context, the Council's budget strategy has also taken account of pressures and risks such as inflation; income generated by the Council which may be affected by lack of demand; impact of increasing demand for such services as homelessness; and withdrawal of funding by partners, potentially losing funding for key priorities.

The Council held a working balance and other earmarked reserves to help mitigate these risks. The Council's budget strategy supports them in meeting these challenges through the following four major work streams: developing commercial income; investing in property; tackling homelessness and delivery of a new customer and digital strategy.

The Council also continued to pursue savings through efficiency reviews, procurement, and base budget reviews. These initiatives have resulted in underspend of £183,000 compared to the budget for the year ending 31 March 2022 and an overspend of £10,000 for the year ending 31 March 2023.

Following the Councils self-referral to the Regulator of Social Housing, and the identification of improvements required to the standard of the Councils housing stock, the Council will need to ensure that the cost of these improvements is fully incorporated and funded within both their short-term and medium term financial planning.

Appendix A – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria

Findings

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Council prepares a five-year revenue budget as part of its medium-term financial planning. This budget strategy covers 2022/23 – 2026/27 and was prepared with the aim to continue delivering the Council's service delivery objectives as discussed above. These forecasts were further updated in-year giving the Council a clear view of forthcoming financial challenges and taking into account pressures such as the fall in government funding and the impact of the pandemic on the Council's financial outlook.

Achievement of revenue and capital budgets were further monitored in-year with quarterly finance reporting thereon to the Joint Strategic Committee. Areas of concern in these quarterly reports are subject to scrutiny that culminate into the revenue and capital outturn reports that are approved by the Joint Strategic Committee and subsequently adopted by the Joint Overview and Scrutiny Committee.

The 2021/22 and 2022/23 revenue outturn report reflects the efficiency of these in-year monitoring measures as the Council contained expenditure within the original budget levels despite facing a range of unforeseen additional costs not originally budgeted for. These initiatives have resulted in underspend of £183,000 compared to the budget for the year ending 31 March 2022 and an overspend of £10,000 for the year ending 31 March 2023.

How the body plans to bridge its funding gaps and identifies achievable savings

Due to the increasing financial pressures the Council needs to identify significant savings or deliver income growth over the next 5 to 10 years to balance the budget and ensure delivery on its service delivery objectives.

The savings process followed for the development of the budget entails the following four stages:

- Directors are responsible for identifying proposals aimed at meeting a significant proportion of the savings targets;
- A "Budget Reference Group" consisting of joint executives consider these proposals and potential impact on delivery of the Council's priorities;
- These savings proposals are then presented to the Joint Overview & Scrutiny Committee for consideration. The Joint Overview & Scrutiny Committee may also add to the list of proposed savings with additional proposals as considered appropriate; and
- Consideration by the Joint Strategic Committee of which savings proposals are to be implemented to fund the budget shortfall.

Once these budgets have been set and approved, they are monitored throughout the financial year by the Chief Financial Officer and reported on quarterly to the Joint Strategic Committee as discussed above.

Appendix A – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria

Findings

How the body plans to bridge its funding gaps and identifies achievable savings

The 2022/23 budget was approved as a balanced budget by the Council on 31 January 2022 and identified the budget gaps over the medium term that needed to be addressed. The financial strategy, including the savings strategy includes plans to:

- Increase income from commercial services
- Dispose assets and reduce the costs associated with the capital programme.
- Increase income from the commercial property portfolio
- Reduce the costs associated with housing need through prevention and better commissioning
- Reduce costs through business efficiency and digital investment

Each year, a detailed schedule of the individual savings proposals is prepared and built directly into the budget. It is then monitored through the regular budget monitoring process, although reporting to Committee is at a higher level such that figures are not explicitly included.

For 2021/22, the savings target totalled £1,291,650. This was fully achieved. For 2022/23 the savings target decreased significantly to £168,210, which was fully met.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council has detailed its service delivery objectives detailed in its Corporate Plan. This forms the basis for its strategic and statutory priorities on which its short-term and medium-term financial plans are developed.

Progress towards achieving these objectives are monitored by the Corporate Leadership Team throughout the year. Bi-annual reporting on this progress is presented to Joint Strategic Committee with remedial actions discussed and actioned where necessary.

Short-term and medium-term financial plans detail the likely costs associated with the Council's strategic and statutory priorities; identifies any budget gaps that may arise from reduction in government funding; and planned savings strategies to bridge any gaps between available funding from taxation and the cost of services.

Any new service investment made must meet either objectives within the corporate plan or be a new statutory obligation.

Appendix A – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria

Findings

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The Council develops an annual capital investment strategy as part of its short-term and medium-term financial planning process. This is approved by the Council alongside its revenue budget. This investment strategy is also aligned to the Council's Corporate Plan and identifies capital investments required to achieve its set service delivery objectives. This capital plan determines the cost of financing required capital along with any other financial impact. The revenue budget is also updated to reflect the impact to deliver this capital programme.

The 2022/23 to 2025/26 Capital Programme identified capital expenditure planned over the medium term and their sources of financing which is also aligned to its 2022/23 revenue budget.

Government initiatives have placed emphasis on partnership working for service delivery to help meet the changing needs of customers and the cost savings authorities need to find. To achieve this goal Adur District Council and Worthing Borough Councils are part of an innovative partnership arrangement. A shared single officer structure was introduced in April 2008 and includes all of the services that were intended to operate as shared Adur & Worthing services. These shared services are managed via a Joint Committee which must meet all the accounting requirements of a public sector body. For accounting purposes, the following key processes apply:

- The Joint Strategic Committee has a separate budget;
- As each service moved across from Adur and Worthing to the Joint Strategic Committee their respective budgets and spend were pooled; and
- The net expenditure within the Joint Strategic Committee is recharged back to Adur and Worthing Councils.

The Council's financial planning process also considers the impact of this partnership working when setting its short-term and medium-term financial plans. This is inherently part of the Councils' operations for which a separate partnership budget has been developed. Each constituent Council's budget also includes the costs from partnership budgets.

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

The Council manages its financial resilience risk through the following implemented measures:

- It publishes detailed short-term and medium-term financial plans that are aligned to its Corporate and includes actions to ensure financial sustainability;
- In-year monitoring of these financial plans to identify and incorporate any unplanned changes in underlying assumptions of the Council's plans as explained above;
- Reporting of financial performance against above set financial plans on a quarterly basis to the Joint Strategic Committee; and
- Risk management processes to identify, monitor and address risks.

Appendix A – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

Findings

The Council has established a Risk and Opportunity Management Strategy for the 2021-23 period which leads on from the previous version which covered the 2018-20 period. This purpose of this strategy is to serve as framework for the delivery of the risk and opportunity management function and to provide guidance on developing risk and opportunity management as a routine process for all services.

Risk and management opportunities identified are monitored in-year with quarterly reporting to the Joint Audit & Governance Committee. A risk relating to continued pressures on the Council's finances has been identified and included in the Council's risk register as a very likely risk with a major impact for both of the 2021/22 and 2022/23 years. The Council continues to implement remedial actions that lead to the setting of a balanced budget in future periods, including the short and medium terms as demonstrated by the relevant forecasts. Despite this, management remains acutely aware of the financial pressures on the Council and each detailed budget includes measures to look to balance the budget without consistent reliance on the limited reserves held.

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

Findings

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council's Constitution directs how it operates, decisions are made and the relevant procedures to ensure that these decisions are efficient, transparent and accountable to local people. Areas of potential change are identified, and the Constitution is amended accordingly, which has been evidenced by the recent updating of its constitution in June 2023.

The Council has a risk management framework which guides the development of risk and opportunity management at a strategic and operational level and to ensure that they are appropriately managed and controlled. This aids the achievement of the Council's strategic priorities, supports its decision-making processes, protect its reputation and assets, and ensures compliance with relevant statutory and regulatory obligations. These risks are identified as a routine process of all services and are regularly reviewed and updated. All significant risks (defined as something that may result in failure in service delivery, significant financial loss, non-achievement of key objectives, damage to health, legal action or reputational damage) must be logged on a Corporate Risk Register, profiled (as high/medium/low), and mitigating measures/assurances must be put in place. These risks are regularly monitored and reported in-year to the Council Leadership Team, Joint Audit & Governance Committee, and Joint Strategic Committee to ensure that progress in addressing these risks is monitored throughout each year.

Following the Council's self-referral to the Regulator of Social Housing, the Council will need to ensure that its risk register has properly incorporated those risks relating to the condition of its housing stock and to the resulting housing improvement plan. It then needs to ensure the supporting risk assessment procedures continue to support the assessment and assurance over this risk areas.

The Council has an internal audit service in place which provides information regarding the effectiveness of the internal control environment and its arrangements to prevent and detect fraud. In-year quarterly reporting by internal audit to the Joint Audit & Governance Committee ensures that efficient and effective assurance arrangements are in place to assist the management of risk and performance.

The Council furthermore has a fraud team in place to investigate fraud and carry out verification work on issues such as Council Tax discount and investigations into NFI matches.

How the body approaches and carries out its annual budget setting process

The annual budget process including the related responsibilities and procedures are set out in the Council's Constitution. The annual service planning and budgeting process seeks to reconcile corporate and business plans, and strategies with the relevant resources which includes the finance department. This process commences with a series of strategic initiatives with inputs from various stakeholders. Similar to the establishment of its Medium-Term Financial Plan (MTFP) and Medium-Term Capital Strategy, the Council has an implemented budgeting system which allows for the alignment of its annual budget to the priorities and commitments in its Corporate Plan.

The Council refreshes the MTFP and agrees the budget strategy for the forthcoming year in July. Managers are then tasked to review their budgets for its appropriateness and to confirm details for additional income or savings plans through a detailed financial planning exercise. Subsequently, the overall savings plan is checked and consulted on

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria	Findings
How the body approaches and carries out its annual budget setting process (contd).	prior to initial consideration by the Joint Overview and Scrutiny Committee in December and then subsequent approval by the Joint Strategic Committee in the following January, which also includes an updated MTFP. The Council will then consider the overall budget and options for Council Tax setting which is then subject to approval by the respective Councils in February.
How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed	<p>The Council's processes and systems in place to ensure budgetary control have been set out in its Constitution. Each budget line has been assigned a budget manager who is responsible for managing the related budget. Monthly budget monitoring packs are produced and shared with managers to assess current financial performance shortly after each month end. Financial officials meet with budget managers to review related budgets and identify both areas of financial pressure and underspending. The Council may also hold a series of contingency budgets which are available to meet pressures identified if needed.</p> <p>The Corporate Leadership Team further produces and evaluates monthly reports on the financial performance of the Council to identify emerging issues. This feeds into the quarterly reporting of the revenue and capital budgets to the Joint Strategic Committee. This budget management process is also subject to regular internal audit review to ensure that the system is fit for purpose.</p> <p>The efficiency of these controls is evidenced by the overall outturn position of position of £183,000 underspend for 2021/22 and a £10,000 overspend for 2022/23.</p>
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee	<p>Primary oversight is the responsibility of the Council with some responsibilities delegated to Joint Audit & Governance Committee and Joint Strategic Committee. These committees meet on a regular basis during which key issues are raised and addressed with effective challenge from members. All Council and Committee decisions are accompanied by a detailed report which details its rationale, the options considered, legal advice and financial advice. A set corporate template is also used to ensure that all of advice needed to make a decision is provided. Under the constitution, all decisions may be called in by members for review prior to implementation on specific grounds. These reviews are the purview of the Overview and Scrutiny Committee.</p> <p>To allow for transparency, the Council also ensures that it publishes relevant information relating to salaries, business interests and performance data on its website; has a procurement team who provide advice and issue clear guidelines for procuring goods and services; publishes information to the Council and its Committees as part of established accountability mechanisms; prepares an Annual Governance Statement; and prepares a Corporate Plan as discussed above.</p> <p>The Council is furthermore committed to the publication of transparent performance information on its website, which includes: budget reports; operational performance reports; a Medium-Term Financial Plan; a Corporate Plan; Statement of Accounts; Annual Governance Statement; and Information as required under the Local Government Transparency Code.</p>

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

Findings

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee (contd).

There is also evidence of good arrangements in place to monitor the implementation of internal audit recommendations by the Joint Governance Committee. Internal audit progress reports are presented on a quarterly basis throughout the year to monitor implementation of recommendations by internal audit and to implement corrective actions where necessary.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

The roles of both members and officers of the Council are outlined in the Code of Conduct included within its Constitution and is approved by the Joint Audit & Governance Committee.

If any member breaches the Code of Conduct, there is a resolution and complaints process administered by the Council's Monitoring Officer and potentially involving a hearing of the sub-Committee of the Joint Audit & Governance Committee.

The Council is transparent about how decisions are taken and recorded by:

- Ensuring that decisions are made in public and recorded. Those decisions and relevant information are publicly available (except where that information is exempt under the provisions of the Local Government Act or determined as being confidential by Government) and
- Having rules and procedures which govern how decisions are made.

The Council has implemented systems to ensure conflicts of interest are identified, recorded and acted upon accordingly, excluding anyone from decision-making where a conflict arises, and making public declaration of interests through its Register of Interests which is published on the Council's website and covers employees, governing body members and members of panels/committees and sub-committee.

The Council maintains a register of member interests which is available to the public and published on its website.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

Regular training is provided to members on standards issues ensuring that all members are aware of the requirements. Each member and officer are also expected to complete a return on any gifts of hospitality.

The Council has a published Whistleblowing Policy and provides protection to individuals raising concerns. This policy is periodically reviewed in line with guidance.

The Council also ensures that effective, transparent and accessible arrangements are in place for dealing with complaints. The website contains guidance for submitting complaints against the Council by the public and processes are in place to progress any complaints that are made.

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria

How financial and performance information has been used to assess performance to identify areas for improvement

Findings

Organisational performance management is undertaken through a six-monthly review of the targets, outputs and outcomes described in the Council's Plan. Information is gathered through various performance management arrangements to produce the "6 monthly Platforms Performance Report" and is presented to the Joint Strategic Committee and Joint Overview & Scrutiny Committee bi-annually.

Platform performances are reviewed, and areas of improvement implemented through multidisciplinary and directorate teams that oversee the delivery of council activities under each Platform Priority. The Council's Leadership Team takes overall accountability at an officer level for delivery of Platforms through quarterly Council Leadership Team Platform performance meetings.

This process halted in year following the full delivery of the previous organisational plan titled "Platforms for Our Places" and was replaced in October 2022 with the updated 3-year Plan. Progress continued to be reported to the Joint Overview & Scrutiny Committee.

Each head of service works within the above arrangements and is responsible for assisting in the process of both identifying and addressing areas of improvement within their service areas. Where services are linked and have shared Platform outcomes, officers deliver performance improvements through multidisciplinary arrangements. These performance arrangements described above are integrated with financial management and budget forward planning arrangements.

Any issues identified by internal audit are furthermore monitored via the internal audit app and reported to the Joint Audit & Governance Committee four times a year. Officers not taking sufficient action on these service improvements may be requested to report to the Committee.

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria

Findings

How the body evaluates the services it provides to assess performance and identify areas for improvement

The Council's service delivery objectives are detailed in its 3-year Corporate Plan. Most services have performance information and standards used to compare and assess performance with other Councils or with nationally recognised performance frameworks (e.g Housemark, DWP, national planning indicators).

Internal audit and customer feedback are also used to inform which services require improvement. Where a service is identified in need of improvement a transformation team is set up to support service improvement.

The Council undertook a diagnostic review of compliance with Adur Homes housing stock against relevant Housing Standards, triggered by the Regulator writing to all registered social housing providers. This identified a number of areas where the Council was not compliant with the required standards. Following the Council's self-referral for non-compliance with these standards, the Regulator of Social Housing published a regulatory notice on 10th May 2023 noting the Council had breached 1.1 and 1.2 of the Homes Standard.

The Council was aware of the Homes Standards, and had work going on to ensure compliance, but it had not effectively collated the information in such a way which enabled it to evaluate the services it provided to its tenants and therefore had not assessed its performance or identified areas for improvement in the year under review.

This issue is evidence of weaknesses in proper arrangements for how the body evaluates the services it provides to assess performance and identify areas for improvement.

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Council has developed a consultation policy which reflects its ambition to enable and empower communities to shape the places within which they live and work, influence formal decision making and make informed choices around the services they receive. This policy is available on the Council's website.

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria

Findings

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve (cont)

To be effective this policy aims to inspire and support a genuine two-way dialogue with all sections of the community and other stakeholders. There are several ways people can get involved and connect with the council. Residents have the option to engage in a dialogue through social media sites, petition schemes, stakeholder forums, tenant associations, council meetings (open to the public), and their local Councillor.

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

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

The Council operates one significant partnership (Adur & Worthing Joint Committee) although it participates in other partnerships across the Council. There is a governance framework for the Adur / Worthing partnership whereby decisions are made through a series of joint committees. This is set out in the Council's Constitution. There are also separate budget and management accounts for the Joint Committee which is reported as part of the overall budget monitoring and outturn processes.

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

The Councils have published Contract Standing Orders as part of its Constitution which detail how it procures services. The Council also has a team of qualified procurement officers supplemented by support from the larger procurement team at Orbis.

In line with the above-mentioned standing procedures, any procurement over £25,000 must be referred to the Council's procurement team to ensure that the proposed procurement will deliver the expected outcome, and to ensure that the Council is complying with relevant legislation. All contracts are referred to legal, who will ensure that the procurement process has been complied with prior to approving the form of contract. The Council will also commission external expert advice where a proposed procurement is particularly complex or difficult.

Appendix B – Summary of all recommendations

Recommendations

The table below sets out all the recommendations arising from the financial statements audit in 2021/22. There were no recommendations in respect of the Value for Money audit. All recommendations have been agreed by management.

Issue	Recommendation	Management Response
<p>Financial statements:</p> <p>Three recommendations were raised in respect of the Council's approach to the valuation of its land and buildings.</p>	<ol style="list-style-type: none"> 1) We recommend that management should change the approach of selecting one class of an asset for valuation each year, to an approach where a selection of assets from each category are valued each year, covering the full portfolio of assets at least once every 5 years. 2) We recommend that the Council's management team undertake a detailed review of the Wilks Head & Eve valuation report to gain assurance that the calculations accurately reflect the timing of the rent uplifts 3) We noted 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. We recommend the Council continue to challenge this approach when taken by their specialist valuer. 	
<p>Value for Money: Improving economy, efficiency and effectiveness.</p>	<ol style="list-style-type: none"> 1) Assign responsibility for understanding and ensuring compliance with the full breadth of the Housing Standards as they will apply to the Council going forwards. This should include understanding the potential liabilities and penalties for non-compliance. 2) Establish arrangements and responsibility which enable the Council to adhere to its commitments in its current housing improvement plan. 3) Expand the housing improvement plan to cover the full breadth of the Regulator's current and planned Standards and appropriately factor the associated costs into the Medium Term Financial Strategy and Housing Revenue Account, and the potential risks to the risk register. 	

Appendix C – Fees

Fees

We carried out our audit of the Council's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)". As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks and areas of audit focus in relation to:

- Significant risk: Inappropriate capitalisation of revenue expenditure
- Significant risk: Valuation of Land and Buildings in Property, Plant & Equipment (PPE) under Existing Use Value (EUUV) or Fair Value (FV) and Asset Held For Sale under Fair Value (FV)
- Significant risk: Valuation of Investment Properties under Fair Value
- Area of audit focus: Valuation of Land & Buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost
- Area of audit focus: Infrastructure assets
- Area of audit focus: Pension liability valuation
- Area of audit focus: Going Concern disclosure

As a result, we have discussed an associated additional fee with the Chief Financial Officer which remains subject to approval by PSAA Ltd.

Description	Final Fee 2021/22	Planned Fee 2021/22	Final Fee 2020/21
	£	£	£
Total Audit Fee – Code work	TBC	TBC	82,964
Non-audit work	TBC	TBC	40,030

For 2021/22 the scale fee has been re-assessed to take into account those risks and areas of audit focus outlined above and the associated additional work to address the increase in Regulatory standards.

We confirm we have/have not undertaken any non-audit work with the exception of the certification of the Councils Housing Benefit claim.

We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO.

Appendix C – Fees

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 previous page includes a summary of the fees that you have paid to us in the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute.

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, with the exception of the certification of the Councils Housing Benefit claim.

We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO in May 2020.

We confirm that we have not undertaken any other non-audit work.



Appendix D – Certificate

Certificate

We have performed the procedures required by the National Audit Office on the Whole of Government Accounts (WGA) submission. However, the rights and requirements of the NAO can extend beyond the revised thresholds of £2bn set by HM Treasury, which do not prejudice the rights of the NAO. As group auditor, the NAO WGA team will consider the revised HM Treasury thresholds alongside HM Treasury's developing analytical review controls and may require assurances from auditors of components who are below the HM Treasury thresholds.

In previous years, the existence of the HM Treasury thresholds has meant that in many instances the work that the NAO WGA team would have otherwise directed non-significant components to undertake in line with ISA 600 had already been carried out. The increase in HM Treasury's local government threshold in 2020-21 means that there is a risk the NAO WGA team require some assurances from auditors of bodies below the new limit. Consequently, we cannot issue our certificate for 2021/22 until confirmation on the above-mentioned has been received from the NAO.

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EY-000070901-01 (UK) 07/18. CSG London.

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