

11 March 2024

**NOTE:** There will be limited public access to observe the meeting. Those wishing to do so must reserve a seat by completing a [Registration Form](#) by 4pm on the working day prior to the meeting. Access is also available via a live stream through the [Mid Sussex District Council's YouTube](#) channel.

Dear Councillor,

A meeting of **AUDIT COMMITTEE** will be held in the **COUNCIL CHAMBER** at these offices on **TUESDAY, 19TH MARCH, 2024 at 7.00 pm** when your attendance is requested.

Yours sincerely,  
KATHRYN HALL  
Chief Executive

#### **A G E N D A**

	<b>Pages</b>
1. To receive apologies for absence.	
2. To receive Declarations of Interest from Members in respect of any matter on the Agenda.	
3. To be agreed by general affirmation the Minutes of the previous meeting held on 28 November 2023.	<b>3 - 8</b>
4. To consider any items that the Chairman agrees to take as urgent business.	
5. External Audit - Financial Statements 2022/23.	<b>9 - 42</b>
6. Internal Audit Strategy and Proposed Operational Plan 2024/25.	<b>43 - 54</b>
7. Strategic Risks 2024/25.	<b>55 - 72</b>
8. Annual Governance Statement 2023/24.	<b>73 - 78</b>
9. Audit Committee Work Programme 2023/24.	<b>79 - 80</b>

10. Questions pursuant to Council Procedure Rule 10.2 due notice of which has been given.

To: **Members of Audit Committee:** Councillors S Hicks (Chairman), R Bates (Vice-Chair), J Belsey, L Carvalho, C Cherry, R Clarke and M Cornish

## **Minutes of a meeting of Audit Committee held on Tuesday, 28th November, 2023 from 7.00 pm**

**Present:** S Hicks (Chairman)

L Carvalho

R Clarke

M Cornish

**Absent:** Councillors R Bates, J Belsey and C Cherry

**Also Present:** Councillor Cooke

The Committee agreed that Councillor Cornish would take the role of Vice-Chairman for the duration of this meeting, in the absence of Councillor Bates.

**1. TO RECEIVE APOLOGIES FOR ABSENCE.**

Apologies were received from Councillors J Belsey, Bates and Cherry.

**2. TO RECEIVE DECLARATIONS OF INTEREST FROM MEMBERS IN RESPECT OF ANY MATTER ON THE AGENDA.**

None.

**3. TO BE AGREED BY GENERAL AFFIRMATION THE MINUTES OF THE PREVIOUS MEETING HELD ON 18 SEPTEMBER 2023.**

The Committee agreed the minutes and they were signed by the Chairman.

**4. TO CONSIDER ANY ITEMS THAT THE CHAIRMAN AGREES TO TAKE AS URGENT BUSINESS.**

None.

**5. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2024/25 TO 2026/27.**

Louise Duffield, Director of Resources and Organisational Development introduced the item noting that it is an annual statement to be recommended to Council for approval as part of the budget setting process.

Joseph Saville, Adur & Worthing Councils provided further context, noting that the strategy follows an approach of low risk, security and pursuing yield. The paper at Agenda Item 6 bears out that this strategy has the right approach. He noted a recommendation to introduce Lloyds Bank on the corporate market list of approved counterparties, and in terms of Environmental, Social and Governance factors this is an ongoing process with a focus on divesting of unwanted investments as the market develops.

Members discussed the potential for a higher risk investment approach. Currently, high-yield short-term investments are secured when cashflow can be predicted. However as the Council is a collection authority with a highly variable balance, higher risk investments present the possibility of losing capital investment.

In response to a Member's query, the Director agreed to provide further clarity on the figures presented in the report relating to p.12 and p.24 (the 2023/24 estimate and general funding). Confirmation was also given on the specified investment limits with other Local Authorities.

Discussion was held on the Environmental, Social and Governance factors. Members expressed a wish to strengthen the ESG commitment within the strategy to match what has been proposed in other work around sustainability. Officers agreed to review this for a future meeting. Discussion also focused on the continuing need to explore suitable new places to invest based on their ESG policies, as well as the need to divest from inappropriate money market funds.

The Chairman took Members to a vote on the recommendations, which were agreed with 4 in favour.

## **RESOLVED**

The Audit Committee considered the draft Strategy, provided any feedback it felt appropriate, and recommends to Council for approval:

- (i) the proposed Treasury Management Strategy Statement (TMSS) for 2024/25 and the following two years,
- (ii) the Annual Investment Strategy (AIS) and the Minimum Revenue Provision Statement (MRP) as contained in Sections 4 and 2.3 respectively of the report;
- (iii) the proposed amendments to the specified and non-specified investment appendices;
- (iv) the Prudential Indicators contained within this report.

## **6. REVIEW OF TREASURY MANAGEMENT ACTIVITY 1 APRIL - 30 SEPTEMBER 2023.**

The Director of Resources and Organisational Development introduced the report, acknowledging the proactive working arrangements with Adur and Worthing to carry out short term investments. Treasury Management in-person training is also proposed for Members and will be scheduled in Spring 2024.

The Chairman took Members to a vote on the recommendations, which were agreed with 4 in favour.

## **RESOLVED**

The Committee considered the report, provided appropriate comment and endorsed the contents of the report and its appendices to Full Council.

## **7. INTERNAL AUDIT ANNUAL REPORT 2022/23.**

The Director of Resources and Organisational Development introduced the report, highlighting the positive working relationship with Mazars and the move away from cyclical audits in favour of focus on areas for improvement and development.

Juan Fosco, Mazars provided additional context, noting that two audits relating to ICT have been reprofiled into this year's plan due to capacity restraints. Both are now being delivered at the fieldwork stage. He confirmed that specialists will be assigned to audits where required, including those relating to ICT asset management and IT assurance.

Discussion was held on the timescales to complete the outstanding recommendations on cyber security, which have been put back to 2024. It was confirmed that the Council has been working with the Cabinet on best practice, alongside Mazars recommendations. It is also being actively managed by the Director, People & Commercial Services and the external security provider in the lead up to a contract expiry.

The Chairman took Members to a vote on the recommendations, which were agreed with 4 in favour.

## **RESOLVED**

The Committee received and endorsed the report, providing comments as appropriate.

## **8. CAPITAL STRATEGY 2024/25-2027/28.**

The Director of Resources and Organisational Development introduced the strategy noting two new items are included: the Centre for Outdoor Sports which is now an approved scheme, and the commitment to working with Central Government to access funds by match funding for the Local Authority Housing Fund. This allows the Council to plan for an increase in temporary accommodation. A proposal to create a contingency reserve of £500,000 has also been included as part of the budget setting process.

Discussion was held on the risk around Section 106 funds which are agreed and not yet received. The Committee also sought reassurance that the Q1 and Q2 outcomes are in line with profile targets for these quarters. It was noted that whilst figures will change, it is actively managed and is a realistic estimation on when funds will be allocated.

A question was received in advance of the meeting regarding the additional costs of the food waste programme and other uncommitted expenditure at St Johns Park and Brooklands Park. In response, the Director drew attention to the Parks Masterplan which was presented to a recent Scrutiny Committee. For project to be in the Capital Programme, it needs to be fully funded with an approved business case. Section 106 funds can start to be collected and once all funds are available it can be moved into the delivery stage. Regarding the food waste trial and how it is collected, the budget provides provision for both.

Clarification was provided on the Martlets Temporary Urban Park, which is funded by the UK Shared Prosperity fund. Discussion was also held on the Local Authority Housing Fund for temporary accommodation which is in two phases. It relates to two Government bids, both of which the Council has applied for. In order to spend the funds, the process is underway to identify properties available to purchase that will meet the needs of residents.

The Chairman took Members to a vote on the recommendations, which were agreed with 4 in favour.

## **RESOLVED**

The Committee considered the draft Strategy, provided appropriate feedback and recommends the Strategy for approval by Council at the meeting of 28th February 2024.

### **9. STRATEGIC RISKS 2023-24**

The Director of Resources and Organisational Development introduced the report, noting that the District Plan and Cyber Security remain listed as ongoing risks. Financial Independence has been added as an additional strategic risk, with details provided on the landscape in which the Council is operating and the proposed mitigations.

Discussion was held on the timescales to address identified risks, noting that some elements of the strategic risks are either out of the Council's control or are ongoing. A separate operational risk log is also maintained and reviewed by the Chief Executive. The Committee considered the inflation risk, noting that the capital market is a difficult place to operate due to financial risk and labour and material shortages. A Working Group considering the budget has been looking at inflation risks from a capital point of view and although there are a number of inflation pressures, it was noted that the Council is a well-managed Local Authority and in a better treasury management position than many neighbouring Authorities.

The Chairman took Members to a vote on the recommendations, which were agreed with 4 in favour.

## **RESOLVED**

The Committee

- (i) Considered and endorsed the Strategic Risks for 2023-24 and management plans set out at Appendix A; and,
- (ii) Considered and endorsed the Mid Sussex District Council Strategic Risk Management Policy, as set out at Appendix B providing any feedback it deems appropriate to Cabinet.

### **10. AUDIT COMMITTEE WORK PROGRAMME 2023/24.**

Louise Duffield introduced the report with the recommended programme of work for the remainder of the financial year.

The Chairman took Members to a vote on the recommendation which was agreed unanimously.

## **RESOLVED**

The Committee noted the contents of the report and approved the Work Programme as set out in paragraph 7 of the report.

**11. QUESTIONS PURSUANT TO COUNCIL PROCEDURE RULE 10.2 DUE NOTICE OF WHICH HAS BEEN GIVEN.**

None.

The meeting finished at 7.47 pm

Chairman

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## EXTERNAL AUDIT - FINANCIAL STATEMENTS 2022/23

REPORT OF: DIRECTOR OF RESOURCES AND ORGANISATIONAL DEVELOPMENT  
Contact Officer: Assistant Director of Corporate Resources (and S151 Officer)  
Rachel Jarvis, Email: [rachel.jarvis@midsussex.gov.uk](mailto:rachel.jarvis@midsussex.gov.uk) Tel: 01444 477244  
Wards Affected: N/A  
Key Decision: No  
Report to: Audit Committee  
19 March 2024

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### Purpose of Report

This report sets out to update the Audit Committee on the issues with External Audit and the impact on the 2022-23 Financial Statements.

### Summary

4. The Audit Committee will be aware following the letter from Minister Hoare of 9 January (attached at Appendix A) that was previously circulated to the Committee, that the external audit sector is experiencing an unprecedented crisis regarding the delivery of local government audits. While subject to consultation, the outcome of which is awaited, the date of September 30 this year is set to be fixed as a 'backstop' to clear the backlog of outstanding audits. It aims to reset the system.

Therefore, by 30 September 2024, all 2022/23 Financial Statements will need to be published. In order to catch up on work, Ernst & Young (EY) has advised that they will be reducing the scope of the 2022/23 audit to just a Value for Money (VFM) Audit. This is a standard approach being planned across the Audit sector. As the consultation stands this would result in a disclaimed audit being issued. The wording to describe this is part of the current national consultation. Broadly this will note that the closing balance in the accounts has not been independently tested, though it will have been subject to the same rigour as is always undertaken when preparing our accounts.

5. If the consultation concludes as expected in late spring / early summer with no changes to the proposals, the council will bring its Financial Statements to Audit Committee in early September with this disclaimer from EY. This disclaimer will then unravel over the next two or three audits as the audit process rebuilds assurances, this is because opening and closing balances will formally be tested externally as well as internally.
  6. This approach is national in nature and not unique to Mid Sussex District Council. Further, we are pleased that this will only affect us for one year, where other local authorities have a larger number of backlogged accounts.
  7. EY has provided the council with its interim VFM report for 2022/23, which is provided at Appendix B. This is not a final report for the year, which can only be completed via the Auditor's Annual Report. For example, it excludes the fee aspect of the report which is yet to be resolved by the Public Sector Audit Appointments (PSAA) who are currently reviewing the fees given the reduced level of work. However, there is no expectation the conclusions within the VFM report will change.
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## Recommendations

6. **The Audit Committee is recommended to:**
    - i. **Agree the Value for Money Report;**
    - ii. **Note the trajectory for the External Audit situation nationally and the impact for Local Authorities.**
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## Background

7. The VFM audit of the Statements for the financial year 2022/22 is now concluded and the outcome is presented at Appendix A. There will be no further audit work undertaken by EY on the Financial Statements for 2022/23.
8. The council is in a better position than most having concluded the audit of its 2021/22 accounts in September 2023. At 31 December 2023, the backlog of outstanding audit opinions stood at 771 nationally [DLUHC – Local audit delays: joint statement on update to proposals to clear the backlog and embed timely audit, 8 February 2024].
9. The national issues in local public sector audits have been summarised in the recent reviews by the National Audit Office (NAO), the Public Accounts Committee, and the Redmond Review.
10. The NAO is proposing changes to the Code of Audit Practice to require local authorities to comply with the backstop date. To facilitate this, it is proposed External Auditors are permitted to provide a single commentary on value for money arrangements on all outstanding years up to and including 2022/23. For the council, this is only the 2022/23 Financial Statements, with the requirement to produce delay notices being withdrawn.
11. The introduction of the 'backstop' date is intended to allow those who prepare and audit local authority accounts to focus on more current financial periods. It has been noted that the disclaimed opinion caused by the introduction of backstop dates and those that indicate significant financial reporting or financial management issues need to be clear. In their cross system joint statement with the National Audit Office (NAO), the Financial Reporting Council (FRC), PSAA and CIPFA, DLUHC have advised that communications will be issued that explain what the different types of modified opinions mean so that local authorities like the council are not unfairly judged based on modified opinions that are beyond their control.

## Financial Implications

12. None

## Risk Management Implications

13. None

## Equality and Customer Service Implications

14. None

## Other Material Implications

15. None

## Sustainability Implications

16. None

**Appendices**

- Appendix A – Letter from Minister Hoare – 9 January 2024
- Appendix B – Interim Value for Money Report

**Background Papers**

None

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Department for Levelling Up,  
Housing & Communities

**Simon Hoare MP**  
Minister for Local Government  
2 Marsham Street  
London  
SW1P 4DF

Clive Betts MP  
Chair, Levelling Up, Housing and Communities Committee  
House of Commons  
London  
SW1A 0AA

9A

January 2024

*Dear Clive*

Thank you for your considered report on *Financial Reporting and Audit in Local Authorities*, published by the Levelling Up, Housing and Communities Committee on 24 November 2023.

The Government recognises the vital role played by our systems of local authority financial reporting and audit. Accurate and independently audited financial information, delivered on time, enables local bodies to effectively plan, make informed decisions and manage their services. This aids transparent and accountable local democracy which engenders public confidence and trust.

In July my predecessor, Lee Rowley MP, wrote to you providing a cross-system statement on proposals to clear the backlog of local audits. He set out that there exists a shared resolve and commitment amongst the organisations which comprise the local audit system to take action to tackle the exceptional circumstances of the current backlog and ensure a return to timely delivery of high-quality financial reporting and external audit in local bodies. This resolve remains strong and considerable. Detailed development of the proposals, alongside engagement with stakeholders across the sector, has taken place since the Summer. I am pleased that the Committee have acknowledged that "*a resetting of the system through a limited series of statutory deadlines... represents a necessary first step...*".

I can now confirm that the Department, supported by the FRC, alongside the National Audit Office, will launch consultations on these proposals soon. Our proposals will include an initial backstop date for local authorities and auditors of 30 September 2024 for all outstanding local audits in England up to and including the financial year 2022-23. Subject to the outcome of the consultations on necessary legislative changes as well as changes to the Code of Audit Practice, we intend to bring forward legislation to implement the backstop proposals. While these consultations take place, preparers and auditors should continue undertaking existing work to produce and audit local authority financial statements to ensure the system is in the best place possible to implement any final package of measures.

The Government is carefully considering the Committee's report, and its content is helping to inform our work with key system partners to develop solutions to the challenges in the local authority financial reporting and audit system. The Committee's report makes a wide range of recommendations for both the backlog and the future of local financial reporting and audit and I agree that important questions concerning systemic challenges must be addressed.

**SIMON HOARE MP**  
Minister for Local Government

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# Mid Sussex District Council

## Value for Money report

Year ended 31 March 2023

March 2024



Mid Sussex District Council  
Oaklands  
Oaklands Road  
Haywards Heath  
West Sussex  
RH16 1SS

8<sup>th</sup> March 2024

Dear Audit Committee Members

2022/23 Value for Money Report

We are pleased to attach our interim commentary on the Value for Money arrangements at Mid Sussex District Council. This commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit year 2022/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. The National Audit Office (NAO) issued a consultation on 8 February 2024 seeking views on changes to the Code of Audit Practice (the Code) to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements. The consultation proposes to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. At this stage, we are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code.

This report is intended solely for the information and use of the Audit Committee and 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 Audit Committee meeting on 19th March 2024.

Yours faithfully

Kevin Suter

Partner

For and on behalf of Ernst & Young LLP

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01 Executive Summary



02 Value for Money Commentary



03 Appendices



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 Audit Committee and management of Mid Sussex District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to Audit Committee and management of Mid Sussex 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 Audit Committee and management of Mid Sussex 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.



BOARDROOM

# 01 Executive Summary



# Executive Summary

## Purpose

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditors provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

The purpose of this interim commentary is to explain the work we have undertaken for the financial year 2022/23 and highlight any significant weaknesses identified along with any recommendations for improvement.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. As part of the NAO consultation issued on 8 February 2024, there is a proposal to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. However, the consultation states that where auditors have begun or already undertaken work that no longer falls under the reduced scope (if agreed once the consultation closes), they may still report on it in accordance with Schedule 4. We are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

The report sets out the following areas which have been assessed up to the point of issuing this interim report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- Findings to date from our planned procedures; and
- Summary of arrangements over the period covered by this report (Appendix A).

We will summarise our final view of the value for money arrangements as part of the Auditor's Annual Report once the audit report has been issued for 2022/23.





# Executive Summary (continued)

## Risks of Significant Weakness

In undertaking our procedures to understand the Council's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with officers; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

We completed our risk assessment procedures and did not identify any significant weaknesses in the Council's VFM arrangements.

As a result, we have no matters to report by exception at this stage of the audit and we will update our interim reporting as part of issuing the final commentary in the Auditor's Annual Report later in the year.

# Executive Summary (continued)

## Reporting

Our interim commentary for 2022/23 is set out over pages 10 to 12. The commentary on these pages summarises our conclusions over the arrangements at the Council in relation to our reporting criteria (see table below) throughout 2022/23.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2021/22 Annual Auditors Report and have been updated for 2022/23.

The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the body's arrangements

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 weakness identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weakness 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	No significant weakness identified

# Executive Summary (continued)

## Independence

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 1st April 2022 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

During the year to 31 March 2023 we have undertaken the following non-audit service, against which we have identified the potential threats to our independence and adopted the safeguards as shown below.

Description of service	Related independence threat	Safeguards adopted
Housing Benefit subsidy claim	Self interest	The NAO's AGN01 excludes HBAP from the PSAA and ethical standards fee caps because this service is required by the awarding central government department. In addition, the fees for this work are relatively limited.
	Self review	No advice will be given in relation to accounting treatment. The report we provide will be given solely for the purposes of the agreed upon procedures engagement and will not be used or relied upon for any other purposes.

## EY Transparency Report 2023

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 2023:

[EY UK 2023 Transparency Report | EY UK](#)



# 02 Value for Money Commentary

# Value for Money Commentary

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

No significant weakness identified

The Council has appropriate arrangements in place to ensure financial sustainability.

The Medium Term Financial Strategy (MTFS) is updated annually, looking forward over a 4 year period.

Throughout 2022/23, the MTFS in place was the "Financial Strategy 2022/23 – 2025/26". This is known locally as the Corporate Plan and Budget 2022/23 and includes the Medium Term Financial Plan for this period. This was presented at Council in March 2022. Towards the end of 2022/23, and in line with the annual financial planning cycle, the updated MTFS was released which included the "Medium Term Financial Plan 2023/24 – 2026/27". This was presented at Council in March 2023. The four-year financial model (the Medium Term Financial Plan) forecasts are updated as part of this annual cycle to reflect current assumptions, including:

- government funding;
- council tax projections;
- projected costs; and
- planned efficiencies.

The 2022/23 MTFS included £1.3m use of reserves each year from 2023/24 to 2025/26, but this was updated in the latter MTFS, where there is no planned use of general reserves from 2023/24 to 2026/27. There are however, projected cumulative gaps in the budget as follows:

- 2024/25 = £605k
- 2025/26 = £3,233k
- 2026/27 = £3,281k

These gaps will need to be addressed by the Council in the forthcoming periods. The Council has a track record of identifying actions to close the budget gaps through its annual budget setting processes, which we anticipate will continue into the future.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



# Value for Money Commentary (continued)

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

No significant weakness identified

The Council has arrangements in place to ensure it made informed decisions and properly managed its risks.

The Council has an effective strategic risk management framework and register in place to identify, mitigate and monitor the risks to the organisation in delivering strategic objectives. This includes both financial and non-financial risks.

This is supported by the Strategic Risk Management Policy and a Strategic Risk Register with updates to the risk register being discussed in Cabinet meetings.

An Internal Audit function is also in place and in 2022/23 their overall opinion was 'Moderate' with a total of 24 recommendations were provided. One was high priority, 16 medium priority, and seven categorised as low priority. The Council has processes in place to ensure internal audit recommendations are addressed.

The Council achieved an overall outturn surplus of £715k in 2022/23 which was substantially driven by additional interest receipts.

As at June 2023, the forecast outturn for 2023/24 was an overspend of £442k on net expenditure. However, this is before the recognition of the interest receipts which totalled £233k at that time, reducing the forecast overspend to £209k. Additional interest receipts were expected to be received through the remainder of the financial year to offset the identified service pressures. This illustrates the robustness of the Council's budget setting and their ability to manage their budget effectively.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to make informed decisions and properly manage its risks.

# Value for Money Commentary (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

No significant weakness identified

The Council has arrangements in place to improve economy, efficiency and effectiveness. These derive from the Corporate Plan, setting out the Council's priorities and objectives. The Council's Cabinet monitors progress against the key projects, budgets and performance measures on a regular basis.

To track performance and judge how well the Council is delivering services, it measures key activities and set performance targets, using performance indicators. These performance measures are split by service area and show indicators such as target, status and comparison to other periods.

Mid Sussex District Council has in place a Procurement Code. This information was laid out alongside the Constitution and sets out the procedures that must be followed in relation to the procurement and award of a contract. These are intended to promote good purchasing practice and public accountability and deter corruption.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



# 10 Appendices



# Appendix A - Summary of arrangements

## Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

### 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 produces an annual Corporate Plan and Budget that includes an MTFP, this MTFS covers the current and next 4 years on a rolling basis. The MTFS should have regard to the following criteria:

- be constructed to resource the forthcoming Corporate Plan;
- identify and quantify all known facts likely to impact on the Council's budget in the medium-term;
- use the service review process to identify efficiencies if necessary to maintain a balanced budget over the medium-term;
- have regard to the current and potential legislative and national financial issues; and
- community needs and taxation implications.

This strategy sets out the key financial principles to be utilised and key actions that need to be undertaken to ensure the Council is able to continue to balance its finances over the medium-term. The purpose of the report is to update the Council's financial strategy and action plan to help guide the management of the Council's finances during a period of diminishing resources.

Throughout 2022/23, the MTFS in place was the Corporate Plan and Budget 2022/23, covering 2022/23 – 2025/26. This was presented at Council in March 2022. Towards the end of 2022/23, the updated MTFS was released being the Corporate Plan and Budget covering the period 2023/24 – 2026/27. This was presented at Council in March 2023. The four-year financial model forecasts are updated as part of this annual cycle to reflect current assumptions, including government funding, council tax projections, projected costs, and planned efficiencies. The MTFS included £1.3m use of reserves each year from 2023/24 to 2025/26 as part of the earlier MTFS. In the latter MTFS, there is no planned use of general reserves from 2023/24 to 2026/27. The budget is balanced in 2023/24 using Treasury Receipts, with a gap emerging in later years that will need to be addressed.

The Council's budgeting process has taken into account various known pressures and risks, such as:

- more extensive inflation increases, including pay inflation and energy costs; and
- increases in the costs of waste contracts.

These are revisited within each MTFS, and such pressures and risks included within the 2023/24 MTFS include:

- Increases in inflation for energy, water, pay and other costs; and
- Increases in insurance costs.

As noted in the report, projections over future years should be treated with caution as circumstances can change quickly and assumptions underpinning the figures may change.

# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

Reporting Sub-Criteria	Findings
How the body plans to bridge its funding gaps and identifies achievable savings	<p>In preparation for the annual budget setting process, the Council's Financial Strategy, and the 4-year Financial Model, including the key financial principles, are reviewed. This is in order to take into account financial pressures, saving plans and the key assumptions being used for future years' forecasts. To address the impact of the financial position of the Council, saving proposals of £50k for 2022/23, then £250k per annum for the period 2023/24 to 2025/26 were approved as part of the Corporate Plan and these have remained consistent within each Corporate Plan prepared.</p> <p>The annual budget for revenue spending was approved by Full Council, as set out above, having incorporated the savings identified.</p>
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>Mid Sussex District Council has a Corporate Plan which sets out the Council's future priorities and objectives. This helps ensure that:</p> <ul style="list-style-type: none"><li>• The Council manages its resources effectively.</li><li>• Projects can be delivered by the Council's services and that enough capacity is available to deliver them.</li><li>• The Council's Cabinet can plan its work.</li><li>• A framework is provided for evaluating the Council's performance.</li></ul> <p>The Council's Management Team and Cabinet monitor progress against the key projects, budgets and performance measures on a regular basis and take action where any activities are behind schedule.</p> <p>The priorities as set out within the Corporate Plan are:</p> <ul style="list-style-type: none"><li>• Effective and responsive services.</li><li>• Sustainable economic growth.</li><li>• Strong and resilient communities.</li><li>• Financial independence.</li></ul> <p>As noted above, the Financial Strategy and Plan has regard to the Corporate Plan, therefore ensuring the consistency of financial strategy with the corporate strategy.</p>

# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

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	<p>Under the umbrella of the Financial Strategy are other linked policies and strategies which assist with ensuring the robust financial management of the Council, including the Treasury Management and Investment Strategies and a Capital Strategy. We note that throughout the financial planning (i.e. budget and MTFS) consideration of other plans also takes place. The Financial Strategy and Plan incorporates the revenue effect of capital and other investment decisions, and those impacting the workforce as a whole.</p> <p>The Capital Programme is based upon the Corporate Plan which will identify the need for investment.</p> <p>The Capital Strategy implemented by Mid Sussex District Council provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local services and how associated risk is managed by the Council. The Council approves a Capital Programme on recommendation from the Council's Cabinet. The programme consists of significant projects that qualify as capital expenditure and a planned programme of scheduled asset replacements.</p> <p>The key driver of the Capital Strategy is the Councils' Statement of Main Purpose "To be an effective Council delivering value for money services and helping to create a strong economy, environment and community" and the accompanying priorities:</p> <ul style="list-style-type: none"><li>• Effective and responsive services</li><li>• Sustainable economic growth</li><li>• Strong and resilient communities</li><li>• Financial independence</li></ul> <p>This statement gives a strategic direction to the Council to enable it to meet the demands of the future.</p> <p>The Treasury Management Strategy is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing.</p> <p>Decisions on treasury management, investment and borrowing are made daily and therefore, are delegated to the Assistant Director Corporate Resources, who must act in line with the Treasury Management Strategy approved by Council.</p>

# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

Reporting Sub-Criteria	Findings
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>Please see previous documentation about the annual budget setting process and MTFS.</p> <p>Throughout the preparation of each of these, risks are taken into consideration in order to see how they impact certain areas and what the financial implications of these risks might be. This includes the following implemented measures:</p> <ul style="list-style-type: none"><li>• The Council publishes detailed financial plans that are aligned to its Corporate Plan and includes actions to ensure financial sustainability.</li><li>• In-year monitoring of these financial plans, to identify and incorporate any unplanned changes in underlying assumptions of the Council's plans as discussed below.</li><li>• Reporting of financial performance against set financial plans as discussed below.</li><li>• Risk management processes to identify, monitor and assess risks.</li></ul> <p>The Council has an effective strategic risk management framework and register in place to identify, mitigate and monitor the risks to the organisation in delivering strategic objectives. This includes both financial and non-financial risks.</p> <p>Audit Committee and then Cabinet are the body responsible for the Council's strategic risk management. Audit Committee approves the Councils' strategic risks for recommendation to Cabinet, on an annual basis. The Officer Risk Champion works with Assistant Directors and, where appropriate, Heads of Service regarding the progress in managing risks. In addition, Audit Committee is responsible for:</p> <ul style="list-style-type: none"><li>• Approving an overall direction on strategic risk management – the risk management policy.</li><li>• Promoting a positive risk culture throughout the organisation including promoting its importance to other Members.</li><li>• Approving an annual Strategic Risk Profile and their mitigations.</li></ul> <p>The Audit Committee Chair acts as the Member Risk Champion and works with the Officer Risk Champion to embed risk management into the organisation. The Management Team, including Assistant Directors, is responsible for ensuring the Council's strategic and operational risks are actively managed throughout the year.</p>



# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

Reporting Sub-Criteria	Findings
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans (continued)	<p>In addition, the Assistant Directors and Management Team have the following responsibilities:</p> <ul style="list-style-type: none"><li>• Implementing the strategic risk management policy.</li><li>• Reviewing the management of strategic and operational risk.</li><li>• Monitoring the effectiveness of controls designed to implement the chosen risk response.</li><li>• Integrating risk management into the service and budget planning process is completed by the Officer Risk Champion supported by Management Team.</li><li>• Promoting a robust and proactive risk culture throughout the organisation.</li><li>• Ensuring that appropriate training is put in place for appropriate officers and that it is reflected in the Member Development Programme.</li></ul> <p>The Assistant Director Corporate Resources is recognised as the Officer Risk Champion and works with the Member Risk Champion to embed risk management into the organisation via the Audit Committee.</p> <p>These arrangements come together, linking the Corporate Plan and its risk assessment, through to the financial plans and implications, as part of the ongoing monitoring of performance and then the annual refresh associated with developing the annual budget.</p>



# Appendix A - Summary of arrangements

## Governance

We set out below the arrangements for the governance criteria covering the year 2022/23.

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	<p>The Council has an effective strategic risk management framework and register in place to identify, mitigate and monitor the risks to the organisation in delivering strategic objectives. This includes both financial and non-financial risks.</p> <p>This is supported by the Strategic Risk Management Policy and sets out the ways in which the Council:</p> <ul style="list-style-type: none"><li>• Identifies key strategic risks in the context of the Corporate Plan's objectives.</li><li>• Assesses risks to determine the potential likelihood and impact of each risk.</li><li>• Determines the response that should be made to each risk.</li><li>• Develops the necessary actions, controls, and processes to implement the chosen response to each risk.</li><li>• Communicates its approach to risk management and the results of risk management activity.</li><li>• Deals with each risk – either avoid, reduce, share or accept it.</li></ul> <p>The Council maintains a strategic risk register. The register details:</p> <ul style="list-style-type: none"><li>• The description of the risk, including the Corporate Strategic Aim that the risk is aligned to, the risk owner and the Cabinet Member.</li><li>• The current mitigations.</li><li>• The consequences split across the categories of "Political", "Financial", "Reputational" and "Operational".</li><li>• The key causal factors.</li><li>• The initial and revised risk score.</li></ul> <p>Updates to the risk register are discussed in Audit Committee and then Cabinet as described above.</p> <p><u>Internal Audit</u></p> <p>The Council has an Internal Audit Function in place. The Internal Audit Service provides a continuous and independent review of all internal control systems. It objectively examines, evaluates and reports upon the adequacy of such internal controls.</p> <p>The provision of Internal Audit is undertaken by Mazars LLP. The findings and recommendations are reported to the Audit Committee and an Annual Report is also prepared.</p>

# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23.

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 (continued)	<p>Their opinion for the year to 31 March 2023 was that: <i>“On the basis of our audit work, our opinion on the framework of governance, risk management, and control is Moderate in its overall adequacy and effectiveness. Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. While there are some areas of activity where the expected levels of control have not been fully achieved, actions have been taken or are in progress in response to internal audit recommendations made.”</i></p> <p>In 2022/23 a total of 24 recommendations were provided. One was high priority, 16 medium priority, and seven categorised as low priority.</p>
How the body approaches and carries out its annual budget setting process	<p>The Council has a statutory duty to prepare a balanced annual revenue budget. The Council's budget must be constructed so as to ensure that resource allocations properly reflect the Council's priorities.</p> <p>The financial strategy is based on a rolling four-year cycle and sets the likely envelope of resources available to the Council over the following four years for both revenue and capital spending. This strategy is approved by Council, having first been considered by Cabinet.</p> <p>After considering the financial strategy and the Council's priorities, the draft budget is prepared and is approved by Council, having been recommended by Cabinet. The Council will consider the proposals of the Cabinet and may adopt them, amend them, refer them back to the Cabinet for further consideration, or substitute its own proposals in their place.</p> <p>Each of the Council's budgets are delegated to a designated budget manager. Budget managers have the responsibility to:</p> <ul style="list-style-type: none"><li>• Only incur expenditure or budget provision for which they have approved budgets or specific authority.</li><li>• Monitor and control revenue and capital expenditure and income under their control.</li><li>• Submit periodic capital and revenue monitoring reports to members.</li><li>• On becoming aware of a potential overspend either take remedial action to prevent such an overspend or submit a virement proposal prior to the overspend occurring.</li><li>• Should a need to incur unavoidable or non-controllable expenditure be identified, a proposal for a supplementary estimate shall be submitted to Cabinet.</li></ul>

# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23.

Reporting Sub-Criteria	Findings
<p>How the body approaches and carries out its annual budget setting process</p>	<p>In relation to financial planning, the Assistant Director Corporate Resources (S151), has a responsibility of:</p> <ul style="list-style-type: none"> <li>• Ensuring lawfulness and financial prudence of decision making.</li> <li>• Administration of financial affairs.</li> <li>• Contributing to corporate management.</li> <li>• Advising whether executive decisions are within the budget.</li> <li>• Providing advice.</li> <li>• Giving financial information.</li> <li>• Supporting the Audit Committee.</li> </ul>
<p>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>	<p>Each of the Council's budgets are delegated to a designated budget manager. Budget managers have the responsibility to:</p> <ul style="list-style-type: none"> <li>• Only incur expenditure or vire budget provision for which they have approved budgets or specific authority.</li> <li>• Monitor and control revenue and capital expenditure and income under their control.</li> <li>• Submit periodic capital and revenue monitoring reports to members.</li> <li>• On becoming aware of a potential overspend either take remedial action to prevent such an overspend or submit a virement proposal prior to the overspend occurring.</li> <li>• Should a need to incur unavoidable or non-controllable expenditure be identified, a proposal for a supplementary estimate shall be submitted to Cabinet.</li> </ul> <p>Both revenue and capital monitoring takes place regularly, reported in periods 2, 4, 6, 9 and 12 of the financial year 2022/23. From 2023/24, management have informed us that this will be on a quarterly basis.</p> <p>All budget managers have access to the Council's GL system in order to review actual performance against budget. The queries outlined below can be produced as and when required to help with budget monitoring:</p> <ul style="list-style-type: none"> <li>• Compare the annual budget with all posted income and expenditure, including commitments. The query will show the total remaining uncommitted budget.</li> <li>• Compare the profiled budget to show all income, expenditure, and commitments as at the end of the last completed month. This query will show the variance to date for budget monitoring purposes.</li> <li>• Compare the annual budget with the full year income and expenditure for the last complete financial year.</li> </ul> <p>The Council also reviews its Treasury Management performance. The Council did not breach the operational boundary during the year.</p>

# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23.

### Reporting Sub-Criteria

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

### Findings

The Council has a number of arrangements in place to ensure that appropriate decisions are made. The decision-making process is detailed within the Council's Constitution and sets out how different decisions are made.

The Constitution states that all decisions should be made in accordance with the following principles:

- There should be clarity of aims and desired outcomes.
- Proper regard should be paid to professional advice from officers.
- Proper regard should be paid to internal and external consultation according to the decision in question.
- There should be respect for human rights.
- There should be a presumption in favour of openness.
- There should be proportionality (i.e. the action should be proportionate to the desired outcome).
- There should be an explanation of the alternative options considered.
- There should be proper reasons for the decision which are documented.

#### The Full Council

The Constitution sets out the role of the Full Council and explains that the Council is the policy making body from which the Policy Framework will be established.

#### Cabinet

The Cabinet is the part of the Council which is responsible for major decisions ('key decisions'). When such a decision is discussed or made, these are published in the Forward Plan in so far as they can be anticipated. If these major decisions are to be discussed at the meeting of the Cabinet, this will be open for the public to attend except where personal, exempt or confidential matters are being discussed. The Cabinet has to make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must be referred to the Council as a whole to decide.



# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23.

### Reporting Sub-Criteria

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 (continued)

### Findings

Cabinet consist of a number of Councillors appointed by the Leader and includes the roles of Leader and Deputy Leader. The Constitution provides for a Cabinet of a minimum of 2 and a maximum of 9 Cabinet members including the Leader and Deputy. At the time of publication the Cabinet consists of 5 members. It is responsible for almost all the functions and services of the Council but is not allowed to deal with certain matters like planning and licensing applications. These are dealt with by other Committees. Each member of the Executive has responsibility for a specific range of Council activities (portfolios) and will act as the Council's spokesman for those functions. In 2022/23, there were five portfolio areas:

- Economic Growth and Net Zero
- Leisure and Parking
- Community
- Planning
- Housing and Customer Services

Following elections in May 2023, this changed to four portfolio areas.

Whilst some decision-making powers are delegated to individual Executive members, generally the Executive makes decisions as a Committee.

### Scrutiny Committees

The roles and responsibilities of the Scrutiny Committees are set out within the Constitution and are summarised below:

- Review and/or scrutinise decisions made or actions taken in connection with the discharge of relevant functions of the Council;
- Make reports and/or recommendations to the full Council and/or the Cabinet and/or any joint committee in connection with the discharge of any functions; and
- Exercise the right to call-in, for reconsideration, decisions made but not yet implemented by the Cabinet and/or any joint committee, where this is necessary and having regard to the call-in procedures as set out in the Scrutiny Procedure Rules in Part 4 of the Constitution.

# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23.

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 (continued)	<p><u>Audit Committee</u></p> <p>The Audit Committee is independent of the Executive and Scrutiny functions and embedded as a key part of the Council's overall governance framework. Its terms of reference are aligned to CIPFA's best practice standards for audit committees. This Committee ensures that the Council is managing risks properly and that proper audit arrangements are in place.</p> <p><u>Transparency</u></p> <p>To allow for transparency, the Council also ensures that it publishes relevant information relating to salaries, contracts and performance data on its website (<a href="https://www.midsussex.gov.uk/about-us/open-data/">https://www.midsussex.gov.uk/about-us/open-data/</a>). This includes:</p> <ul style="list-style-type: none"><li>• Budget reports</li><li>• A Medium-Term Financial Strategy</li><li>• A Corporate Plan</li><li>• Statement of Accounts</li><li>• Annual Governance Statement</li></ul>
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)	<p>We have inspected the website of Mid Sussex District Council and identified the various policies in place regarding the integrity, ethical values and behaviour of key executives.</p> <p>Mid Sussex District Council have adopted a number of codes and protocols that govern the standards of behaviour expected of members and officers, including a Code of Conduct for Councillors and a separate one for staff. These Codes of Conduct form part of the Constitution and are updated on a regular basis. The Code of Conduct has been created to assist individuals with understanding the behaviour that is expected of them.</p> <p>Included within this Code of Conduct is a section on "gifts and hospitality". This guidance sets out the members' obligations to declare gifts and hospitality received in their official capacity as members of the Council. Officers also have to declare any gifts and hospitality offered and approval should be sought prior to acceptance if deemed appropriate.</p>

# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23.

Reporting Sub-Criteria	Findings
How financial and performance information has been used to assess performance to identify areas for improvement	<p><u>Corporate Plan</u></p> <p>Mid Sussex District Council implement a Corporate Plan which sets out the Council's future priorities and objectives. This helps to ensure that:</p> <ul style="list-style-type: none"><li>• The Council manages its resources effectively.</li><li>• Projects can be delivered by the Council's services and that enough capacity is available to deliver them.</li><li>• The Council's Cabinet can plan its work.</li><li>• A framework is provided for evaluating the Council's performance.</li></ul>
How the body evaluates the services it provides to assess performance and identify areas for improvement	<p>The Council's Cabinet monitor progress against the key projects, budgets and performance measures on a regular basis and take action where any activities are behind schedule.</p> <p>The priorities as set out within the Corporate Plan are:</p> <ul style="list-style-type: none"><li>• Effective and responsive services</li><li>• Sustainable economic growth</li><li>• Strong and resilient communities</li><li>• Financial independence</li></ul> <p>As noted above, the Financial Strategy and Plan has regard to the Corporate Plan, therefore ensuring the consistency of financial strategy with the corporate strategy.</p> <p><u>Performance Information</u></p> <p>To track performance and judge how well the Council are delivering their services to customers, they measure their key activities and set performance targets using performance indicators. These performance measures are split by service area and show indicators such as target, status and comparison to other periods.</p>

# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23.

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	<p>The Constitution states that the Council is able to:</p> <ul style="list-style-type: none"><li>• Enter into arrangements or agreements with any person or body;</li><li>• Co-operate with, or facilitate or co-ordinate the activities of, any person or body; and</li><li>• Exercise on behalf of that person or body any functions of that person or body.</li></ul> <p>To manage these arrangements, the Council may appoint joint committees with the other party to oversee and make decisions in relation to the arrangement.</p> <p>In the ordinary business of Council meetings, Council is to receive reports, and receive questions and answers, on the business of any joint arrangements. This enables the effective monitoring of these arrangements and ensures that Council are held accountable by any stakeholders.</p>
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	<p>Mid Sussex District Council has in place a Procurement Code and Contract Procedure Rules. This information is laid out alongside the Constitution and sets out the procedures that must be followed in relation to the procurement and award of a contract. These are intended to promote good purchasing practice and public accountability and deter corruption.</p> <p>The Standing Orders go through each step of the contract process, detailing the minimum requirements for all contracts taken out by the Council.</p> <p>Officers undertaking procurement exercises on behalf of the Council are supported by the Procurement Service to aid compliance. In addition to this, any necessary training, including updates or refresher training, is given to these Officers to ensure that these individuals have up to date skills and knowledge to perform these procurement exercises.</p>



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ED None

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## INTERNAL AUDIT STRATEGY AND PROPOSED OPERATIONAL PLAN 2024/2025

REPORT OF: DIRECTOR OF RESOURCES AND ORGANISATIONAL DEVELOPMENT  
Contact Officer: Rachel Jarvis, Assistant Director Corporate Resources (S151 Officer)  
Email: [rachel.jarvis@midsussex.gov.uk](mailto:rachel.jarvis@midsussex.gov.uk)  
Wards Affected: All  
Key Decision: No  
Report to: 19 March 2023

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### Purpose of Report

This report sets out the Internal Audit Strategy and proposed Operational Plan (Plan) for 2024/25 and details how the Council will meet its statutory requirements for Internal Audit.

### Summary

1. The report sets out how the overall level of audit coverage has been developed. This is underpinned by a risk-based approach to provide Senior Management, Members, and other external bodies with independent assurance on the adequacy of the Council's risk management, governance, and internal control framework.

### Recommendation

2. **The Committee is asked to comment on the detailed Internal Audit Plan for 2024/2025.**
- 

### Background

3. This report sets out the proposed programme of work for 2024/25. It takes note of Audits in previous years to build a scheme of audits which ensures Mazars can provide assurance to the Council via the Audit Committee.
4. The attached report at Appendix A provides further details.
5. An Internal Audit update will be provided at the first meeting of the next Municipal year. This is due to both the change in management arrangements at Mazars and, due to the time of year, that a full Internal Annual Report will shortly be available.

### Policy Context

6. Receiving this report enables the Audit Committee to perform its duties under the Accounting and Auditing regulations.

### Other Options Considered

7. None.

### Financial Implications

8. There are financial implications related to the delivery of the proposed Plan for 2024/25 and the days included. A sufficient budget needs to be set aside to cover delivery costs.

9. There may be financial implications regarding implementing internal audit recommendations depending on the nature of the area and recommendations made. Some audit recommendations are also designed to improve value for money and financial control. However, any such implications are considered by Management as part of the consideration of the recommendations raised.

### **Risk Management Implications**

10. Internal Audit identifies weaknesses in the control environment. Therefore, the implementation of recommendations improves the control environment and risk management.

### **Sustainability Implications**

11. None.

### **Equalities and Customer Service Implications**

12. None.

### **Other Material Implications**

13. None.

### **Appendix**

- Appendix A - Internal Audit Strategy and Proposed Operational Plan 2024/25

### **Background Papers**

None

# Mid Sussex District Council Internal Audit Strategy and Plan FY 2024/25

Draft for Audit Committee consideration  
Prepared by: Mazars LLP  
Date: 19 March 2024



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Statement of Responsibility

## Disclaimer

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

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# Section 01

## Introduction





## Introduction

This report sets out the Internal Audit Strategy (Strategy) and proposed Operational Plan (Plan) for FY 2024/25, and which details how Mid Sussex District Council (Council) will meet its statutory requirements for Internal Audit.

The fundamental role of Internal Audit is to provide Senior Management and Members with independent assurance on the internal control system's adequacy, effectiveness, and efficiency and report major weaknesses together with recommendations for improvement. The role is fulfilled by carrying out appropriate audit work following consideration of the Plan by the Assistant Director Corporate Resources (as the Section 151 Officer) and considered by the Council Audit Committee (Committee). As Internal Audit is a major source of assurance that the Council is effectively managing its risks, a key rationale for developing the Plan was the Council's Risk Register in addition to priorities highlighted by the Leadership team.

### **The Council's Internal Audit Service is delivered following a regulatory framework comprising:**

- The Local Government Finance Act 1972 requires Councils to 'make arrangements for the proper administration of their financial affairs';
- The Accounts and Audit Regulations 2015. These require that all local authorities must 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'; and
- The UK Public Sector Internal Auditing Standards (PSIAS). These standards set out what is meant by appropriate internal audit practices. These mandatory standards replaced the former CIPFA Code of Practice for Internal Audit in Local Government 2006.

The Strategy is a high-level statement that outlines how the Internal Audit Service will be delivered to meet the requirements set out above. The PSIAS no longer make specific reference to a strategy document. However, they require that the information be communicated to the Committee (or equivalent) to support audit planning and resources discussion.





# Section 02 Strategy and Plan for FY 2024/25





## Preparing the Strategy and Plan FY 2024/25

This Strategy recognises that management's responsibility is to establish and maintain a sound internal control system and ensure that risks are appropriately managed. Internal audit work aims to establish areas requiring improvement and recommend solutions to enable the Council to achieve its objectives.

In preparing the Plan FY 2024/25 , we have undertaken the following:

- Liaised with the Director of Resources and Organisational Development and shared our proposed approach to the Leadership team (via Assistant Director Corporate resources);
- Considered the latest assessment of risks facing Mid Sussex District Council, as reported to the Audit Committee in November 2023;
- Review of the issues arising, and status in delivery of the Plan FY 2023/24. We are keen to deliver a balanced number spread over the course of a FY for 2024/25;
- Considered emerging issues and themes across our wider client base;
- Consideration of Mazars Horizon Scanning of issues affecting all Local Authorities.

The draft Plan for FY 2024/25 is included in Section 02. This sets out the areas of focus for the next financial year including a high-level scope for each review which will be revisited as part of the detailed planning for each review.

## Preparing the Strategy and Plan FY 2024/25 (Contd.)

Prior to conducting each internal audit, we will undertake a detailed planning meeting in order to discuss and agree the specific focus of each review.

Following the planning meeting, we will produce Terms of Reference, which we will agree with key representatives at Mid Sussex District Council prior to commencement of the fieldwork, including the audit sponsor.

The results of our work will be communicated via an exit meeting.

A draft report will then be issued for review and management comments and in turn a final report issued.

Final reports as well as progress against the plan will be reported to the Audit Committee.

Following completion of the planned assignments and the end of the Financial Year, we will summarise the results of our work within an Annual Report. Our Annual Report each year will provide the Head of Internal Audit's opinion on Mid Sussex District Council's overall governance, risk management and internal control framework. It is intended to support the Leadership team and Committee Members with any statements made in the Annual Report in relation to these three areas. This assessment is based on the Plan of work completed and our interactions with the organisation, such as attendance at Committee.





# Section 03

# Operational Plan FY 2024/25



# Operational Plan FY 2024/25

An overview of the proposed Operational Plan for FY 2024/25 is set out below:

Internal Audit Plan FY 2024/25			
Audit Area	Days	Target Timeframe	Indicative Scopes
Procurement Cards	12	Q1/2	Assessment of process, security and expenditure against policy.
Data Breaches	12	Q2	Review of incident management and response plans.
Insurance	12	Q2	Review of Council's insurance arrangements.
HR - Sickness Absence and Annual Leave Management	12	Q2	Review of policies and procedures in place and their application.
Contract Management	12	Q3	Assessment of the effectiveness of contract management (detail TBA).
Community Grants	12	Q3	Review of monitoring of community grants.
Environmental Health	12	Q4	Review of policies and procedures (specific area TBC).
Cash Receipting/Collections	12	Q4	Assessment of controls in place for receipting and collection of cash.
NFI Data Matching	30	Q4	Testing of data produced by the NFI.
Data Security (IT Specialist)	14*	Q2	Review of arrangements for data security..
IT Applications Control (IT Specialist)	14*	Q3	Review of IT controls within a IT application (which is to be confirmed)
Management and Reporting Activities			
Follow up (General)	10	Ongoing	
Follow-up (IT Specialist)	6*		
Head of Internal Audit Reviews	10		
Management	20		
<b>Total audit days (excluding IT specialist work)</b>	<b>166*</b>		

\*These IT specialist audits have been proposed based on the IT Audit Need Assessment.

# Section 05 - Statement of Responsibility

We take responsibility to Mid Sussex District Council for this report, which is prepared on the basis of the limitations set out below.

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

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

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

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

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## STRATEGIC RISKS 2024-25

REPORT OF: DIRECTOR OF RESOURCES AND ORGANISATIONAL DEVELOPMENT  
Contact Officer: Rachel Jarvis, Assistant Director Corporate Resources (s151 officer)  
Email: [rachel.jarvis@midsussex.gov.uk](mailto:rachel.jarvis@midsussex.gov.uk)  
Wards Affected: All  
Key Decision: No  
Report to: Audit Committee  
19 March 2024

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### Purpose of Report

The report aims to present the council's key strategic risks for 2024-25 identified as part of the planning process and in line with the November 2023 Strategic Risk Policy. These risks have been assessed using that Risk Policy, and have a plan, as presented, for mitigation of those risks to minimise the likelihood and impact of their occurrence.

### Recommendations

- 1. The Audit Committee are recommended to consider and endorse the Strategic Risks for 2024-25 and management plans set out at Appendix A and provide any feedback it deems appropriate to Cabinet.**
- 

### Background

- 2.** The council approved the Corporate Plan and Budget for 2024-25 on 28 February 2024. This plan is the outcome of a robust service and financial planning process. As with all plans it is, however, based on best known assumptions at the time. If these assumptions prove inaccurate because circumstances change during the year, there could be a potential impact on the council's ability to fully deliver its plans during the year or to be able to do so within budget. It is therefore prudent that the council identifies what significant factors or events might occur and ensure it has in place appropriate arrangements for mitigating these Strategic Risks.

### Strategic Risk Management Policy

- 3.** The council reviews its risk management policy annually. The latest review, recommended by Audit Committee to Cabinet, was in November 2023. In line with Policy and following consideration of the council's strategic aims as outlined in the Corporate Plan, four strategic risks have been identified in 2024-25. Operational risks have been reviewed and where they have a significant impact and impact the whole council, they are escalated as strategic. This excludes those events that are considered under Business Continuity (BC) i.e. their likelihood of occurrence cannot be mitigated by the council, but a plan can be held for Business Continuity purposes.

### Risk Score

- 4.** Once risks have been identified, each one is assessed according to the impact on the service, and the probability that it will happen.

5. Risks are prioritised using a colour coded scoring system as set out in the risk policy. The assessment matrix is shown at Table 1 below. Risks are assessed on both inherent risk levels (no controls or mitigation in place) and residual risk levels (after controls and mitigation are implemented). Ensuring that identified mitigations are impactful. The assessment follows a standard hierarchy where Red risks are the highest, followed by Amber, Yellow, and then Green:

**Table 1 - Risk Matrix:**

<b>Likelihood</b>	Almost Certain (5)	5	10	15	20	25
	Likely (4)	4	8	12	16	20
	Possible (3)	3	6	9	12	15
	Unlikely (2)	2	4	6	8	10
	Almost Impossible (1)	1	2	3	4	5
		Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
<b>Impact</b>						

6. The strategic risks and their mitigation plans are assigned to managers and appropriate reporting is built into individual work plans.

**Policy Context**

7. The council has a robust and effective approach to strategic risk management. Strategic Risk Management is an important aspect of every organisation’s service and budget processes and the achievement of its corporate priorities. Its application cannot fully insulate the council from the impact of unexpected external events, but it will ensure the council limits the likelihood and impact if such events occur.

**Financial Implications**

8. There are no financial implications directly arising from this report.

**Risk Management Implications**

9. There are no other strategic risk implications aside from those set out in the report and the actions proposed in this report will better enable the Council to identify, mitigate and manage risk. It should, also, be noted that operational risk matters, such as specific business continuity issues, are managed at Service level and escalated as necessary through the council’s Corporate Safety and Risk Management Group which meets quarterly.

### **Equalities and Customer Service Implications**

10. Where appropriate, Equality Impact Assessments are undertaken where service or policy changes are taking place.

### **Sustainability Implications**

11. None.

### **Other Material Implications**

12. None.

### **Appendices**

- Appendix A – Strategic Risks for 2023-24 and Management Plan

### **Background Papers**

- Strategic Risk Management Policy

## Appendix A - Strategic Risks for 2024-25 and Management Plan

Risk 1: Excess inflation and the Cost-of-Living crisis cause budgets to overspend.

### Corporate Strategic Aims: Financial Independence

**Risk Owner: Assistant Director Corporate Resources (s151 officer)**

#### Risk Description

1. The current and ongoing excess inflation levels are causing financial instability. This has had a very serious effect on the UK economy and local authorities have been as affected as the private sector. Even as inflation slows costs will plateau as opposed to decrease.
2. The interaction of increased costs along with reduced income across a number of streams is testing the sector's resilience to the limit.
3. Mid Sussex is a strong financial performer yet is still affected by the loss of income in key income streams.
4. Inflation, particularly pay inflation, will increase expenditure over the medium term, without corresponding income.
5. Local retention of Business Rates is positive in normal times but can work against recipients when times are more uncertain.
6. The Funding Review and the reset of Business Rates have been factored into the financial outlook, but their timing is uncertain.
7. General uncertainty in the UK and the World economy.

#### The Consequences

##### Financial

- That ultimately reserves are depleted beyond a reasonable and sustainable point.

##### Reputational

- Councils that suffer from chronic financial issues are often accused of mismanagement rather than clear funding challenges.
- Trust and confidence in the Council may be eroded.

##### Operational

- The continual need to reduce expenditure to match income would lead to reductions in service levels and/or a withdrawal of services.
- A S114 notice would see expenditure frozen and government interventions.

Initial Risk Score: 16

## Mitigations

- Active budget management supported by the preparation and distribution of budget management reports and supporting financial information.
- Robust forecasting, with external assistance as appropriate, over the medium term to show national and local financial trends.
- Targeting income maximisation wherever possible.
- Monitoring and advocating for the availability of central government support.
- Holding a robust and reasonable level of unallocated reserve to support the medium-term financial plan.
- To top up reserves when possible, continuing to direct all windfall funding to reserves in the first instance.

Revised Risk Score: 9



**Risk 2: The District Plan is not updated in line with government requirements.**

**Corporate Strategic Aim: Sustainable Economic Growth**

**Risk Owner: Deputy Chief Executive**

**Risk Description**

1. The council adopted its current District Plan in March 2018. The District Plan, legislation and national planning policy requires a review of the Plan to be carried out within five years (2023) and an updated District Plan prepared where it is concluded that policies need updating.
2. The process to review and update the District Plan is complex and lengthy and includes evidence gathering, specialist expert advice, assessment, and modelling, two rounds of public consultation and examination in public by an independent Planning Inspector ahead of adoption.
3. The District Plan sets out the council's planning and spatial strategy; comprising policies to be used when determining planning applications, and sufficient site allocations to meet housing, employment, and other identified needs. A planned approach to growth also ensures that the council can secure the necessary infrastructure to support the development.
4. Whilst the Council has an adopted District Plan, some of its elements particularly the Policies on housing need requirements became 'out of date' in March 2023 and therefore carry little to no weight in determining planning applications. Should policies be 'out of date', and the council be unable to demonstrate a four-year housing supply the presumption in favour of sustainable development (i.e. speculative, unplanned development) will apply.
5. Prior to adopting the current District Plan the council did not have an up-to-date Plan for seven years and as a consequence of this and of being unable to demonstrate a five-year housing supply 3,000 new homes were built on Greenfields in the District. Despite using all legal remedies available to the council and at a cost to the council of £720k.
6. In addition, the review of the Plan enables the council to introduce new policies to support its aspirations regarding securing biodiversity net gain, enhancing green infrastructure and setting policies to address the causes of climate change and to increase the resilience to the effects of climate change. The council will not be able to apply these policies in the absence of an updated Plan.
7. Central government has trailed a number of possible changes to the planning system that could have significant implications for plan-making, particularly on the number of homes which the council must plan for. Work carried out to date is not impacted by recent changes to legislation (e.g. the 2023 enactment of the Levelling Up and Regeneration Act) or the introduction of a 'new' planning system proposed within it. As the revised District Plan has progressed to an advanced stage, transitional arrangements mean that it will be considered against the 'current' system, legislation, and guidance.
8. Potential changes to legislation could impact on the amount of housing to be provided by neighbouring authorities should their plans not progress under the current system and could therefore have consequential implications for Mid Sussex.
9. The issues around water neutrality in the area and its impact on the ability to deliver new homes, associated social infrastructure and employment in adjoining authorities continue to take time to resolve with associated impacts on Mid Sussex.

10. Developers/statutory providers/independent inspectors (appointed to examine the draft Plan) require further work and consequent further delay.

## **The Consequences**

### **Political**

- The implications of not having an up-to-date plan would result in unpopular, unwanted, unplanned speculative development in the district.

### **Financial**

A specific reserve has been established to support the work on the District Plan

- Delays to the process may mean evidence base studies need to be re-commissioned to ensure they are robust and up to date.
- With no updated District Plan in place, the council will be at risk from speculative development; this may increase the number of appeals for the authority to defend, including the potential for costs to be awarded against the council.

### **Reputational**

- The council are at risk of reputational damage from residents and Town and Parish Council's if the District Plan is not up to date due to the risk of speculative unwanted unplanned development and development that does not meet the Council's policy aspirations.
- Potential conflict with economic development aspirations where the Council are seeking to partner with the development industry to provide high quality employment space which it may not be able to deliver without an updated local Plan.
- The Council's sustainability goals as set out in the emerging Sustainable Economy Strategy are dependent upon the successful preparation and adoption of the District Plan.

### **Operational**

- Without an up-to-date District Plan, the Council can only apply limited or no weight to any policies that are deemed 'out of date' (e.g., not in accordance with national policy or updated evidence). The Council will therefore not be able to retain control over future development, plan for necessary infrastructure, or impose stricter standards (for areas such as sustainability, climate change and biodiversity)

**Initial Risk Score: 12**

### **Current mitigations**

- Evidence base procured, working with neighbours, assessing sites, and commissioning transport modelling, in order to understand the implications of different growth scenarios.
- External advisors appointed to 'check and challenge' work.
- Legal support from retained KC to ensure the process is legally compliant.
- The council continues to make progress over the development of a revised District Plan with adoption anticipated in 2024.

**Revised Risk Score: 8**

## Risk 3: Operational Resilience: Cyber Security

### Corporate Strategic Aim: Effective and Efficient Services

#### Risk Owner: AD Digital and People Services

#### Risk Description

1. Threat actors targeting local government, locally hosted, or cloud hosted systems and data  
Threat actors targeting data and systems hosted by 3<sup>rd</sup> parties that MSDC works with
2. Malicious software deployed across MSDC / 3<sup>rd</sup> party systems indirectly through phishing, malicious links or similar.
3. Data breach from deviation of best practice or from a targeted social engineering/phishing-based attack.
4. Increased threat of cyber-attacks (viruses, malware, ransomware, etc.) Many sources report that targeted attacks on local authorities are on the rise, cyber-attacks globally are also increasing and are becoming more sophisticated.
5. Local authority systems becoming increasingly attractive target to attackers due to factors such as limited digital budgets, legacy systems, and large quantities of personal data.
6. More flexible access to data and systems can create complacency and mobile devices can be lost or stolen. As attacks become more sophisticated and convincing, even well-educated staff can fall victim to forms of social engineering.

#### The Consequences

##### Financial

- Any loss of operational capability will have a corresponding financial impact either in relation to lost income, the cost of correcting the issue or rebuilding infrastructure.
- Loss of some critical data could produce an un-recoverable situation which would have significant financial implications on income, such as with revenues and benefits data.
- Estimated average cost of local authorities recovering from cyber-attack is £500k but has been seen as high as £10m.
- Any liability attributed to the council for the compromise of personal information could result in financial penalties and/or costs to compensate or remediate any damage caused to the data subject.

##### Reputational

- The loss of key systems relating to public facing services would likely gather negative publicity in the press and social media, especially if it resulted in poor outcomes for customers in significant need.
- Significant media coverage of cyber-attacks and an erosion of public trust in MSDC can be expected in the wake of any significant incident.

##### Operational

- Any lengthy downtime for key systems will likely create significant operational difficulties for extended periods. Previous incidents of downtime suggest that with some scenarios, only a few weeks of downtime can translate to many months of remedial actions and their associated labour costs.
- Catastrophic effect on key operational capabilities if critical systems/data are destroyed and restoration capabilities are compromised or not present.

## Initial Risk Score: 20

### **Mitigations**

- Working with security agencies and specialists to ensure we are employing best practice in all matters.
- Various cyber security protection techniques and technologies comprising software hardware and services.
- Staff education.
- Further mitigative actions are in operation but cannot be described in a document with wide or public circulation for security reasons.

## Revised Risk Score: 12

## Risk 4: Operational Resilience: Temporary Accommodation/Housing excessive demand

### Corporate Strategic Aim: Effective and Efficient Services

#### Risk Owner: AD Digital and People Services

#### Risk Description

1. Multiple, nationally driven, external factors are exponentially increasing housing demand for all councils.
2. National asylum dispersal and support schemes, cost of living crisis, availability of adult social services, national increases in domestic abuse and parental exclusion, the availability of affordable accommodation, and the shrinking of the private rented sector are the main factors contributing to the increasing demand for housing options and the number of residents placed in Temporary Accommodation.
3. Other national factors such as the housing benefits subsidy rates for temporary accommodation remaining set at the 2011 LHA contribute to the increasing cost of providing Temporary Accommodation as councils must make up the shortfall, and therefore increasing need leads to increasing costs.

#### The Consequences

##### Financial

- Increased demand for Temporary Accommodation places an increased financial burden on the council.

##### Reputational

- Many councils face additional scrutiny as the cost of Temporary Accommodation accounts for a larger percentage of their revenue costs, inevitably leading to reductions in the provision of non-statutory services.

##### Operational

- An increase in costs contributing to a revenue budget deficit could lead to decreased non-statutory service provision.
- Available grant funding intended for the prevention of homelessness through upstream early intervention may be needed to cover Temporary Accommodation costs. Whilst this also prevents homelessness, the outcomes are less effective and more costly than working upstream with the funding.

### Initial Risk Score: 16

#### Mitigations

- Refactoring of triage and application processing practices to focus on swift movement through the system, aligning on the correct outcome as quickly as possible, minimising the use of Temporary Accommodation.
- Focus on moving residents from Temporary Accommodation into sustainable solutions as quickly as possible, freeing up TA for other cases.

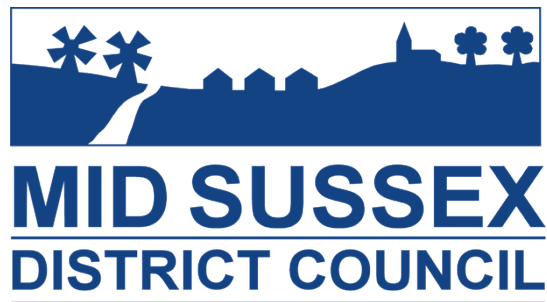


- Acquiring council owned Temporary Accommodation to reduce the overall costs and provide better transitional environments for residents to then move through to permanent sustainable solutions.
- Using grant funding to focus on early intervention and prevention actions to reduce demand on the service and connect residents with better and more sustainable outcomes before they are made homeless.

Revised Risk Score: 6

# Risk Management Policy

## November 2023



## Risk Management Policy

### Purpose

1. This policy sets out the Council's approach to the identification and management of Strategic Risk.

### Definition

2. Strategic Risk Management is the way that the Council responds to uncertainty in the external environment. It allows the Council to:
  - Identify key strategic risks in the context of the Corporate Plan's objectives.
  - Assess risks to determine the potential likelihood and impact of each risk.
  - Determine the response that should be made to each risk.
  - Develop the necessary actions, controls, and processes to implement the chosen response to each risk.
  - Communicate its approach to risk management and the results of risk management activity.
  - Deal with each risk – either avoid, reduce, share, or accept it.
3. NB: In addition to its strategic risk management, the Council has a well-established approach to operational risk management and the principles and tools used to manage this are set out in a more detailed operational risk management strategy.

### Risk Culture

4. A strong business wide risk culture is an important aspect of strong corporate governance. Risk Culture is the shared values, attitudes and practices that characterise how the Council considers risk on a day-to-day basis. The Risk Culture has developed at the Council over recent years so that as an organisation it is less risk averse.
5. Our experience has been that this improved risk culture has been influenced by the following factors:
  - Awareness of risks faced by the Council.
  - Understanding of the business and the relevance of risk
  - Clear ownership of risks
  - Clearly defined responsibilities for risk management activity
  - Effective monitoring and reporting of the effectiveness of risk. Whilst the Council is not risk averse, the principles contained within this policy ensure that the Council strikes the right balance in its approach to strategic risk management.

### Responsibility

6. Whilst Cabinet has overall responsibility for Risk, the Audit Committee has a responsibility to provide independent assurance of the adequacy of the risk

management framework and the associated control environment. To monitor the effective development and operation of risk management and corporate governance in the Council.

## Corporate Management and Reporting

7. Management Team is responsible for ensuring the Council's strategic risks are actively managed throughout the year.
8. In addition, Management Team has the following responsibilities:
  - Implementing the strategic risk management policy.
  - Reviewing the management of strategic risk.
  - Monitoring the effectiveness of the controls developed to implement the chosen risk response.
  - Integrating risk management into the service and budget planning process.
  - Promoting a robust and proactive risk culture throughout the staff organisation.
  - Ensuring that appropriate training is put in place for appropriate officers and that it is reflected in the Member Development programme.
9. To gain third-party assurance of the risk framework, Internal Audit will review the Strategic Risk Register and the management of those risks and will report to the Audit Committee. This then:
10.
  - maintains independence from the responsibilities of management.
  - communicates independent and objective assurance and advice to the Council on the adequacy and effectiveness of governance and risk management (including internal control) to support the achievement of organisational objectives, and,
  - reports impairments to independence and objectivity to the Council and will enable the implementation of safeguards as required.
11. There must be regular interaction between internal audit and management to ensure the work of internal audit is relevant and aligned with the strategic and operational needs of the organisation. This is achieved through the setting of the annual audit plan.

## Review

12. This Policy will be reviewed annually by Audit Committee and formally adopted by Cabinet.

## Identification of Risks

13. The council's approach to the identification of risk means:
  - Proactive risk identification, through identification of risks before they lead to harm. This includes regular Strengths, weaknesses, opportunities, and threats (SWOT) and PESTLE analysis and scenario planning.

- Reactive risk identification, through incident reporting processes. Once hazards and potential risks have been identified, they are formally assessed.

## Evaluation of Risks

14. Once risks have been identified, each one is assessed according to the potential impact on the service, and the wider Council, if it were to occur and on the probability that it will happen.
15. Risks are prioritised using a colour-coded scoring system as set out in the risk assessment matrix in Table 1. Risks are assessed on both inherent risk level (no controls or mitigation in place) and residual risk level (after controls and mitigation are implemented). Red risks are the highest, followed by Amber risks then Yellow, and then Green.
16. The Strategic Risk Register (SRR) typically but not always, includes those risks which are rated Red and Amber.

### Table 1: Impact Criteria

17. This table is used to assess the impact that a manifestation of a risk would entail. Whilst these matters are never completely discrete, the descriptions act as a guide.

Risk Level		Financial *	Service	Reputation **
5	Catastrophic	More than £1m	Total service failure	National publicity more than 3 days. Resignation of leading member or Officer
4	Major	£500k-£1m	Serious disruption to service	National public or press interest
3	Moderate	£50-£500k	Moderate disruption to service	Local public/press interest
2	Minor	£5k – 50k	Some minor impact on service	Contained within service
1	Insignificant	Less than £5k	Annoyance but does not disrupt service	Contained within business unit

\* Financial impact would include the costs of litigation, claims or fines

\*\* The Reputational impact would include consideration of fatality/injury to persons linked to the Council's activities.

18. For example, a possible fatality would merit a 5 score, with 4 meaning a major injury/permanent disablement, 3 a severe injury to an individual, 4 a minor injury to several people, and 2 being a minor injury to an individual.

### Table 2: Probability Criteria

19. This table sets out how probable is the manifestation of a risk event. A level of judgement is required and should be peer reviewed to assist with calibration.



Risk Level		Description
5	Almost certain	Expected to occur in most circumstances
4	Likely	Will likely occur in most circumstances
3	Possible	Fairly likely to occur
2	Unlikely	Could occur at some time
1	Almost Impossible	May occur only in exceptional circumstance

20. These two factors are then combined to give an overall risk score as per the matrix below.

Table 3: Risk Matrix

Likelihood	Almost Certain (5)	5	10	15	20	25
	Likely (4)	4	8	12	16	20
	Possible (3)	3	6	9	12	15
	Unlikely (2)	2	4	6	8	10
	Almost Impossible (1)	1	2	3	4	5
		Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
<b>Impact</b>						

21. Each risk is then managed via a Risk Management Plan, which could include the following Risk Responses:

**Avoid**

22. As the name implies, stopping a particular action or opting to not start it at all is one option for responding to risk. When choosing the avoidance option, we are closing off any possibility that the risk will pose a threat to the Council, but this is not always practical or possible.

23. Exercising the avoidance option too much can result in operation well below risk appetite. However, if there is absolutely zero tolerance for the risk in question, then avoidance is the proper risk response strategy.

### **Reduce**

24. Reduction or mitigation is to take action to reduce the likelihood or impact of a loss. If the risk in question currently sits slightly higher than the appetite, reduction is a reasonable strategy to employ to bring it within tolerance levels.
25. This is often the common approach, yet a very careful assessment is needed that reduction actions are working or will actually work in the future.

### **Transfer**

26. When doing so, we do not eliminate or reduce but rather delegate it to a third-party. The goal with risk transfer is to ultimately reduce the impact should something materialise. As an organisation, we are willing to take a gamble on the risk occurring.

### **Accept**

27. The last option is to simply accept the risk as-is and do nothing. This risk response strategy is often used for risks with a low probability of occurring or that would have a low impact if they did happen. It is commonplace to have budget reserves set aside to deal with situations like this. Emerging risks, or ones that may pose some sort of threat in the distant future, are also ones commonly placed in the “accept” category.

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## ANNUAL GOVERNANCE STATEMENT 2023-24

REPORT OF: DIRECTOR OF RESOURCES AND ORGANISATIONAL DEVELOPMENT  
Contact Officer: Assistant Director of Corporate Resources (and S151 Officer)  
Rachel Jarvis, Email: [rachel.jarvis@midsussex.gov.uk](mailto:rachel.jarvis@midsussex.gov.uk) Tel: 01444 477244  
Wards Affected: *None*  
Key Decision: No  
Report to: Audit Committee  
19 March 2024

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### Purpose of Report

This report brings forward the authority's Annual Governance Statement (AGS) for consideration and approval.

### Recommendation

- 1. The Committee is asked to consider and approve the AGS for inclusion in the Statement of Accounts 2023/24.**
- 

### Background

2. The Annual Governance Statement (AGS) is a statutory document which explains the processes and procedures in place to enable the Council to carry out its functions effectively. The AGS forms part of the governance framework of the authority and whilst Members have approved it as part of the Statement of Accounts (and will continue to do so) CIPFA guidance requires that it is considered as a separate item.
3. The AGS, in addition to acknowledging responsibility for ensuring governance is effective, should;
  - focus on outcomes and value for money;
  - evaluate against the local code of governance (i.e., the Constitution) and principles;
  - be in an open and readable style;
  - include an opinion on whether arrangements are fit for purpose;
  - include identification of significant governance issues and an action plan to address them;
  - explain action taken in the year to address the significant governance issues identified in the previous year's statement; and
  - be signed by the chief executive and leading Member of a Council.
4. The AGS is attached at Appendix A. Members are invited to consider the document and approve it for 2023/24.

### Policy Context

5. This report fulfils the Council's obligations under the Accounts and Audit Regulations 2015.

**Other Options Considered**

6. None.

**Financial Implications**

7. None.

**Risk Management Implications**

8. None.

**Equality and Customer Service Implications**

9. None.

**Other Material Implications**

10. None.

**Sustainability Implications**

11. None

**Appendices**

- Appendix A - Annual Governance Statement 2023-24

**Background Papers**

None

### ○ ANNUAL GOVERNANCE STATEMENT 2023/24

#### 1. **Scope of responsibility**

Mid Sussex District Council (the council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised. In discharging this overall responsibility, Members and Senior Officers are responsible for putting in place proper arrangements for the governance of the council's affairs, the effective exercise of its functions, the management of risk and the stewardship of the resources at its disposal.

#### 2. **Purpose of the governance framework**

Good governance is about how the council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest, and accountable manner. The governance framework comprises the systems, processes, culture, and values by which the council is directed and controlled. Through effective governance the council is accountable to, engages with and, where appropriate, leads the community.

The code of corporate governance can provide only reasonable and not absolute assurance that the Council achieves its aim of good governance. Equally, the Council's system of internal control is designed to identify and prioritise the risks to the achievement of policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and to manage those risks efficiently, effectively, and economically. It cannot eliminate all risks of failure; it can therefore only provide reasonable and not absolute assurance that our policies, aims, and objectives are achieved.

The governance framework has been in place at the council for the year ending 31 March 2024 and up to the date of approval of the statement of accounts.

#### 3. **The Council's governance framework**

The council's Constitution was last fully reviewed and re-adopted in March 2023, and sets out how the council operates. It states what matters are reserved for decision by the whole Council, the responsibilities of the Cabinet and the matters reserved for collective and individual decision.

Decision-making powers not reserved for councillors are delegated to the Chief Executive and appropriate senior officers. The Monitoring Officer ensures that all decisions made are legal and supports the Standards Committee in promoting high standards of conduct amongst Members and the wider Town and Parish Council community in Mid Sussex. In January 2022 the council adopted the revised Local Government Association Model Code of Conduct for Members, with that decision taking effect on 1<sup>st</sup> March 2022.

The Scrutiny Committees offer advice to Cabinet and Council both collectively, and to Cabinet members individually. They scrutinise decisions made (or which are due to be made) by the Cabinet and individual Cabinet members, executive key decisions taken by Officers and those published on the Members' Information Service. The committees also have a role in the formulation of new policies. The Scrutiny Committees can call in decisions for their consideration, although no decisions were called in over the last year.



## Appendix A – Annual Governance Statement

The overall budget and policy framework of the council is set by the council and all decisions are made within this framework. The council's overall policy is represented through the Corporate Plan, which is a combination of service and financial plans.

The Corporate Plan is a key reference for the Medium-Term Financial Plan, which enables the council to forecast forward and make the best use of financial, human, technological and other resources available and to enable the continued provision of value-for-money services that meet the needs of residents, businesses, and other stakeholders. At the broadest level, the council also works with a number of key strategic partners through the local strategic partnership group of organisations.

From the Corporate Plan, service plans and business plans are developed, and individual officer work plans are agreed upon, with performance targets agreed at every level. More detailed budgets are aligned to corresponding plans following a robust budget challenge process, which challenges managers to demonstrate efficiency and value for money. Performance is monitored and managed regularly.

The council also monitors its performance through feedback from its residents and service users. An analysis of complaints raised under the council's Corporate Complaints Policy is considered within the Leadership Group who facilitate any operational requirements as a result of the findings. A summary of complaints is published by the Local Government and Social Care Ombudsman on an annual basis.

The council has a Whistleblowing Policy, which encourages staff to report any instances of suspected unlawful conduct, financial malpractice, or actions that are dangerous to the public or environment.

The council's financial management arrangements conform to the standards of the Chartered Institute of Public Finance and Accountancy (CIPFA) and have regard to the 'Statement on the Role of the Chief Financial Officer in Local Government'. The Assistant Director of Corporate Resources has statutory responsibility for the proper management of the Council's finances. The Assistant Director of Corporate Resources will also provide detailed finance protocols, procedures, guidance and training for managers, staff, and Members.

The Council's Risk Management Strategy ensures proper management of the risks to the achievement of the council's priorities and helps decision-making. In the council's day-to-day operations, a framework of internal controls (e.g. authorisation, reconciliations, separation of duties, etc) controls the risks of fraud or error, and this framework is reviewed by Internal Audit. Partnership working is governed by agreements, protocols, or memoranda of understanding relevant to the type of work or relationship involved. The council's Legal Services and Procurement teams ensure that all are fit for purpose and the council's interests are protected.

The Audit Committee is responsible for monitoring the effective development and operation of corporate governance in the council. It provides independent assurance of the adequacy of the council's governance arrangements, including the associated control environment, the authority's financial (and non-financial) performance to the extent that it affects the authority's exposure to risk and weakens the control environment, oversight of the financial reporting process and scrutiny of the Treasury Management and Capital Strategy and policies.

## Appendix A – Annual Governance Statement

In the constitutional changes brought forward and adopted in March 2023, the role of the Audit Committee has been aligned with the CIPFA Code of Practice for Internal Audit. In particular, the Audit Committee's role in monitoring strategic risk management has been clarified.

### 1. Review of effectiveness

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the Internal Audit annual report, and comments made by the external auditors and other review agencies and inspectorates. The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes the following in the last year:

- The council's internal management processes, such as performance monitoring and reporting; the staff performance appraisal framework; monitoring of policies, such as the corporate complaints and health and safety policies; and the corporate budget challenge process;
- The work of the corporate Joint Procurement Board partnered with Horsham DC, Crawley BC and Mole Valley DC which is working to update the Procurement Code as the legislative framework changes following the departure of the UK from the EU and the forthcoming passage of the Procurement Bill into law;
- The council's internal audit coverage (purchased from Mazars via a Croydon LBC framework), which is planned using a risk-based approach. The outcome from the internal audit coverage helps form the Chief Internal Auditor's opinion on the overall adequacy of the Council's internal control framework, which is reported in their annual report.
- The Chief Internal Auditor's annual report on anti-fraud and corruption activities, including the use of the National Fraud Initiative data matching exercise;
- The annual review of the internal audit function;
- The External Auditor's work and reports;
- The work of the Audit Committee, which reviews the outcomes from the annual audit plan and the annual report of the audit function;
- The work of the Scrutiny Committees;
- Work of the Standards Committee to deal with Code of Conduct complaints.

### 2. Assurance and Significant governance issues

No assurance can ever be absolute; however, this statement seeks to provide a reasonable assurance that there are no significant weaknesses in the Council's governance arrangements. On the basis of the review of the sources of assurance set out in this statement, it is considered that the Council has in place satisfactory governance arrangements, including a satisfactory system of internal control, both of which are operating effectively.

## Appendix A – Annual Governance Statement

The Annual Internal Audit Annual Report and Opinion provides an opinion on the adequacy of the council's control environment as a contribution to the proper, economic, efficient, and effective use of resources. The council must have in place an effective internal audit function to evaluate the effectiveness of its risk management, control, and governance processes, taking into account public sector internal auditing standards or guidance. Annually, the Chief Internal Auditor is required to provide an overall opinion on the council's internal control environment, risk management arrangements and governance framework, this supports the Annual Governance Statement, and this is provided in the Annual Internal Audit Annual Report and Opinion annually. Based on the internal audit work completed, the Chief Internal Auditor has provided reasonable assurance that Mid Sussex District Council had in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2023 to 31 March 2024.

The council will continue to regularly monitor issues that may seriously prejudice or prevent the achievement of its key objectives.

Committees are held face-to-face which enable scrutiny and decision making to continue to a high standard. Where possible meetings are now live streamed, improving public access to meetings.

Two of the strategic risks identified for the year represent ongoing areas with continuing issues.

Firstly, as with all local authorities, the cost-of-living crisis and unprecedented levels of inflation have had an impact on procurements, supply chain and contracts and the overall financial position of the council; this was taken into account in the budget-setting process for the coming year.

Secondly, it continues to be important to be alert to the growing threat of cybercrime given our increasing reliance on Cloud-based line of business systems. These specific issues identified as part of the assurance processes detailed above have been addressed or are included in action plans for the relevant managers.



Cllr Robert Eggleston  
**Leader of Council**  
March 2024



Kathryn Hall  
**Chief Executive**  
March 2024

## AUDIT COMMITTEE WORK PROGRAMME 2023/24

REPORT OF: DIRECTOR OF RESOURCES AND ORGANISATIONAL DEVELOPMENT  
Contact Officer: Rachel Jarvis, Assistant Director of Corporate Resources  
Email: [rachel.jarvis@midsussex.gov.uk](mailto:rachel.jarvis@midsussex.gov.uk)  
Wards Affected: N/A  
Key Decision: No  
Report to: Audit Committee  
19 March 2024

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### Purpose of Report

The purpose of the report is to provide Members of the Audit Committee with a proposed programme of work in line with its responsibilities for the remainder of the Municipal Year 2023/24.

### Recommendations

- 1. The Committee is recommended to note the contents of the report and approve the Work Programme as set out in paragraph 7 of this report.**
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### Background

2. Audit Committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.
3. The purpose of the Audit Committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place. Providing independent scrutiny of the authority's financial performance to help guard against adverse consequences.
4. Audit Committees are an important source of assurance about an organisation's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and other performance.
5. It is usual practice for the Audit Committee to agree its Work Programme at the first meeting of a new Council and review the programme at each subsequent meeting to allow for the Scrutiny of emerging issues during the year.
6. An Internal Audit update will be provided at the first meeting of the next Municipal year. This is due to both the change in management arrangements at Mazars and, due to the time of year, that a full Internal Annual Report will shortly be available.

### Policy Context

7. The committee will carry out all the functions required of an Audit Committee in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2003 (and as amended from time to time) and is a committee that reports to council. The Work Programme

8. The Audit Committee Work Programme is set out below:

Meeting Date	Item
19 March 2024	Annual Governance Statement External Audit Plan Internal Audit Plan 2024/25

**Financial Implications**

9. There are no financial implications affecting this report.

**Risk Management Implications**

10. None

**Equality and Customer Service Implications**

11. There are no specific equality or diversity issues arising from this report.

**Legal Implications**

12. The Accounts and Audit Regulations 2015 requires the council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control, and governance processes, taking into account public sector internal auditing standards or guidance.

**Sustainability Implications**

13. There are no specific climate change or health issues arising from this report.

**Other Material Implications**

14. None.

**Background Papers**

15. None.