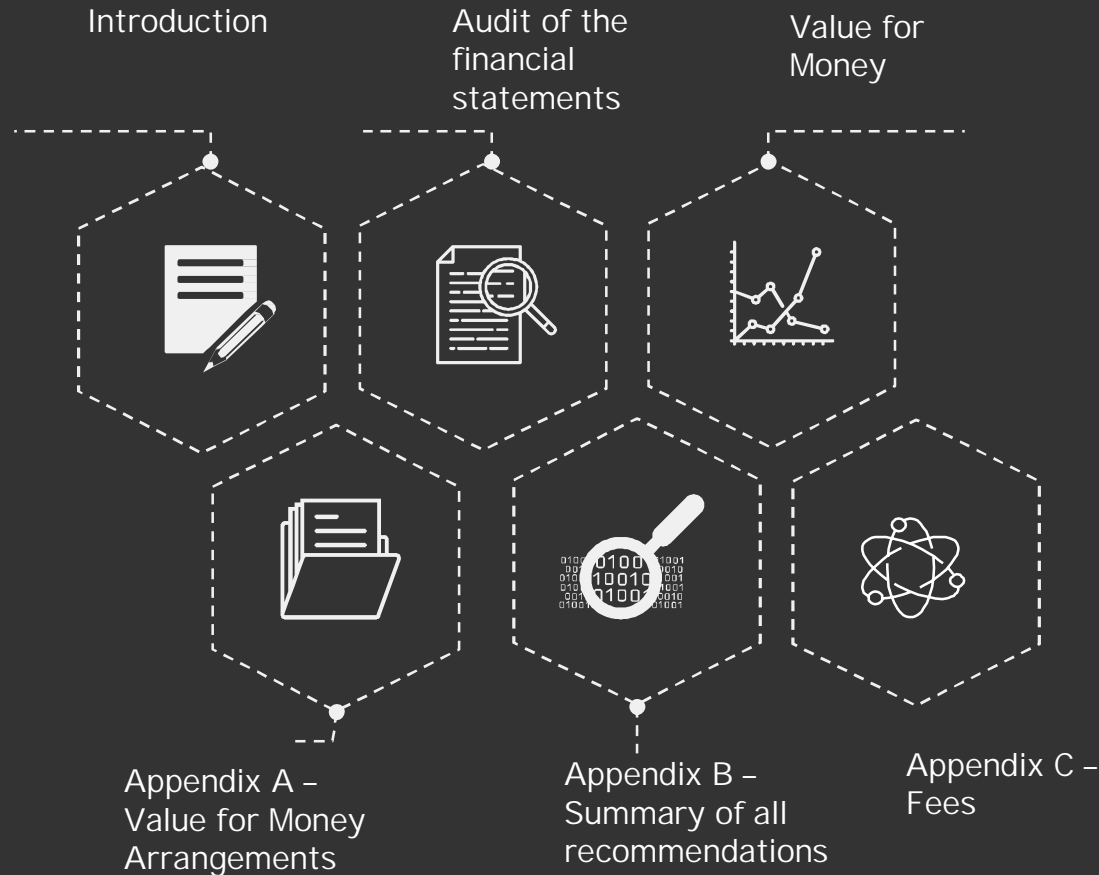




Mid Sussex District  
Council  
Auditor's Annual  
Report

Year ended 31 March 2022

# Contents



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

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the 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 the 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.



# Introduction

## Purpose

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

## Responsibilities of the appointed auditor

We have undertaken our 2021/22 audit work in accordance with the Audit Plan that we issued on 8 July 2022. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

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

Reporting by exception:

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

Responsibilities of the Council:

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



## Introduction (continued)

### 2021/22 Conclusions

Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2022 and of its expenditure and income for the year then ended. We issued our auditor’s report on 19 September 2023.
Going concern	We have concluded that the Assistant Director of Corporate Resources’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the other information published with the financial statement	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
Value for money (VFM)	We had no matters to report by exception on the Council’s VFM arrangements. We have included our VFM commentary in Section 03.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.
Whole of government accounts	We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission.
Certificate	We will be able to issue our certificate once the NAO have confirmed whether there are any additional group audit procedures required as part of the Whole of Government Accounts submission.

# Audit of the financial statements

## Key findings

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

On 19 September 2023, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 18 September 2023 Audit Committee meeting. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan. We reported 1 area for improvement in the control environment in the Audit Results Report.

## Significant risk

## Conclusion

Risk of fraud in revenue and expenditure recognition - inappropriate capitalisation of revenue expenditure

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

From our risk assessment, we have assessed that the risk manifests itself through the potential to inappropriately capitalise revenue expenditure to improve the financial position of the general fund.

We have not identified any material weaknesses in controls or evidence of material management override. We tested a sample of PPE additions and confirmed they met the capitalisation requirements under IAS16. We tested a sample of REFCUS items and confirmed they were appropriately classified. We have not identified any instances of inappropriate judgements being applied.

Misstatements due to fraud or error - management override of controls

Our work did not identify any material weaknesses in the design of controls or evidence of material misstatements, whether due to fraud or error, related to the inappropriate capitalisation of revenue expenditure. Our work did not identify any instances of inappropriate judgements being applied.

Our work did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.

We have not identified any unusual or unsupported journals, or other adjustments made in preparing the financial statements.



# Audit of the financial statements

Significant risk	Conclusion
Valuation of Investment Property	<p>Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, Material judgemental inputs and estimation techniques are required to calculate the balances held in the balance sheet.</p> <p>The risk is heightened for traditional retail assets due to market difficulties.</p> <p>Errors have been identified in the valuations for the past three years.</p> <p>Our testing has identified one asset which was understated by £229k due to a difference in professional opinion on reversionary rents and the fact that an updated tenancy schedule was not provided to the valuer in performing their work. Management have adjusted for this in the Accounts.</p>
Other risks / areas of audit focus	Conclusion
Valuation of Land & buildings	<p>Property, plant &amp; equipment land &amp; buildings represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation. Material judgemental inputs and estimation techniques are required to calculate the balances held in the balance sheet.</p> <p>Our testing has identified one asset which was understated by £224k driven by a difference in area adopted in the valuation calculation. Management have adjusted for this in the accounts.</p>
Pension Liability valuation	<p>The Code of Accounting Practice requires extensive disclosures regarding the Council's pension liability balances. The accounting requires significant estimation and judgement, with management engaging an actuary to undertake the calculations on their behalf.</p> <p>As the audit was not completed by 31 March 2023, management needed to take account of the completed 2022 triennial valuation.</p> <p>The Council are required to consider the potential impact of this, and commissioned an updated IAS 19 report from their actuary. Management have processed this change within the financial statements, being a decrease in the pension liability of £2,969k.</p> <p>Due to the material movement these figures we have had to perform additional procedures. This work includes additional membership testing (being completed at the Pension Fund level) and obtaining updated assurances from PWC as the consulting actuaries. We have received the updated assurances, and are satisfied that the updated assumptions within the revised report are supportable.</p>

We did not identify any risks of significant weaknesses in the Council's VFM arrangements for 2021/22.

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

We have no matters to report by exception in the audit report.

## Scope

We are required to report on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our VFM risk assessment to the 26 July 2022 and 18 September 2023 Audit Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Council committee reports, meetings with the Assistant Director Corporate Resources and evaluation of associated documentation through our regular engagement with Council management and the finance team.

## Reporting

We completed our risk assessment procedures and did not identify any significant weaknesses in the Council's VFM arrangements. We have also not identified any significant risks during the course of our audit. As a result, we had no matters to report by exception in the audit report on the financial statements.

Our commentary for 2021/22 is set out over pages 8 to 10. The commentary on these pages summarises our conclusions over the arrangements at the Council in relation to our reporting criteria (see below) throughout 2021/22. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Auditor's Annual Report and have been updated for 2021/22.

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

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weaknesses identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weaknesses identified



## Value for Money (continued)

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

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

The medium term financial strategy is updated annually, looking forward over a 4 year period.

Throughout 2021/22, the MTFS in place was the “Financial Strategy 2021/22 - 2021/26”. This was presented at Council in March 2021. Towards the end of 2021/22, the updated MTFS was released being the “Financial Strategy 2022/23 – 2025/26”. The medium-term financial plan included £3m use of reserves each year from 2022/23 to 2024/25 as part of the earlier MTFS. This has however, been reduced to £1.3m each year from 2023/24 to 2025/26 as part of the latter MTFS.

Subsequent to the year we are assessing, the most recent update to the Financial Strategy was for 2023/24 to 2026/27 and was taken to the March 2023 Council. This report revised down the use of general reserve further to nil, setting a balanced budget for the 2023/24 year and appropriately recognising the risks in some of the assumptions made, including inflationary pressures.

There are projected cumulative gaps in the subsequent years, in the region of:

2024/25	£0.6m
2025/26	£3.2m
2026/27	£3.3m

These gaps will need to be addressed by the Council in the forthcoming periods.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



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

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

During 2021/22 the Council made a key change in arrangements regarding its internal audit provider. From 1 July 2021 has been undertaken by Mazars LLP, which is providing a fresh perspective on the Council.

Looking forward, the Council also intends to revisit budget monitoring to a quarterly cycle.

During the 2021/22 audit we were provided with information from a member of the public in relation to the decision making regarding severance payments to the former s151 officer. We determined to consider the matter as information brought to the auditor's attention, under paragraph 5.3 of the Code of Audit Practice 2020

The information covered three areas:

1. No report was made to Full Council to be considered under section 4 of the Local Government & Housing Act 1989
2. Allegations of unlawfulness of the severance payment
3. The Council had not approved the appointment of the new s151 officer.

We reviewed each of the matters, and determined the following:

1. No report was required under section 4 of the Local Government & Housing Act 1989. The Chief Executive (Head of Paid Service) had no concerns to bring to the attention of members requiring them to consider such a report.
2. We investigated the payments to the s151 officer, including their compliance with the Constitution, the Council's pay policy, and relevant legislation and guidance. We obtained the Council's legal advice, and also took our own legal advice. We concluded that we did not wish to further challenge the Council's payments.
3. We identified that the Council would receive a report on the appointment of the new s151 officer at its May 2022 meeting, and reviewed the meeting agenda confirming that this did occur.

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



## Value for Money (continued)

### Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

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 are delivering their services, 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.

Mid Sussex District Council has in place a "procurement code". This information was laid out within 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. Following the year-end the procurement code has been taken out of the Constitution to present a stand alone document.

We received an objection to the 2021/22 financial statements, that covered issues with regard to procurement.

The objection asked for a public interest report into payments made to a supplier in respect on compliance with the Public Contracts Regulations 2015.

As part of the contract was a secondment, it also as us to consider compliance with other laws regarding employment and its taxation.

Having made initial enquiries of the Council, we established that the payments were beneath the Public Contract Regulations 2015 thresholds relevant to the year of £189,330. The Council also set out its consideration of IR35 in the matter of employment taxes.

Therefore, we decided not to accept the objection for consideration.

**Conclusion:** Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to use information about its costs and performance to improve the way it manages and delivers services.

# Appendices



Building a better  
working world

# Appendix A – Summary of arrangements

## Financial Sustainability

### Reporting Sub-Criteria

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

### Findings

The Council produces an annual MTFS covering 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 factors likely to impact on the Council's budget in the medium-term;
- use the service review process to identify efficiencies 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 will set 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 2021/22, the MTFS in place was the "Financial Strategy 2021/22 - 2021/26". This was presented at Council in March 2021. Towards the end of 2021/22, the updated MTFS was released being the "Financial Strategy 2022/23 – 2025/26". This was presented at Council in March. The four-year financial model forecasts are updated to as part of this annual cycle to reflect current assumptions, including government funding, council tax projections, projected costs, and planned efficiencies. The medium-term financial plan included £3m use of reserves each year from 2022/23 to 2024/25 as part of the earlier MTFS. This has however, been reduced to £1.3m each year from 2023/24 to 2025/26 as part of the latter MTFS.

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

- Inflation
- Reduction in leisure centre contract management fee income due to the impact of the pandemic

These are revisited within each MTFS, and such pressures and risks included within the 2022/23 MTFS include:

- More extensive inflation increases, including pay inflation and energy costs
- Increases in the costs of waste contracts

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.

The most recent update to the "Financial Strategy" was for 2023/24 to 2026/27 and was taken to the March 2023 Council. This report revised down the use of general reserve further to nil.

## Appendix A – Summary of arrangements

---

### Financial Sustainability (Continued)

#### Reporting Sub-Criteria

#### Findings

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

In preparation for the annual budget 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 on the financial position of the Council, saving proposals of £250k per annum were approved as part of the Corporate Plan and these have remained consistent within each Corporate Plan prepared which, when combined, cover the period 2021/22 to 2026/27.

The annual budget for revenue spending was approved by Full Council as set out above having incorporated these savings identified.

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

Mid Sussex District Council implement a Corporate Plan which sets out the Council's future priorities and objectives. This helps ensure that:

- The Council manages its resources effectively
- Projects can be delivered by the Council's services and that enough capacity is available to deliver them
- The Council's Cabinet can plan its work
- A framework is provided for evaluating the Council's performance

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.

The priorities as set out within the Corporate Plan are:

- Effective and responsive services
- Sustainable economic growth
- Strong and resilient communities
- Financial independence

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.

As part of its arrangements during the year the Chief Executive reviewed the senior management structure, which had been delayed during the Covid-19 pandemic. The review assessed the structure and the needs of the Council in line with its strategy, business need, and future requirements.

## Appendix A – Summary of arrangements

---

### Financial Sustainability (Continued)

#### Reporting Sub-Criteria

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

#### Findings

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.

The Capital Programme is based upon the Corporate Plan which will identify the need for investment.

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 schedule asset replacements.

The key driver of the Capital Strategy is the Council's 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:

- Effective and responsive services
- Sustainable economic growth
- Strong and resilient communities
- Financial independence

This statement gives a strategic direction to the Council to enable it to meet the demands of the future.

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.

Decision on treasury management investment and borrowing are made daily and therefore, are delegated to the Head of Corporate Resources, who must act in line with the Treasury Management Strategy approved by Council.

## Appendix A – Summary of arrangements

### Financial Sustainability (Continued)

#### Reporting Sub-Criteria

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

#### Findings

Please see documentation above about MTFs, and below regarding the annual budget setting process.

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:

- The Council publishes detailed financial plans (including the MTFs) that are aligned to its Corporate Plan and includes actions to ensure financial sustainability
- In-year monitoring of these financial plans to identify and incorporate any unplanned changes in underlying assumptions of the Council's plans as discussed below
- Reporting of financial performance against set financial plans as discussed below
- Risk management processes to identify, monitor and assets 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.

Cabinet is the body responsible for the Council's strategic risk management. Cabinet approves the Council's strategic risks on an annual basis. Cabinet members work with Heads of Service regarding the progress in managing risks that fall within their portfolio. In addition, Cabinet is responsible for:

- Providing an overall direction on strategic risk management.
- Promoting a positive risk culture throughout the organisation including promoting its importance to other Members.
- Holding an annual workshop to agree the strategic risks for the following 12 months.
- Approving an annual Strategic Risk Profile.

The Cabinet Member for Finance and Service Delivery is recognised as the Member Risk Champion and works with the Officer Risk Champion to embed risk management into the organisation. The Management Team is responsible for ensuring the Council's strategic risks are actively managed throughout the year. It uses its weekly meetings to monitor progress across all the risks and where it is found that a risk has increased in risk profile, a report is submitted to Cabinet.

(continued...)

## Appendix A – Summary of arrangements

---

### Financial Sustainability (Continued)

#### Reporting Sub-Criteria

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

#### Findings

In addition, the Management Team has the following responsibilities:

- Implementing the strategic risk management policy.
- Reviewing the management of strategic risk.
- Monitoring the effectiveness of controls designed 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 organisation.
- Ensuring that appropriate training is put in place for appropriate officers and that it is reflected in the Member Development Programme.

The Officer Risk Champion and works with the Member Risk Champion to embed risk management into the organisation.

These arrangements come together, linking the Corporate Plan and its risks 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.

---



## Appendix A – Summary of arrangements (continued)

### Governance

#### Reporting Sub-Criteria

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

#### Findings

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 sets out the ways in which the Council:

- Identifies key strategic risks in the context of the Corporate Plan's objectives
- Assesses risks to determine the potential likelihood and impact of each risk
- Determines the response that should be made to each risk
- Develops the necessary actions, controls, and processes to implement the chosen response to each risk
- Communicates its approach to risk management and the results of risk management activity
- Deals with each risk – either avoid, reduce, share or accept it.

The Council maintains a strategic risk register. The register details:

- The description of the risk, including the Corporate Strategic Aim that the risk is aligned to, the risk owner and the Cabinet Member
- The current mitigations
- The consequences split across the categories of "Financial", "Reputational" and "Operational"
- The key causal factors
- The initial risk score

Updates to the risk register are discussed in Cabinet as described above.

#### *Internal Audit*

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.

The provision of Internal Audit was revised, and from 1 July 2021 has been undertaken by Mazars LLP. This is providing a fresh perspective on the Council.

The findings and recommendations from each audit review are reported to the Audit Committee and an Annual Report is also prepared.

## Appendix A – Summary of arrangements (continued)

### Governance (Continued)

#### 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)

Their opinion for the year to 31 March 2022 was that: *Based on our audit work, our opinion on the governance, risk management, and control framework is Moderate in its overall adequacy and effectiveness. Some improvements are required to enhance the adequacy and effectiveness of the governance, risk management and control framework.*

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

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.

The financial strategy is based on the rolling four-year cycle and sets out the likely envelope of resources available to the Council over the following four years for both revenue and capital spending (see section above on MTFS). This strategy is approved by Council, having first been considered by Cabinet.

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 considerations, or substitute its own proposals in their place.

Each of the Council's budgets are delegated to a designated budget manager. Budget managers have the responsibility to:

- Only incur expenditure or vire budget provision for which they have approved budgets or specific authority.
- Monitor and control revenue and capital expenditure and income under their control.
- Submit periodic capital and revenue monitoring reports to members.
- 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.
- Should a need to incur unavoidable or non-controllable expenditure be identified, a proposal for a supplementary estimate shall be submitted to Cabinet.

(continued..)

## Appendix A – Summary of arrangements (continued)

### Governance (Continued)

#### Reporting Sub-Criteria

#### Findings

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

In relation to Financial Planning, the CFO has a responsibility of:

- Ensuring lawfulness and financial prudence of decision making.
- Administration of financial affairs.
- Contributing to corporate management.
- Advising whether executive decisions are within the budget.
- Providing advice.
- Giving financial information.
- Supporting the Audit Committee.

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

Each of the Council's budgets are delegated to a designated budget manager. Budget managers have the responsibility to:

- Only incur expenditure or vire budget provision for which they have approved budgets or specific authority.
- Monitor and control revenue and capital expenditure and income under their control.
- Submit periodic capital and revenue monitoring reports to members.
- 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.
- Should a need to incur unavoidable or non-controllable expenditure be identified, a proposal for a supplementary estimate shall be submitted to Cabinet.

Both revenue and capital monitoring take place regularly in periods 2, 4, 6, 9 and 12 of the financial year.

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:

Compare the annual budget with all posted income and expenditure, including commitments. The query will show the total remaining uncommitted budget.

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.

Compare the annual budget with the full year income and expenditure for the last complete financial year.

The Council also reviews its Treasury Management performance. In 2021/22, the Council continued to receive large grant payments which they were required to keep liquid. However, no such breaches of counter-party limits were made, as reported in the previous year to manage those funds. This demonstrates the Council's ongoing arrangement to monitor its Treasury Management functions.

## Appendix A – Summary of arrangements (continued)

### Governance (Continued)

#### 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 operational decisions. When major decisions ('key decisions') are to be 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.

Cabinet is currently made up of seven councillors, including the Leader and Deputy Leader. 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. There are five portfolio areas: Whilst some decision-making powers are delegated to individual Executive members, generally the Executive makes decisions as a Committee.

## Appendix A – Summary of arrangements (continued)

### Governance (Continued)

#### 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)

1. Economic Growth and Net Zero
2. Leisure and Parking
3. Community
4. Planning
5. Housing and Customer Services

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

#### *Scrutiny Committee*

The roles and responsibilities of the three Scrutiny Committees are set out within the Constitution and are to:

- 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.

The Council has reviewed its scrutiny arrangements, which was considered by the Full Council during September 2021 as part of a Governance Review. The review identified scope for efficiency and improvement in the scrutiny arrangements, but in our interpretation of the review were points for improvement and not significant weaknesses in the arrangements.

#### *Audit Committee*

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.

## Appendix A – Summary of arrangements (continued)

### Governance (Continued)

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	<p><i>Transparency</i></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 (continued)

### Improving economy, efficiency and effectiveness

Reporting Sub-Criteria	Findings
<p>How financial and performance information has been used to assess performance to identify areas for improvement</p> <hr/> <p>How the body evaluates the services it provides to assess performance and identify areas for improvement</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> <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><i>Performance Information</i></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>
<p>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>	<p>The Constitution states that the Council is able to:</p> <p>Enter into arrangements or agreements with any person or body;            Co-operate with, or facilitate or co-ordinate the activities of, any person or body; and            Exercise on behalf of that person or body any functions of that person or body.</p> <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>

## Appendix A – Summary of arrangements (continued)

---

### Improving economy, efficiency and effectiveness (Continued)

Reporting Sub-Criteria	Findings
<p>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 (continued)</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>
<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>	<p>Mid Sussex District Council has in place a “procurement code”. This information was laid out within 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>Following the year-end the procurement code has been taken out of the constitution to present a stand alone document.</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>

---



## Appendix B – Summary of all recommendations

### Recommendations

The table below sets out all the recommendations arising from the financial statements and value for money audits in 2021/22. All recommendations have been agreed by management.

Issue	Recommendation	Management Response
Financial statements: We have continued to identify errors in property valuations. The issues identified have included; the valuer not being able to support assumptions on yield or market rents; the valuer not explicitly stating their assumptions on voids & purchase costs; the nature of the asset not being correctly reflect in the valuation and the valuation not reflecting ongoing rent reviews.	<p>In our view, management should put into place the following controls:</p> <ul style="list-style-type: none"><li>• Personnel at the Council, who have sufficient knowledge of the asset, should review the information provided to the valuer to ensure the information up to date, relevant, and accurate. Management should consider the need to perform the asset valuations closer to the 31 March year-end date to ensure that this updated information is utilised, and the resulting asset valuation quantified.</li><li>• Management should ensure that the valuer explicitly states, and be able to support, all their assumptions in the valuation</li><li>• Personnel at the Council, who have sufficient knowledge of the asset, should review the valuations performed by the valuer.</li></ul>	Management agreed the recommendation, and committed to the Finance and Estates teams agreeing a workflow to prepare and check the valuations performed by the Council's external valuer.

Value for Money: None noted

## Appendix C – Fees

---

### Fees

We carried out our audit of the Council's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)".

Our proposed fees for 2021/22 are set out within Section 08 of the Audit Results Report presented to the Audit Committee on 18 September 2023.

## Appendix D – Fees Relationships, services and related threats and safeguards

---

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

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

As at the date of this report, the only non-audit service is the review of the Council's Housing Benefit Subsidy claim. This is a permitted service under the NAO's auditor guidance.

## EY | Assurance | Tax | Transactions | Consultancy

### About EY

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

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

© 2020 EYGM Limited.

All Rights Reserved.

ED None

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

In line with EY's commitment to minimise its impact on the environment, this document has been printed on paper with a high recycled content.

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

[ey.com](http://ey.com)