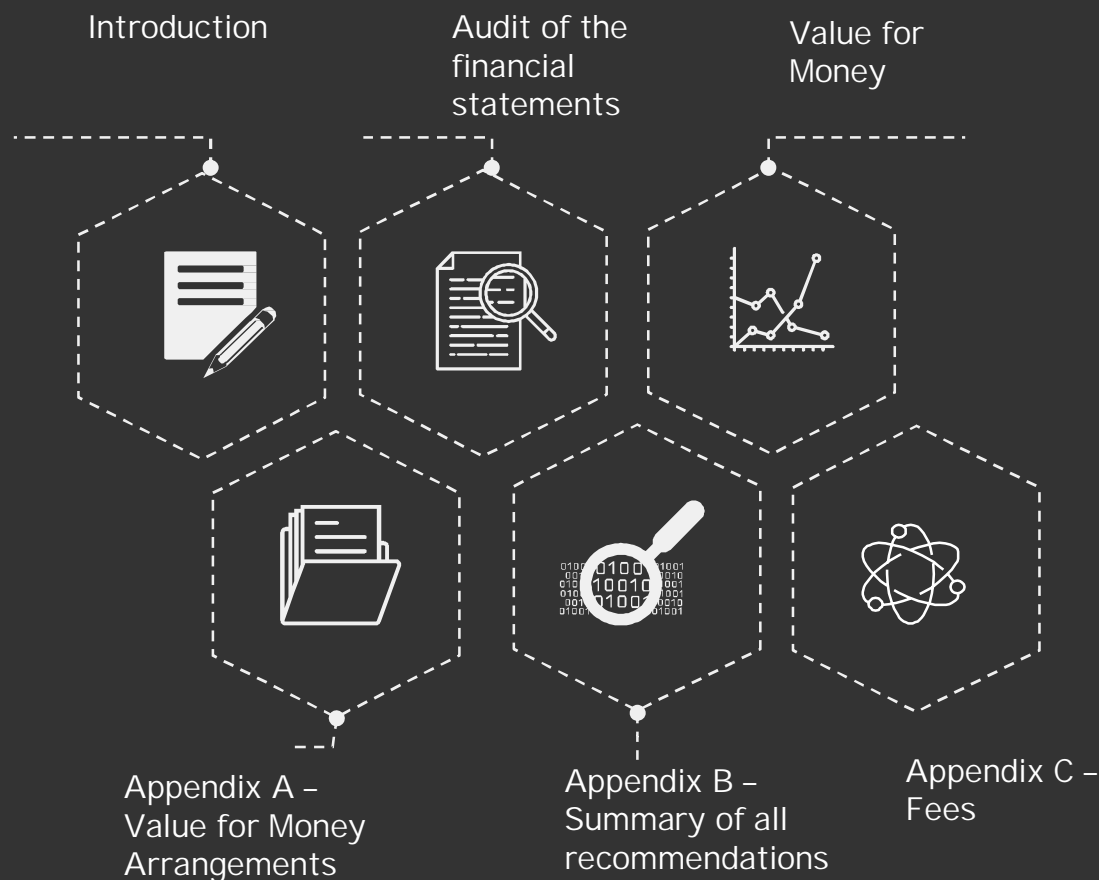




Chichester District
Council
Auditor's Annual
Report

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 Corporate Governance and Audit Committee and management of Chichester District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Corporate Governance and Audit Committee and management of Chichester 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 Corporate Governance and Audit Committee and management of Chichester 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 in October 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 31 August 2023.
Going concern	We have concluded that the Director of Corporate Services' 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 31st August 2023, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 17th July 2023 Corporate Governance and Audit Committee meeting with an updated Audit Results Report issued on 29th August 2023. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan. We reported no areas 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 tested a sample of Property, Plant & Equipment and Investment Property additions and based on the work completed we have not identified any inappropriate capitalisation of revenue expenditure.

We identified that £115k of admin costs re. Disabled Facilities Grant (DFG) had been incorrectly posted to Other Services expenditure instead of Revenue Expenditure Funded from Capital Under Statute (REFCUS) i.e. REFCUS has been understated by £115k.

This error was not material and management did not adjust for this in their Accounts.

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. Our work did not identify any instances of inappropriate judgements being applied, including of management bias in estimates.

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

Other risks / areas of audit focus	Conclusion
Valuation of Land & buildings and Investment Property	<p>Valuations of land & buildings 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>We did not identify any issues in relation to the valuation of Investment Property (IP), however, there were two reportable findings in relation to the valuation of Property, Plant and Equipment (PPE). These are shown below:</p> <ul style="list-style-type: none">• £340,000 factual overstatement of 1 asset - error due to the figure as calculated by the Valuer being different to the figure used by the Finance Team as a draft version of the valuation report was initially provided.• £88,000 extrapolated judgemental understatement – judgemental difference in the yield used by the valuer for 1 asset extrapolated against the representative population resulting in an understatement of PPE. <p>These were not adjusted by management in their Accounts, on the basis they were not material.</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>Due to the triennial valuation having a material impact on the Accounts we had to perform additional testing on membership data. This testing was performed at a Fund level by the auditors of West Sussex County Council and no issues have been noted in this testing. The updated valuation was a net pension asset of £21.5m, compared to the previous value of £26.3m. As a net pension asset, we also needed to undertake procedures on the asset ceiling. Management adjusted for this movement in the final set of Accounts.</p>

<p>We did not identify any risks of significant weaknesses in the Council's VFM arrangements for 2021/22.</p>	<p>Scope</p> <p>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 October 2022 Corporate Governance and 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 Director of Corporate Services and evaluation of associated documentation through our regular engagement with Council management and the finance team.</p> <p>Reporting</p> <p>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.</p>		
<p>Our VFM commentary highlights relevant issues for the Council and the wider public.</p>	<p>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.</p> <p>In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:</p>		
<p>We have no matters to report by exception in the audit report.</p>	<p>Reporting criteria</p> <p>Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services</p> <p>Governance: How the Council ensures that it makes informed decisions and properly manages its risks</p> <p>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</p>	<p>Risks of significant weaknesses in arrangements identified?</p> <p>No significant risks identified</p> <p>No significant risks identified</p> <p>No significant risks identified</p>	<p>Actual significant weaknesses in arrangements identified?</p> <p>No significant weaknesses identified</p> <p>No significant weaknesses identified</p> <p>No significant weaknesses identified</p>



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 managed its budget during 2021/22. It reported an outturn £1.042m better than expected, with the variance put into the General Fund Reserve.

During March 2022 the Council set its 2022/23 annual budget. This increased the Council Tax (Band D) by £5, following reasonable assumptions being made on service delivery changes, cost pressures and income generation.

The budget showed a net deficit of £576,100 for 22/23, which was to be funded from the General Fund Reserve.

More recently, in February 2023 the Council has set its 2023/24 budget. Council Tax (Band D) was raised by £5.26 (2.99%). The budget reflects efficiency savings of £2m, identified under the Future Services Framework which was part of the Council's Recovery Plan in 2020 due to the impact of Covid-19. These savings are a mixture of cost reductions and new income generation ideas. In line with the Council's Financial Strategy Forecast, Officers have prepared a balanced budget for 23/24 without the use of reserves. However it is noted there is an anticipated deficit in the medium term position, i.e. 25/26 and beyond. The Revenue Budget and Council Tax Proposals 2023/24 report rightly recognises the uncertainty in Local Government finances, and notes that the further ahead that is looked the less certain forecasts become. However, in our judgement the Council remains well placed to address future financial challenges.

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.



Value for Money (continued)

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

The Council has appropriate arrangements in place to make informed decisions and manage its risks. We note there were no recommendations in the prior year in relation to their arrangements.

The Council has an effective strategic risk management framework and register in place to identify, mitigate and monitor the risks to the entity in delivering strategic objectives. This includes both financial and non-financial risks. The most recent risk register was produced in March 2023. All risk registers are updated quarterly and considered by the Senior Leadership Team (SLT).

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.

We note that no instances of non-compliance have been identified throughout out audit, including through internal audit reviews.

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 appropriate arrangements in place.

Chichester District Council implement a Corporate Plan which sets out the Council's future priorities and objectives. The Plan works alongside the Financial Strategy to ensure that staffing and financial resources are allocated appropriately. The Plan took effect from 1 April 2022 was due to run until 31 March 2025. However, the May 2023 election has resulted in a change of political leadership. The new Leader is currently working with the Strategic Leadership Team to develop new corporate plan, with the intention to have this in place from April 2024.

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

Financial Strategy and Medium Term Financial Strategy (MTFS)

The Council produces an annual MTFS covering the current and next 5 years on a rolling basis. The MTFS should have regard to the following criteria:

- be constructed to resource the forthcoming Corporate Plan (see section 3 below for more information on the Corporate Plan);
- identify and quantify all known factors likely to impact on the Council's budget in the medium term (the financial risk matrix);
- use the service review process to identify efficiencies in order to maintain a balanced budget over the medium term;
- have regard to the current and potential legislative and national financial issues;
- 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 and Plan 2022-23 to 2026-27". This was presented at the Cabinet meeting in November 2021. The five year financial model forecast was updated to reflect current assumptions; including government funding, council tax projections, projected costs and planned efficiencies. This update also contains the second of the three year programme of efficiency savings to be adopted to address the budget deficit as a result of Covid-19 impact. The Council note that it will be necessary to use reserves to help balance the budget in the medium term.

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 based on the rolling five year cycle is risk assessed by Corporate Governance & Audit Committee. This sets out the likely envelope of resources available to the council over the following five years for both revenue and capital spending (see section above on MTFS). This strategy shall be approved by Council, having first been considered by Corporate Governance & Audit Committee.

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 (continued)

Findings

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.

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.

Responsibility of CFO

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

- manage the annual budget preparation process in accordance with the Council's budget strategy and budget timetable;
- inform Senior Officers and budget managers about the budget strategy, the annual budget timetable and their involvement in the process;
- actively support Senior Officers and budget managers in meeting their budgetary control responsibilities; and
- provide appropriate and accurate financial advice.

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	<p>In preparation for the annual budget process the Council's Financial Strategy and the 5 year Financial Model, including the key financial principles are reviewed. This is in order to take account of 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, the Future Services Framework (FSF) was approved to aid the decision making and action required to work towards a balanced budget over the medium term.</p> <p>The annual budget for revenue spending for 2021-22 was approved by full Council on 2 March 2021. The budget incorporated the first year of the efficiency savings identified in the Future Services Framework (see below).</p> <p><u>Future Services Framework</u></p> <p>In July 2020, the "Future Services Framework" was presented to Cabinet. This was introduced following the Covid-19 pandemic and detailed how the Council will challenge how they provide their services in order to ensure the continued delivery of services in the most efficient and effective manner. This proposal was broken down into 3 sections; Efficiency savings, Policy Options and Service prioritisation.</p> <p>This framework was initiated to allow the Council to continue to provide key services to support its communities through a period of uncertainty and increased need due to the Covid-19 pandemic.</p> <p>A report was taken to Cabinet in January 2022 which gave an update on the framework. It noted that phases 1 and 2 of the Framework identified over £2m of annual revenue savings through a combination of cost saving and new income generation. The January 2022 Update report provided updates to members on the progress of the third point of the framework i.e. service prioritisation. This service prioritisation is embedded within the Council's annual planning cycle and requires members to consider services and prioritise the non-statutory services each year. The latest update was reported to Full Council in January 2023.</p>
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>Chichester District Council implement a Corporate Plan which sets out the Council's future priorities and objective. This helps to ensure that:</p> <ul style="list-style-type: none">• the Council manages its resources effectively• that 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

Appendix A – Summary of arrangements

Financial Sustainability (Continued)

Reporting Sub-Criteria

Findings

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

The Council's Corporate Management Team and the Overview and Scrutiny Committee monitor progress against the key projects, budgets and performance measures on a regular basis and take action where any activities are behind schedule. A report is also produced annually to highlight the key achievements. Progress on the corporate priorities and the key projects are monitored and discussed on a monthly basis by the Senior Leadership Team (SLT) and Cabinet. In addition to this, they are reviewed by the SLT and leaders of the opposition groups through informal meetings.

A Corporate Plan was approved by Council on 25th January 2022. The Corporate Plan sets out the council's priorities for the next three years. The Plan works alongside the Financial Strategy to ensure that staffing and financial resources are allocated appropriately.

The current plan shows the challenges and opportunities facing Chichester District Council over the plan period. The priorities are:

- Homes for All
- Thriving Economy
- Supported Communities
- Financial Prudence
- A Cared for Environment

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.

Ultimately the responsibility of ensuring the continued delivery of service lies with the Full Council. The Constitution sets out the role of Full Council and explains that the "Council is the policy making body from which the Policy Framework will be established and the Budget set. Council has responsibility for ensuring that the correct structures are in place for the effective implementation and delivery of its services. This includes the exercise of overall responsibility for the proper administration of the Council's financial affairs under Section 151 of the Local Government Act 1972". This shows that the Full Council hold overall responsibility of ensuring that sustainable delivery of services is achieved.

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

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 such as capital and treasury management also take place. The Financial Strategy and Plan incorporates the revenue effect of capital and other investment decisions, and those impacting the workforce as a whole.

Appendix A – Summary of arrangements

Financial Sustainability (Continued)

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 (continued)	<p>The Capital Programme is based upon the Corporate Plan which will identify the need for investment.</p> <p>The capital strategy implemented by Chichester 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. This programme consists of significant projects that qualify as capital expenditure and a planned programme of scheduled asset replacements.</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 (we note there is currently no external borrowing).</p> <p>Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Corporate Services and staff, who must act in line with the treasury management strategy approved by Council.</p>
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 documentation above about the annual budget setting process and MTFS. 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.</p> <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>The Council also operates a "Strategic Risk Group" made up of 3 members of the Cabinet and 3 members of the Corporate Governance and Audit Committee with responsibility for risk and governance.</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 (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 Organisations in delivering strategic objectives. This includes both financial and non-financial risks.

The Council maintains a strategic risk register. The register details any risks along with the internal controls in place, plus any associated action plans to manage those risks. Updates to the risk register and are discussed in the Corporate Governance and Audit Committee on a bi-annual basis. All risk registers are updated quarterly and considered by the SLT.

Fraud Prevention Report

A “Fraud Prevention Report” is presented to the Corporate Governance and Audit committee annually which details the arrangements in place in relation to the prevention and detection of fraud within the Council and to confirm that there are adequate resources available to carry out all investigations and identify the risks of potential frauds across all council services.

The report shows achievements to date and also looks forward to the year ahead to consider what the potential risks might be.

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 findings and recommendations from each audit review are reported to Corporate Governance and Audit Committee.

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

Budget Setting Process

The Council has a statutory duty to prepare a balanced annual revenue budget. The Council’s budget must be constructed to ensure that resource allocations properly reflect the Council’s priorities, as set out above with reference to the corporate plan.

A financial strategy based on a rolling five-year cycle is risk assessed by Corporate Governance & Audit Committee. This sets out the likely envelope of resources available to the council over the following five years for both revenue and capital spending (see section above on MTFs). This strategy is then approved by Council.

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

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

Findings

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

them, amend them, refer them back to the Cabinet for further consideration, or substitute its own proposals in their place. Prior to this approval, a member of the Budget Review Task and Finish Group considers the draft annual spending plans and the outcome of this review is normally reports to the January meetings.

Each of the Council's budgets will be 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.

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

See Section above.

Each of the Council's budgets will be 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 on a quarterly basis, with a summary report being produced for consideration by the SLT. 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 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.

Appendix A – Summary of arrangements (continued)

Governance (Continued)

Reporting Sub-Criteria

Findings

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 (continued)

In addition to this budget managers receive a monthly budget monitoring report generated automatically by the GL system. This report also acts as a prompt to the budget manger to review their budgets using the live system in order to review anomalies and take appropriate action and/or seek assistance from the finance team when necessary. A member of the finance team will then meet with the budget manager on a quarterly basis to review the year to date position and produce an outturn forecast for the service area. The forecasts are then consolidated into a single summary for senior management to consider. Once the review has taken place, the monitoring report is published on the Council's website.

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

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 are made in accordance with the following Principles:

- within legal and financial parameters
- proportionality (i.e. the action must be proportionate to the desired outcome)
- due consultation and the taking of professional advice from officers
- respect for human rights
- a presumption in favour of openness
- clarity of aims and desired outcomes
- promotion of equality
- reduction in crime and disorder
- sustainability and
- compliance with members' and officer codes of conduct

The Full Council

The Constitution sets out the role of 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

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 (continued)

Findings

so far as they can be anticipated. If these major decisions are to be discussed at a meeting of the Cabinet, this will be open for the public to attend except where personal 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.

Decisions are submitted to Cabinet using a standard report structure. All reports to Cabinet are reviewed by the responsible director who signs them off. These are then reviewed and signed off collectively by the Strategic Leadership Team (including S.151 Officer) and also by the Monitoring Officer.

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.

Overview & Scrutiny Committee

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

- to review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions
- to make reports and/or recommendations to the full Council and/or the Cabinet in connection with the discharge of its functions including performance monitoring, and the development and review of Council policies
- to consider matters affecting the area or its inhabitants and to act as community champion in reflecting the views and interests of the community
- to exercise the right to call-in, for reconsideration, decisions made but not yet implemented by the Cabinet
- to consider reports and recommendations received from the West Sussex Joint Scrutiny Steering Group and/or any task and finish group set up to carry out a joint scrutiny review and ensure that the report and recommendations are dealt with in a suitable manner and referred on to the Cabinet and/or Council for a decision as appropriate.

Corporate Governance and Audit Committee

The Corporate Governance and Audit Committee is independent of the executive and scrutiny functions and embedded as a key part of the authority'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 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 data-bbox="663 368 2116 432">We have inspected the website of the Chichester District Council, and identified the various policies in place regarding the integrity, ethical values and behaviour of key executives.</p> <p data-bbox="663 464 2116 592">Chichester 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. The Code of Conduct has been created to support “all tiers of local government to continue to aspire to high standards of leadership and performance” and to assist individuals with the behaviour that is expected of them.</p> <p data-bbox="663 624 2116 751">Included within this Code of Conduct there is a section of “guidance to members on the offer, acceptance and declaration of receipts of 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 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>	<p><u>Corporate Plan</u></p> <p>Chichester 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">• the Council manages its resources effectively• that 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
<p>How the body evaluates the services it provides to assess performance and identify areas for improvement</p>	<p>The Council's SLT (supported by divisional managers) and the Overview and Scrutiny Committee monitor progress against the key projects, budgets and performance measures on a regular basis and take action where any activities are behind schedule. A report is also produced annually to highlight the key achievements. As mentioned above, both Cabinet and Opposition leaders consider performance on a monthly basis through informal meetings with SLT.</p> <p>The Authority also has a Corporate Plan which sets out the council's priorities for the next three years. The Plan works alongside the Financial Strategy to ensure that staffing and financial resources are allocated appropriately.</p> <p>The Corporate Plan is reviewed annually to ensure that the key projects and measures are still relevant, important and are continuing to achieve the outcomes that have been set.</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><u>Performance Information</u></p> <p>In order 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 comparisons to other periods.</p> <p>The Constitution states that the Council is able to:</p> <ul style="list-style-type: none">• 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>In order 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
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>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>The Corporate Governance and Audit Committee also receive an “Annual Partnership Report”. This report acts as a mechanism to ensure that strategic partnerships have appropriate governance measures in place and ensure that all risks are monitored adequately. This report details the individual partnerships that the Council is involved with and provides a risk assessment matrix in relation to each partnership.</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>Chichester District Council has in place “Contract Standing Orders”. This information is laid out within the Constitution and sets out the procedures that 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 Authority.</p> <p>Officers undertaking procurement exercises on behalf of the council are supported by the Procurement Service (including external support from Hampshire County Council’s 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: None noted		
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)”. As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks in relation to the valuation of property, plant and equipment . As a result, we have discussed an associated additional fee with the Director of Corporate Resources which remains subject to approval by PSAA Ltd.

Our final proposed fees for 2021/22 are set out in the table below:

Description	Proposed Fee 2021/22 £	Note	Final Fee 2020/21 £
Scale Fee	37,799		37,799
Proposed increase to the scale fee due to changes in work required to address professional and regulatory requirements and scope associated with risk	29,880	1	15,703
Scale fee variation	3,773	2	3,467
Scale fee variation - new auditing standard and Value for Money requirements	8,587	3	8,587
Total audit fee	80,039		65,556
Non-audit fees (HBAP)	11,320	4	48,320
Total fees	91,359		113,876

Notes:

- For 2020/21, and previous years, we submitted a proposed rebasing of the scale fee to reflect changes in work required to address professional and regulatory requirements and scope associated with risk. The value submitted was £29,880.
- The 2020/21 Code work included an additional fee of £3,467, for additional work undertaken in relation to prior period misstatement, accounting for Covid Grants and EY Pensions internal specialist work on the Actuary’s model. This additional fee has been determined by PSAA. For 2021/22, we have removed the fee in relation to the prior period misstatement and Covid Grants as these were specific to 2020/21. The current year fees include the work performed by EY Pensions internal specialists, and the additional work in relation to the triennial valuation and the additional work in relation to the pension asset ceiling (see page 6) .
- We have identified continuing requirements for 2021/22 that are not within the scale fee, being the impact of amended auditing standards for estimates, and the Code requirements for our VFM responsibilities. Additional work has been performed in these areas. The proposed 2021/22 fee provides an estimate based on what was submitted and determined by PSAA in 2020/21, as these requirements are recurrent.
- Non-audit fees for HBAP are determined at the end of the engagement, depending on the level of errors and extended testing required in accordance with DWP’s instructions. The planned fee for 2021/22 currently reflects only the baseline agreement, and is expected to increase as additional testing will be required based on the results of the 2020/21 work.

Appendix C – Fees Relationships, services and related threats and safeguards

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

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

EY provided non-audit services to the council for the year end 31 March 2022 as the reporting accountant for the DWP’s Housing Benefit Assurance Process (HBAP). As at the date of this report, we have committed to complete the 2022/23 HBAP.

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