

Public Document Pack

JOHN WARD
Director of Corporate Services

Contact: Sharon Hurr
Email: shurr@chichester.gov.uk

East Pallant House
1 East Pallant
Chichester
West Sussex
PO19 1TY
Tel: 01243 785166
www.chichester.gov.uk



A meeting of **Corporate Governance & Audit Committee** will be held virtually on **Monday 19 July 2021 at 2.00 pm**

MEMBERS: Mr F Hobbs (Chairman), Dr K O'Kelly (Vice-Chairman), Miss H Barrie, Mr J Brown, Mr A Dignum, Mr T Johnson, Mr D Palmer and Mr P Wilding

SUPPLEMENT TO AGENDA

- 1 **Chairman's Announcements**
Any apologies for absence that have been received will be noted at this point.
- 2 **Approval of Minutes** (Pages 1 - 8)
The committee is requested to approve the minutes of its ordinary meeting on 22 March 2021.
- 3 **Urgent items**
The chairman will announce any urgent items that due to special circumstances are to be dealt with under the Late Items agenda item.
- 4 **Declarations of Interest**
These are to be made by members of the Corporate Governance and Audit Committee or other Chichester District Council members present in respect of matters on the agenda for this meeting.
- 5 **Public Question Time**
The procedure for submitting public questions in writing by no later than noon 2 working days before the meeting is available [here](#) or from the Democratic Services Officer (whose contact details appear on the front page of this agenda).
- 6 **Audit Plan for year ended 31 March 2021** (Pages 9 - 52)
The Committee is requested to consider and to note Ernst & Young LLP's Audit Plan for year ended 31 March 2021.
- 7 **2020-2021 Treasury Management outturn report** (Pages 53 - 64)
The Committee is asked to review the Treasury activity summarised in this report and provide comments to Cabinet as necessary.
- 8 **Corporate Governance and Audit Committee Work Programme 2021-22**
(Pages 65 - 69)
The committee is requested to consider and agree its work programme for 2021-22.
- 9 **Housing Benefit Subsidy Audit Position** (Pages 71 - 76)
The Committee is asked to consider and note the outcome of the 2019/20 Audit Report.
- 10 **Progress Report - Update on Audit Plans 2020/2021 and 2021/22** (Pages 77 -

91)

The Committee is asked to note performance against the audit plan for 2020/21.

- 11 **Update Following Global Microsoft Exchange Hack** (Pages 93 - 96)
That the Committee are fully briefed on the circumstances, actions and outcomes following the Global Microsoft Exchange Hack in March 2021.

- 12 **ICT Security Plan** (Pages 97 - 104)
That the Committee be advised of the approach being taken to strengthen our cyber defensive capabilities in light of the changing nature of ICT security threats and breaches.

That the ICT Security Plan provides sufficient corporate assurance against the increasing volumes and sophistication of cyber-criminal activity.

- 13 **Constitutional Amendments** (Pages 105 - 110)
The Committee is asked to note the amendments to the Constitution made by the Monitoring Officer in the period January 2019 to July 2021.

- 14 **Strategic Risk Group**
Appointment of three members of the Committee – Verbal Report

- 15 **Strategic Risk Management Update** (Pages 111 - 147)
That the Committee notes the updated Strategic Risk Register and the internal controls in place, plus any associated action plans to manage those risks, and raises any issues or concerns.

- 16 **Exclusion of the Press and Public**
The Committee is asked to consider in respect of agenda item 15 Strategic Risk Update appendix 1b, agenda item 17 Litigation Risk and appendix, and agenda item 18 Investigatory Powers Commissioners Office Inspection of Surveillance and CHIS Findings and appendix, whether the public, including the press, should be excluded from the meeting on the grounds of exemption under Parts I to 7 of Schedule 12A of the Local Government Act 1972, as indicated against the item and because, in all the circumstances of the case, the public interest in maintaining the exemption of that information outweighs the public interest in disclosing the information. **The reports dealt with under this part of the agenda are attached for members of the Corporate Governance & Audit Committee and senior officers only (salmon paper).**

- 17 **Litigation Risk** (Pages 149 - 154)
That the Committee note that several ongoing matters carry litigation risk and the assessment of that risk by author to the report.

- 18 **Investigatory Powers Commissioners Office Inspection of surveillance and CHIS findings** (Pages 155 - 160)
That the Committee note that an inspection took place in March 2021 and that all recommendations from the recent inspection by the Investigatory Powers Commissioners office are being undertaken.

- 19 **Late items**
The committee will consider any late items as follows:
 - a) Items added to the agenda papers and made available for public inspection
 - b) Items that the chairman has agreed should be taken as a matter of urgency by reason of special circumstances to be reported at the meeting

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Minutes of the meeting of the **Corporate Governance & Audit Committee** held in Virtually on Monday 22 March 2021 at 2.00 pm

Members Present: Mr F Hobbs (Chairman), Dr K O'Kelly (Vice-Chairman), Miss H Barrie, Mr J Brown, Mr A Dignum, Mr T Johnson, Mr D Palmer and Mr P Wilding

Members not present:

In attendance by invitation: Mr K Suter (Ernst & Young LLP)

Officers present: Mrs H Belenger (Divisional Manager for Financial Services), Mr M Catlow (Group Accountant (Technical and Exchequer)), Mr D Cooper (Group Accountant), Miss K Davis (Democratic Services Officer), Mr S James (Principal Auditor) and Mr J Ward (Director of Corporate Services)

65 **Chairman's Announcements**

There were no Chairman's Announcements.

66 **Approval of Minutes**

The minutes of the meeting held on 18 January 2021 were agreed as a correct record.

67 **Urgent items**

There were no late items.

68 **Declarations of Interest**

There were no declarations of interest relating to business to be transacted on the agenda.

69 **Public Question Time**

There were no public questions.

Annual Audit Letter Year ended 21 March 2021 - E&Y

The Chairman invited Mr Suter from Ernst and Young (E&Y) to introduce the report.

Mr Suter explained the purpose of the annual audit letter was to provide a summary which was less technical, and therefore offered greater accessibility, bringing into the public domain, areas and findings previously reported following the approval of the results report and statements of accounts.

Mr Suter drew Members' attention to key aspects within the summary:

- The impact of Covid-19 pandemic and response to this situation.
- Provision of an unqualified audit opinion on the Councils' financial statement and value for money conclusion.
- Confirmation of certifying completeness of the audit and that it had been closed for 2019/2020.
- Audit fees as part of the closing procedures and after the presentation the fees being proposed would be submitted to the Public Sector Audit Appointments (PSAA) for their final confirmation and review.

In response to questions, the following was advised:

On the question of whether the wording in the report implied the Council were withholding information, when the issue had in fact been due to Ministry for Housing, Communities and Local Government not providing the details of forthcoming rebates with regards to Covid-19, Mr Suter responded that 'going-concern' as testament could be made by management dependent upon the available information and not that there was a deliberate withholding. Mr Suter added that the previous year had been unusual, and disclosures would be required to be more extensive.

With regards to the 2018/19 comparator figures of £32,955k in relation to Note 25 Grant Income - Mr Suter advised that in previous year's accounts, the Council had not included elements of the housing benefit subsidy in the notes. EY has asked for its inclusion this year, and to restate the prior year comparison, to provide a year on year comparison.

On the matter of the resolution of the difference of opinion in relation to the fees, Mr Suter explained that all fees whether or not they had been agreed had to be submitted to PSAA, the body which appointed E&Y, when the Council opted into the contract a few years previously. The PSAA would have the final decision and will be in contact with both E&Y and the Council to gather information. Mr Suter confirmed that the figures were included within the report, the additional work undertaken and revised scale of fees proposed. Mr Suter also confirmed the full report was available via agendas, minutes and the Council's website.

On the question of the Council as a 'going concern', Mr Suter advised whilst the values within the accounts require the 'going concern' basis of accounting in order that they are complied, E&Y had questioned whether the Council would be able to maintain the current level of services within the audit report, as this information was considered important for members of the public.

Mr Suter explained that the scale fee rebasing element was E&Y's response to PSAA and discussion of changes within audit fees and to ensure the fees were representative of the amount of work undertaken and the level of risk within local authority's accounts and related work year on year. The Committee had previously raised questions when E&Y had presented their audit plans, as to whether the work could be completed for the audit scale fee which, although agreed, Mr Suter confirmed that E&Y would prefer to be paid for the work undertaken. In 2020 PSAA had asked EY to calculate the amount of additional work undertaken over time due to the changes in regulations and standards, for which E&Y wished to be paid for the conduct of the audit.

Mr Ward advised that the audit process this year was more difficult for the Council's officers and the external audit team, and assured Members that the additional audit fees had been examined in detail with Mr Suter and challenged, and whilst above the original proposed fee one element was removed following Mr Ward's review.

The Chairman thanked Mr Suter for the work completed.

Resolved

That the report be noted.

71 2020-21 Accounting Policies

The Chairman invited Mr Catlow to introduce the report.

Mr Catlow explained that the report was similar to previous years, as the code on which the accounts were prepared based on the Council's interpretation of professional standards within in the financial statements had not significantly changed. The report detailed the limits set in terms of materiality, which referred to the larger and significant numbers reflected in the accounts and below what level, the omission would not affect the users of the financial statements. This was generally set at £1 million, although figures below that threshold of particular interest had been highlighted. Mr Catlow added that changes had been minor but the definition of 'materiality' had altered to include the concept of avoidance of obscuring information by for example splitting up or netting off figures. Mr Catlow further added that he and the other group accountants would review and restructure the accounts this year to ensure information was not obscured.

In response to questions, the following was advised:

Regarding the number of years before investments had to be taken to market, and whether there were currently any significant losses, Mr Catlow confirmed that under fair value accounting, this would take place at the end year for 2023/24, and at the last calculation the loss was currently £1 million but it had recovered significantly since 31 March 2021 when the loss was sitting at approximately £3.4 million and there was a further two years left for the markets to reflect and recover post the Covid-19 pandemic. The Council was not alone and the Government may reconsider and there had been a number of statutory overrides for which the Government had extended periods.

Mr Cooper advised that there had been a change to preparation deadlines this year in response to the Covid-19 pandemic. The deadlines for draft accounts and audit had been moved from the end of July to September and this revised regulation date would run for two years. Draft statements will be prepared by 31 July 2021, the external auditors providing audit results and opinion by September 2021, which may impact on the timetable of the Committee as the approval of the accounts will be required by 30 September 2021.

Resolved

That the Committee considered the report and approved the continued application of existing accounting policies in the preparation of the Council's 2020-21 financial statements.

72 Progress Report - Audit Plan 2020/2021

The Chairman invited Mr James to introduce the report.

Mr James reported that five audits had been completed since the last meeting of the Committee, and drew Member's attention to the report which provided the details of the results of the audits.

With regards to the Audit Plan, Mr James assured the Committee that the audits deferred from 2020/21 due to staff sickness and redeployment would be included in the Audit Plan for 2021/22. The plan had been prepared to consider risk, value and system complexities and it was envisaged that a large proportion of that plan would be undertaking the key financial systems work, with the remaining time taken up with annual activity and the audits considered high risk or had not previously been audited. The current position following the debt recovery audit had been prepared by Miss Standing, the Divisional Manager for Revenues, Benefits and Customer Services, and internal audit were satisfied with the progress being made. Miss Standing would provide a further report later in the year.

On the matter of retrospective purchase orders, Mr James confirmed a policy had been put in place in January 2020, and 54% of purchase orders had been raised late during the period of April to October 2020. This had not previously presented as an issue, as this was the first time this audit had been carried out and follow-up work would be undertaken to ensure the situation had improved. Mrs Belenger confirmed the policy would have been enforced but during the lockdown period, invoice processing had to be completed manually, and remote working had resulted in it not being possible to do so, but progress was now being made.

With regards to the disposal of IT equipment and a lack of records that data had been removed from the hard drives, Mr James responded that this matter would require information from the IT manager. The company used for the destruction of laptops carried out testing and a rebate was provided on those which were identified with the potential to be usable. In relation to whether IT equipment could be passed on to charitable organisations supporting residents, Mr Ward confirmed he would investigate this suggestion with the IT manager.

The Committee agreed to note the report.

73 **Budget Review Task and Finish Group Feedback**

The Chairman invited Mr Palmer to provide feedback from the Budget Task & Finish Group (T&FG).

Mr Palmer began by explaining that the T&FG included Members from both this Committee and Overview and Scrutiny Committee. Mr Palmer reported that the group originally scheduled for December 2020 were not able to meet until a week prior to the budget being presented to Cabinet with the papers provided the day before the meeting was held, which was considered to be unsatisfactory by the group. Mr Palmer commented that he wished on behalf of the group to propose for this year, that the meeting was held in September to ensure it had appropriate input into the budget setting process, adding that he also believed that the group should have a firmer role, a review of the Terms of Reference was required, and an improved understanding of the process. Mr Palmer also referred to the potential difficulties which may arise from Covid-19, and the need to define the role of the group. Mr Ward explained that the purpose of the Budget T&FG was to receive a briefing from officers on the Cabinet's Draft Budget. The briefing provided an opportunity for a fuller understanding, but at that stage it was a Cabinet draft proposal. With regards to how the budget was formulated, there were several stages, the first of which took place in September or October, with a Cabinet strategy day at which the emerging pressures and how the Cabinet would wish to address them, were discussed. This formed part of the financial strategy paper which was considered by this Committee prior to the Christmas period and was at that point a high level strategy, and a detailed budget would not be available at an earlier stage.

The Chairman sought clarification regarding whether there was a mechanism by which those allocated to the T&FG could put forward different views, considering this was a Cabinet draft budget. Mr Ward responded that the only mechanism was by the normal motions procedure at full Council and added that all political groups were able to vote in relation to the budget at full Council. Mr Ward explained that he had contacted all group leaders to request under the motions procedure sight of any alternative budget proposals to allow officers time to provide advice regarding their validity and whether they were achievable. The draft budget was developed by the governing group through the Cabinet mechanism and any member who wished to influence the budget would be required to engage with the leader and relevant cabinet member and consult officers on any technical aspect. Mr Ward also confirmed that the minutes from the T&FG could be shared with the Members of the Committee.

With regards to the process and associated timeline, Mr Ward explained that the budget process began in the autumn with a review of the Council's five year financial strategy and was brought to this Committee, then to the Cabinet and finally full Council. Mr Ward concurred that there was scope to engage more with opposition groups and previously the current Leader had invited the Leader and

Deputy Leader of the opposition to strategy days. A wider focus could be achievable but would not include the level of detail that was available at the T&FG as the details of the financial allocations the Council would receive were not provided until nearing the Christmas break. Much of the budget was a summation of the policy decisions made throughout the year and as such should not present unexpected information to Members. It would be possible to engage with opposition groups when formulating the financial strategy and Mr Ward reminded Members that there was a political emphasis to the budget and groups were not required to share their strategy.

The Chairman summarised that the name of the T&FG led Members to believe they would be given an opportunity for input rather than receiving information, that the T&FG could be given a broader forum, and he requested clarification regarding whether there could be provision for a meeting for the opposition to present their views. Mr Ward responded that these were valid points. Following the Cabinet Strategy Day the Leader had held a briefing with all group leaders and with both the Chief Executive and Mr Ward present, and this included the emerging financial pressures. Mr Ward concluded that he would examine this request further and consult with group leaders and senior leadership team on this matter outside the meeting.

The Committee noted the verbal report.

74 Governance Review Task and Finish Group- Terms of Reference

The Chairman invited Mr Ward to introduce the report.

Mr Ward explained a motion was taken to full Council to review governance arrangements. Mr Ward drew Members attention to the resolution passed included within the report and the associated details. The proposal was to form a T&FG, noting there had been some discussion during the meeting regarding the appropriateness of this title, and confirming that this group would be an advisory group and not a decision making group and such groups were titled T&FGs. Mr Ward drew attention to the main task of the group to consider a number of governance issues, particularly whether the Council moved to a hybrid system of committees, and the frequency and timings of meetings mooted by some Members following the 2019 elections. The Leader of the Council had undertaken to hold a review of the timings of meetings, in time for the next Council which was two years away. Full Council in May 2022 would consider the introduction of hybrid meetings when legislation allowed and Mr Ward advised that from 7th May 2021, the Council would be required to revert back to physical meetings. The group would also consider the scheme of delegation to Members and officers to ensure this was relevant and current and limits were set at the appropriate authorisation levels. The group would further review discretionary elements of how the Council's meetings were run for example public question time and questions to the executive, to ensure they are appropriate. Mr Ward confirmed that the proposal was to form a group of six Members which must reflect the political balance as agreed by Council and drew Members attention to the table within the report. However, there had been some debate regarding whether this number should be increased to eight, which would

allow four Conservative, two Liberal Democrats, one Independent and one from the Minority Groups (Local Alliance, Labour and Green).

Mr Dignum reported that group leaders Mrs Lintill and Mr Moss had agreed to eight members for the T&FG.

Dr O'Kelly also proposed an addition to the wording of the Terms of Reference: The T&FG will consult widely across the Council and with group leaders to formulate a recommendation that is supported across the Council. The Chairman confirmed he was satisfied with the addition.

Mr Johnson arrived at the meeting.

It was confirmed that that Mr Dignum, Mrs Purnell, Mrs Duncton and The Chairman would join the T&FG from the Conservative group, and Mr Brown and Dr O'Kelly from the Liberal Democrats. Mr Johnson confirmed that the representative from the Minorities group would be confirmed in the coming days.

Mr Ward confirmed that ideally the entire membership would have been appointed at this meeting, but as that was not possible, the recommendation should be amended to state: 'The Group Leaders are asked to appoint members....'. Mr Ward added that the resolution of the Council required the T&FG was led by a Chairman appointed from the CGAC membership and therefore could be appointed now. The Chairman, Mr Hobbs was proposed by Mr Dignum, seconded by Mr Wilding and with Mr Brown withdrawing and no other nominations coming forward, Mr Hobbs was appointed Chairman of the T&FG.

The recommendations as amended were agreed.

75 Exclusion of the Press and Public

It was not necessary to resolve to exclude the press and public from the meeting.

76 Late items

There were no late items.

The meeting ended at 3.20 pm

CHAIRMAN

Date:

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Chichester District
Council
Audit planning report
Year ended 31 March 2021

July 2021



Members of the Corporate Governance and Audit Committee
Chichester District Council
East Pallant House
1 East Pallant
Chichester
PO19 1YT

1 July 2021

Dear Corporate Governance and Audit Committee Members

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Corporate Governance and Audit Committee with a basis to review our proposed audit approach and scope for the 2020/21 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks. Our planning procedures remain ongoing, specifically in relation to the new requirements for the value for money conclusion. We will provide a further update at the subsequent meeting of the Corporate Governance and Audit Committee.

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

We welcome the opportunity to discuss this report with you on 19 July 2021 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Kevin Suter
For and on behalf of Ernst & Young LLP
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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 April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the 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.



01

Overview of our 2020/21 audit strategy



Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters. It seeks to provide the Corporate Governance and Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatement due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	Fraud risk	No change in risk or focus	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. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
Valuation of Land and Buildings, and Investment Property	Inherent risk	Reduction in risk	<p>The value of Investment Property (IP) and Land and Buildings (L&B) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges (for L&B). Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>In the prior year, the valuation of investment property and land and buildings valued with reference to market factors were considered to be areas of significant risk. As the market uncertainty arising from Covid-19 is reduced compared with the situation at 31/03/2020, and as no issues were identified through our prior year audit work, we have lowered the risk to inherent for 2020/21.</p>
Pension Liability Valuation	Inherent risk	No change in risk or focus	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by West Sussex County Council.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>

Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Accounting for Covid-19 related government grants	Inherent risk	New area of focus	The Council has received a significant level of government funding in the relation to Covid-19. There is a need for the Council to ensure that it has recognised and accounted for these grants appropriately, taking into account any associated restrictions and conditions.
Going Concern Disclosure	Inherent risk	No change in risk or focus	<p>There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 on the wider economy, there is a need for the Council to ensure its going concern assessment, including its supporting cashflow forecast, is robust and comprehensive. The Council is required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment, and in particular highlights any material uncertainties it has identified.</p> <p>In addition, the auditing standard in relation to going concern (ISA570) has been revised with effect for the 2020/21 accounts audit and we need to ensure we comply fully with the requirements of the revised standard.</p>

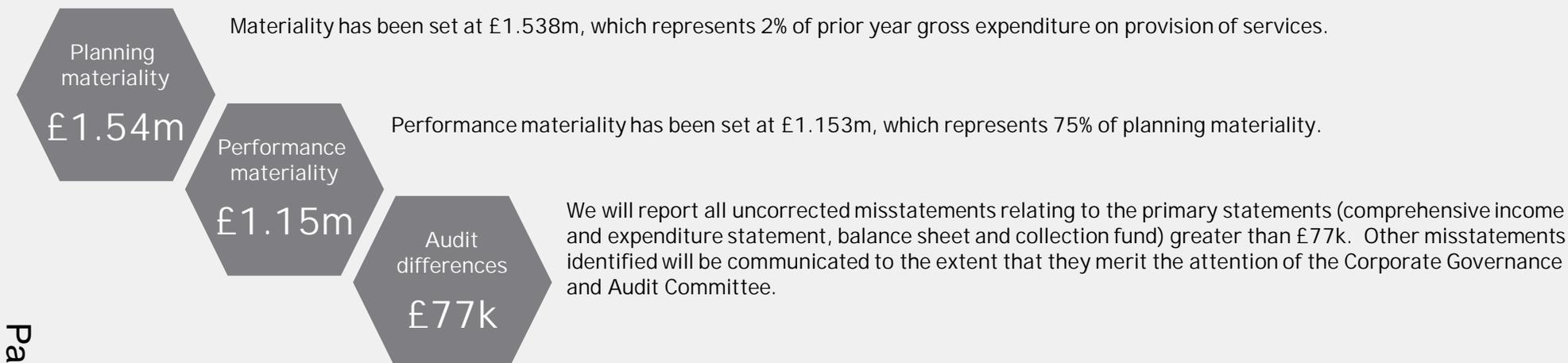
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Auditing accounting estimates

In addition to the above risks and areas of focus, a revised auditing standard has been issued in respect of the audit of accounting estimates. The revised standard requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors now consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we may see the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area. The changes to the standard may affect the nature and extent of information that we may request and will likely increase the level of audit work required.

Overview of our 2020/21 audit strategy

Materiality



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Audit Timing

Due to a backlog of work, predominantly as a result of Covid-19 impacting our 2019/20 audits, we have not been able to schedule an efficient high quality audit to meet the 30 September date noted in the Accounts and Audit (Amendment) Regulations 2021.

We have therefore agreed with the Council that our year-end execution work will commence in October 2021.

Overview of our 2020/21 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Chichester District Council give a true and fair view of the financial position as at 31 March 2021 and of the income and expenditure for the year then ended; and
- Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on value for money in Section 03, highlighting the changes included in the NAO's Code of Audit Practice 2020.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the value for money conclusion. Therefore to the extent any of these are relevant in the context of Chichester District Council's audit, we will discuss these with management as to the impact on the scale fee.



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02 Audit risks



Significant risk

We have set out below the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error*

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What is the risk?

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

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

We have considered the areas in which management could seek to override controls at Chichester District Council, and this had fed into our consideration of the risk of fraud in revenue and expenditure recognition as set out on page 11.

What will we do?

We will:

- Enquire of management about risks of fraud and the controls put in place to address those risks.
- Understand the oversight given by those charged with governance of management's processes over fraud.
- Consider the effectiveness of management's controls designed to address the risk of fraud.
- Perform mandatory procedures regardless of specifically identified fraud risks, including:
 - Testing of journal entries and other adjustments in the preparation of the financial statements;
 - Reviewing accounting estimates for evidence of management bias; and
 - Evaluating the business rationale for significant unusual transactions.

Significant risk

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

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Financial statement impact

Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts.

We focus our testing on capital additions (£3.8m in 2019/20) and Revenue expenditure funded from capital under statute (REFCUS) (£3m in 2019/20).

What is the risk?

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

We have assessed that the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure, as there is an incentive to reduce expenditure which is funded from Council Tax. This would result in funding expenditure that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing. We believe the significant risk manifests itself within PPE additions and REFCUS.

The manipulation of capitalising expenditure could occur through management override of controls.

What will we do?

We will:

- Test PPE additions using lowered testing thresholds, to ensure they are appropriately supported by documentary evidence, and that the expenditure incurred and capitalised is clearly capital in nature;
- Test REFCUS expenditure using lowered testing thresholds, to confirm it is appropriate for the expenditure incurred to be funded from capital sources; and
- Use our data analytics tools to identify and understand the basis for any significant journals transferring expenditure from non-capital codes to PPE additions or from revenue to capital codes on the general ledger at the end of the year.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk/area of focus?

Valuation of Land & Buildings and Investment Property (inherent risk)

The value of Land and Buildings (L&B) and Investment Property (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges (for L&B). Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

What will we do?

We will:

- Consider the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample test key asset information used by the valuers in performing their valuation and challenge the key assumptions used by the valuer;
- Test whether valuations have been correctly processed in the financial statements;
- Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code, and annually for IP; and
- Review assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated.

Pension Asset/Liability Valuation (inherent risk)

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by West Sussex County Council.

The Council's pension fund asset or deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2020 the Council had a net pension asset of £20.9m.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

We will:

- Liaise with the auditors of West Sussex County Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Chichester District Council;
- Assess the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Other areas of audit focus (continued)

What is the risk/area of focus?

Accounting for Covid-19 related grant funding (inherent risk)

The Council has received a significant level of government funding in relation to Covid-19. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in the 2020/21 statements.

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Going Concern Compliance with ISA 570 (area of focus)

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

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

In addition, the auditing standard in relation to going concern (ISA570) has been revised with effect for the 2020/21 accounts audit. (See page 15)

What will we do?

We will consider the Council's judgement on material grants received in relation to whether it is acting as:

- Agent, where it has determined that it is acting as an intermediary; or
- Principal, where the Council has determined that it is acting on its own behalf.

For grants received where the Council acted as principal, we will further consider whether any associated restrictions and conditions have been met and that grants have been claimed and recognised in accordance with the scheme rules.

We will:

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

Impact of changes in auditing standards

Auditing accounting estimates

ISA 540 (Revised) - Auditing Accounting Estimates and Related Disclosures applies to audits of all accounting estimates in financial statements for periods beginning on or after December 15, 2019.

This revised ISA responds to changes in financial reporting standards and a more complex business environment which together have increased the importance of accounting estimates to the users of financial statements and introduced new challenges for preparers and auditors.

The revised ISA requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we expect the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area.

The changes to the standard may affect the nature and extent of information that we may request and will likely increase the level of audit work required, particularly in cases where an accounting estimate and related disclosures are higher on the spectrum of inherent risk. For example:

- We may place more emphasis on obtaining an understanding of the nature and extent of your estimation processes and key aspects of related policies and procedures. We will need to review whether controls over these processes have been adequately designed and implemented in a greater number of cases.
- We may provide increased challenge of aspects of how you derive your accounting estimates. For example, as well as undertaking procedures to determine whether there is evidence which supports the judgments made by management, we may also consider whether there is evidence which could contradict them.
- We may make more focussed requests for evidence or carry out more targeted procedures relating to components of accounting estimates. This might include the methods or models used, assumptions and data chosen or how disclosures (for instance on the level of uncertainty in an estimate) have been made, depending on our assessment of where the inherent risk lies.
- You may wish to consider retaining experts to assist with related work. You may also consider documenting key judgements and decisions in anticipation of auditor requests, to facilitate more efficient and effective discussions with the audit team.
- We may ask for new or changed management representations compared to prior years.

Impact of changes in auditing standards - continued

ISA 570 (Going Concern)

The FRC has issued significant revisions to ISA (UK) 570 - Going Concern. This follows several well-publicised cases of perceived audit failure, such as Carillion and BHS. In these cases, the auditors failed to raise concerns in the auditor's report about the viability of the companies, despite them collapsing shortly after.

The changes increase the work required by auditors on going concern. As a result, we will be requesting greater evidence on going concern to meet these requirements, including, in all cases, management's assessment of the entity's ability to continue as a going concern for a period of at least a year from certification.

Key changes

The revised ISA 570 shifts the burden of responsibility on to an auditor to seek specific evidence over whether an entity is a going concern as opposed to reach a conclusion based on the evidence obtained throughout the audit. This has meant the following changes:

- A new requirement to design and perform specific risk assessment procedures to identify whether a material uncertainty related to going concern exists;
- Specified procedures that the audit team must carry out to evaluate management's assessment regardless of whether there are events or conditions that cast significant doubt on going concern;

Introduction of the concept of management bias in respect of going concern;

A requirement for more explicit conclusions and an explanation of work performed on going concern within the audit opinion / report.

The ISA does acknowledge that the level of detail in management's assessment and the auditor's evaluation of this assessment may be lower where this is appropriate in the circumstances. This may be the case where the entity is established in statute and there is a statutory mechanism by which it receives funding. The fact that an entity is wholly funded by grant in aid or other support from the government is not however in itself sufficient evidence that the entity is a going concern.

Evidence requirements

The changes to ISA 570 could increase the evidence requests made by audit teams. We will require written assessments supported, where appropriate, by cash flow forecasts and budgets for a period of at least 12 months from Approval of the Financial Statements. These will need to be realistic and based on up-to-date information with assumptions appropriate to the entity's circumstances. We may ask for evidence to support the assumptions made and sensitivity analysis.

Where the assessment involves continued financial support from a third party, we will likely need written third party evidence of that except where such support is statutory.



03

Value for Money Risks



Value for money

Council responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

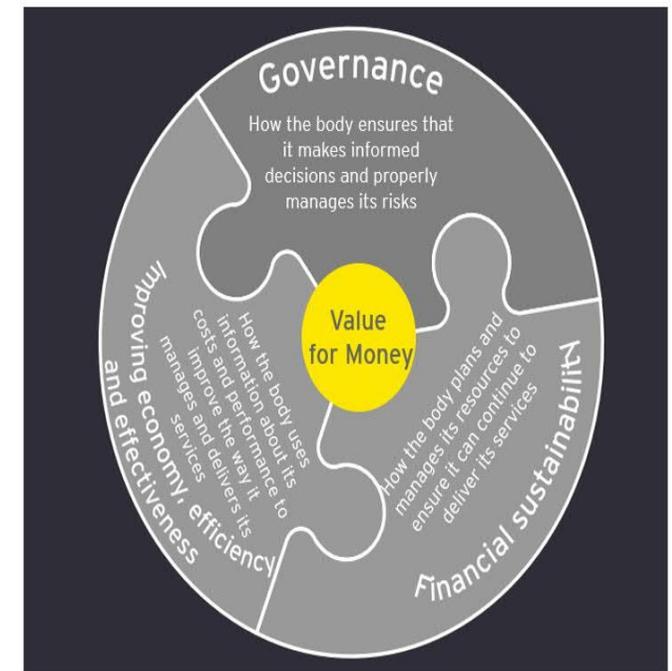
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in an annual governance statement. In preparing its annual governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from its use of resources.

Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion on which we need to conclude. Instead, the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability
How the Council plans and manages its resources to ensure they can continue to deliver its services;
- Governance
How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:
How the Council uses information about its costs and performance to improve the way it manages and delivers its services.



Planning and identifying VFM risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to 2015 Code guidance notes, where the NAO required auditors, as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

In considering the Council's arrangements, we are required to consider:

- The Council's Annual Governance Statement;
- Evidence that the Council's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates and other bodies; and
- Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

Page 26. We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes – or could reasonably be expected to expose – the Council to significant financial loss or risk;
- Leads to – or could reasonably be expected to lead to – significant impact on the quality or effectiveness of service or on the Council's reputation;
- Leads to – or could reasonably be expected to lead to – unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Council;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Council's reported performance;
- Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Council has had to respond to the issue.

Value for money

Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit Committee.

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

The new Code promotes more timely reporting by auditors. So where we have sufficient evidence to determine that there is a significant weakness on VFM related arrangements we can report that weakness, and an associated recommendation for improvement, at that time and not wait until we issue our Audit Results Report on the audit of the statement of accounts.

Summary of changes in VFM requirements between the 2015 and 2020 Codes of Audit Practice

We set out a summary of key changes in VFM requirements between the 2015 and 2020 Codes in tabular form on the following pages.

Status of our 2020/21 VFM Planning

Our planning procedures for the value for money conclusion remain ongoing. However, based on the wider planning procedures we have completed to date, we have not identified any significant weaknesses in your arrangements. We will update the Committee once our risk assessment is complete to confirm whether any further risks have been identified, and the work which will be undertaken to address them.



Value for money – Code requirements

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2015 Code requirement	2020 Code requirement
<p>Overall requirement For auditors to satisfy themselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.</p>	<p>Overall requirement No change in requirement.</p>
<p>Design of work The auditor’s work should be designed to provide the auditor with sufficient assurance to enable them to report by exception if the auditor concludes that they are not satisfied that the audited body has put in place proper arrangements to secure value for money in the use of its resources for the relevant period.</p> <p>Where required, the auditor should report their conclusion on the audited body’s arrangements having regard to specific reporting criteria.</p>	<p>Design of work The auditor’s work should be designed to provide the auditor with sufficient assurance to enable them to report to the audited body a commentary against the specified reporting criteria on the arrangements the body has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.</p> <p>Where the auditor is not satisfied in respect of arrangements to secure value for money, they should refer to this by exception in their audit report on the financial statements.</p>
<p>Assurance given In carrying out this work, the auditor is not required to satisfy themselves that the audited body has achieved value for money during the reporting period.</p>	<p>Assurance given No change in requirement. Our work remains arrangements based.</p>
<p>Other sources of relevant information Auditors need to consider:</p> <ul style="list-style-type: none"> • The audited body’s governance statement; • Evidence that the audited body’s arrangements were in place during the reporting period; • Evidence obtained from the auditor’s other work; • The work of inspectorates and other bodies; and • Any other evidence source that the auditor regards as necessary to facilitate the performance of their statutory duties 	<p>Other sources of relevant information No change in requirement.</p>



Value for money – Code requirements

2015 Code requirement	2020 Code requirement
<p>Quantum of work Determining how much work to do on arrangements to secure value for money is a matter of auditor judgement.</p>	<p>Quantum of work Determining how much work to do on arrangements to secure value for money remains a matter of auditor judgement, but we expect the enhanced risk assessment process and reporting requirements to require more time to be input.</p>
<p>Reporting criteria The NAO’s supporting Auditor Guidance Note 3 defines proper arrangements as:</p> <ol style="list-style-type: none"> 1. Informed decision making <ul style="list-style-type: none"> • Acting in the public interest, through demonstrating and applying the principles and values of sound governance; • Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management; Reliable and timely financial reporting that supports the delivery of strategic priorities; Managing risks effectively and maintaining a sound system of internal control; 2. Sustainable resource deployment <ul style="list-style-type: none"> • Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions; • Managing and utilising assets effectively to support the delivery of strategic priorities; • Planning, organising and developing the workforce effectively to deliver strategic priorities; 3. Working with partners and other third parties <ul style="list-style-type: none"> • Working with third parties effectively to deliver strategic priorities; • Commissioning services effectively to support the delivery of strategic priorities; • Procuring supplies and services effectively to support the delivery of strategic priorities; 	<p>Reporting criteria The Code specifies that auditors need to focus on these reporting criteria:</p> <ol style="list-style-type: none"> 1. Governance: how the body ensures that it makes informed decisions and properly manages its risks. Specifically: <ul style="list-style-type: none"> • 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; • How the body approaches and carries out its annual budget setting process; • 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; • 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 the audit committee; and • How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff or member behaviour (such as gifts and hospitality or declarations/conflicts of interests). 2. Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services. Specifically: <ul style="list-style-type: none"> • 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; • How the body plans to bridge its funding gaps and identifies achievable savings; • How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;



Value for money – Code requirements

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2015 Code requirement	2020 Code requirement
<p>Reporting criteria (continued) See previous page</p>	<p>Reporting criteria (continued)</p> <ul style="list-style-type: none"> • 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; and • 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>3. Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services. Specifically:</p> <ul style="list-style-type: none"> • How financial and performance information has been used to assess performance to identify areas for improvement; • How the body evaluates the services it provides to assess performance and identify areas for improvement; • How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and • Where the body commissions or procures services, how the body ensures that this 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>Risk assessment As part of planning, auditors should consider the risk of reaching an incorrect conclusion in relation to the overall criterion.</p>	<p>Risk assessment The auditor will need to gather sufficient evidence and document their evaluation of it in order to enable them to draft their commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.</p>



Value for money – Code requirements

2015 Code requirement	2020 Code requirement
<p>Reporting The auditor should report to the audit committee the results of their work. The Annual Audit Letter should provide a clear, readily understandable commentary on the results of the auditor’s work and highlight any issues that the auditor wishes to draw to the attention of the public.</p>	<p>Reporting Auditors are required to report in a commentary each year under the specified reporting criteria and the Code expects that where auditors identify significant weaknesses in arrangements as part of their work, they will raise them promptly with the audit committee.</p> <p>The auditor’s annual report should bring together all of the auditor’s work over the year. A core element of the report will be the commentary in accordance with the specified reporting criteria.</p> <p>The commentary should be clear, readily understandable and highlight any issues that the auditor wishes to draw to the attention of the body or the wider public. This should include details of any 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.</p>



04

Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2020/21 has been set at £1.538m. This represents 2% of the Council's prior year gross expenditure on provision of services. We believe this to be the appropriate measurement basis as the Council is expenditure driven in delivering services to its residents as opposed to the income or other available measurement bases. We consider a range of 0.5% - 2% which is an industry benchmark. We have used the higher end of the range as the Council has historically maintained a high level of revenue reserves, achieved financial performance targets and has minimal external financing. This will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.

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Gross expenditure on provision of services

£77m

Planning materiality

£1.538m

Performance materiality

£1.153m

Audit differences

£0.077m

We request that the Corporate Governance and Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £ 9.139m which represents 75% of planning materiality. The rationale for using 75% is based on the anticipation of identifying few or no errors during the audit. This expectation has been built on our experience of the Council in the prior year.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Corporate Governance and Audit Committee, or are important from a qualitative perspective.

Specific materiality – We can set a lower materiality for specific accounts disclosure e.g. remuneration disclosures, related party transactions and exit packages which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this. Where we do this we will notify you.



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

As outlined in Section 03, we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2020/21 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Corporate Governance and Audit Committee.

Internal audit

We will review internal audit plans and the results of their work. We will use this to inform our ongoing assessment of risks likely to impact our responsibilities.



06

Audit team



Audit team

Audit team structure:

Kevin Suter*
Associate Partner

David White
Manager

Alison Durham
Senior

EY Real Estates

Specialist PWC
(consulting
actuary) and EY
Actuaries

* Key Audit Partner

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	Council's RICS registered internal PPE valuer EY Real Estates Team (if judged necessary)
Pensions disclosure	Hymans Robertson - Actuary to West Sussex Pension Fund PwC as consulting actuary appointed by the NAO, and EY internal pensions specialists
Business Rates Appeals Provision	Analyse Local - Council's external business rates appeals provision valuation specialist

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



07 Audit timeline





Audit timeline

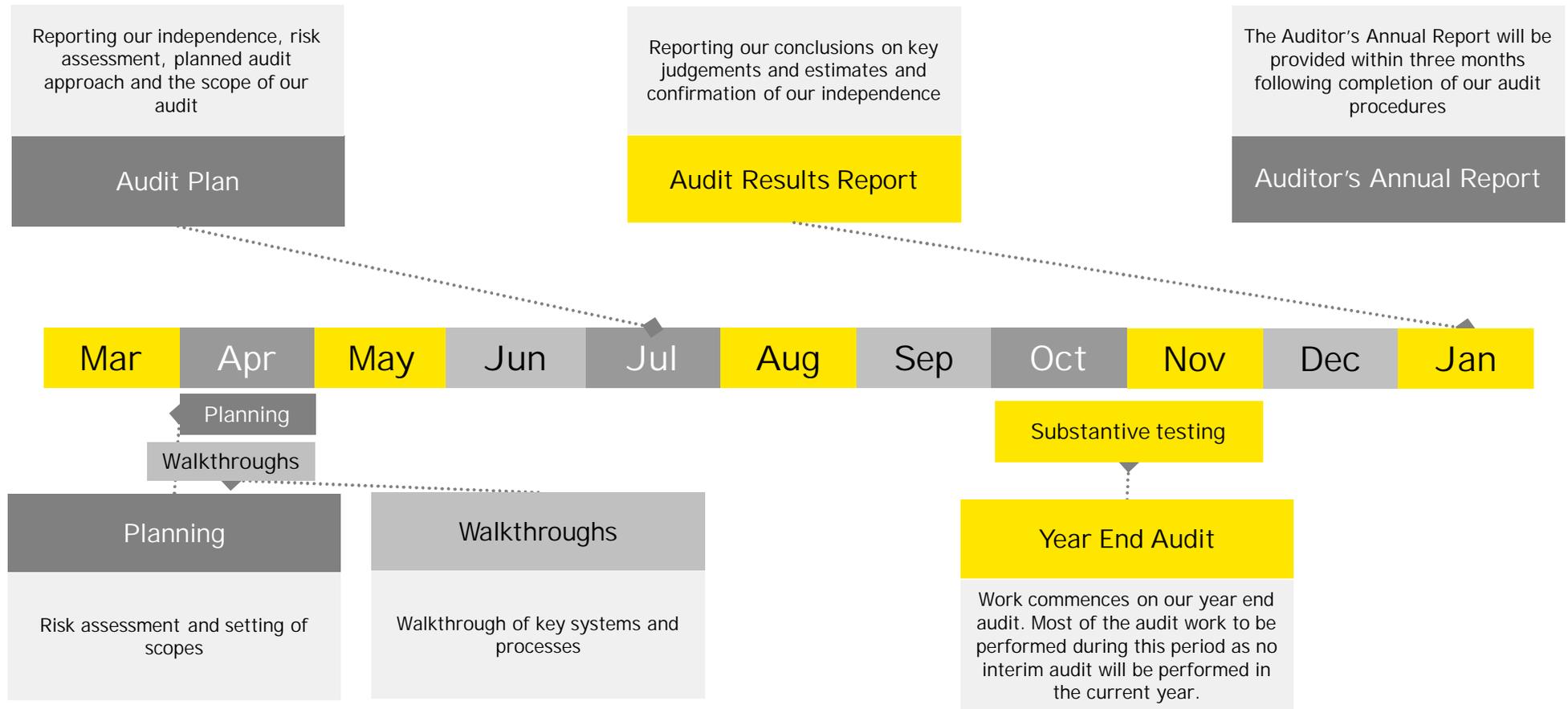
Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2020/21.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Corporate Governance and Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

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08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Kevin Suter, your audit engagement partner, and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved. We plan to undertake the Housing Benefit Assurance Process (HBAP).

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 (AGN01) and the services have been approved in accordance with your policy on pre-approval.

The ratio of non audit fees to audits fees is not permitted to exceed 70% and this has not been exceeded, therefore no additional safeguards are required. The HBAP service is outside of the 70% cap, under AGN01.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2020 and can be found here:

<https://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2020>



09

Appendices



Appendix A

Fees

Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 2020/21 accounts of opted-in principal local government and police bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2020/21	Scale fee 2020/21	Final Fee 2019/20
	£	£	£
PSAA Scale Fee	37,799	37,799	37,799
Scale fee rebasing (1)	23,869		23,869
Revised proposed scale fee	61,668		61,668
Scale fee variations (2,3)	tbc		9,844
Total audit	61,668		71,512
Other non-audit services not covered above (Housing Benefits) (4)	11,886	N/A	38,320
Total fees	73,554		109,832

All fees exclude VAT

Notes:

(1) As detailed in our 2019/20 Annual Audit Letter we have 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. PSAA are yet to conclude on the rebasing.

(2) The 2019/20 Code work includes a proposed additional fee of £9,844, for additional work undertaken in relation to going concern, property valuations, and prior period restatements. This additional fee is subject to approval from PSAA.

(3) As noted in the previous sections of this report, we have identified new and continuing risks for 2020/21 that are not within the scale fee, the impact of amended auditing standards, and the changing requirements for our VFM responsibilities. Additional work will be required, but we are unable to quantify the impact at this time.

(4) Our housing benefits fee for 2019/20 includes an additional fee of £27,000 for identified errors and extended testing, which has been agreed with the Director of Corporate Services.

The agreed fee presented is also based on the following assumptions:

- Officers meet the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion are unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee where applicable.

Appendix B

Required communications with the Corporate Governance and Audit Committee

We have detailed the communications that we must provide to the Corporate Governance and Audit Committee.

Our Reporting to you

Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Corporate Governance and Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit results report

Appendix B

Required communications with the Corporate Governance and Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	Audit results report
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Corrected misstatements that are significant • Material misstatements corrected by management 	Audit results report
Fraud	<ul style="list-style-type: none"> • Enquiries of the Corporate Governance and Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • A discussion of any other matters related to fraud 	Audit results report
Related parties	<ul style="list-style-type: none"> • Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity 	Audit results report

Appendix B

Required communications with the Corporate Governance and Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit planning report</p> <p>Audit results report</p>
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures 	<p>Audit results report</p>
Consideration of laws and regulations	<ul style="list-style-type: none"> • Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off • Enquiry of the Corporate Governance and Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Committee may be aware of 	<p>Audit results report</p>
Internal controls	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit 	<p>Audit results report</p>
Representations	Written representations we are requesting from management and/or those charged with governance	<p>Audit results report</p>
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<p>Audit results report</p>
Auditors report	<ul style="list-style-type: none"> • Any circumstances identified that affect the form and content of our auditor's report 	<p>Audit results report</p>
Fee Reporting	<ul style="list-style-type: none"> • Breakdown of fee information when the audit plan is agreed • Breakdown of fee information at the completion of the audit • Any non-audit work 	<p>Audit planning report</p> <p>Audit results report</p>

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Reading other information published with the financial statements, and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

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.

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ED None

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

Chichester District Council

Corporate Governance and Audit Committee

19 July 2021

2020-2021 Treasury Management outturn report

1. Contacts

Report Author

Mark Catlow - Group Accountant

Telephone: 01243 521076 E-mail: mcatlow@chichester.gov.uk

2. Recommendation

- 2.1. The Corporate Governance and Audit Committee is asked to review the Treasury activity summarised in this report and provide comments to Cabinet as necessary.

3. Background and Outcomes

- 3.1. This report provides the Committee with a summary of Treasury Management activity undertaken for the year to 31 March 2021. The objective is to provide Members with assurance over the effectiveness of Treasury activities undertaken during the reporting period and compliance with the Council's Treasury Management Strategy and Policy statement.

4. Treasury management activity

- 4.1. On 31 March 2020, the Council had investments of £75m with no external borrowing (table 1, below). Across the year, the investments managed varied between £75m and £120m, reflecting both the normal cyclical pattern of annual cash receipts and also temporary funding from Government for COVID reliefs and recovery grants. The Council's investments at 31 March 2021 stood at £88.5m

Table 1: Treasury Management Summary

Investments £000	Balance 01/04/2020	Movement	Balance 31/03/2021
Short term Investments	35,000	14,500	49,500
Money Market Funds	6,050	(1,050)	5,000
Total liquid investments	41,050	13,450	54,500
Long term Investments	-	-	-
Pooled Funds – External	24,000	-	24,000
Pooled funds – Local Authority	10,000	-	10,000
Property fund			
Total investments	75,050	13,450	88,500

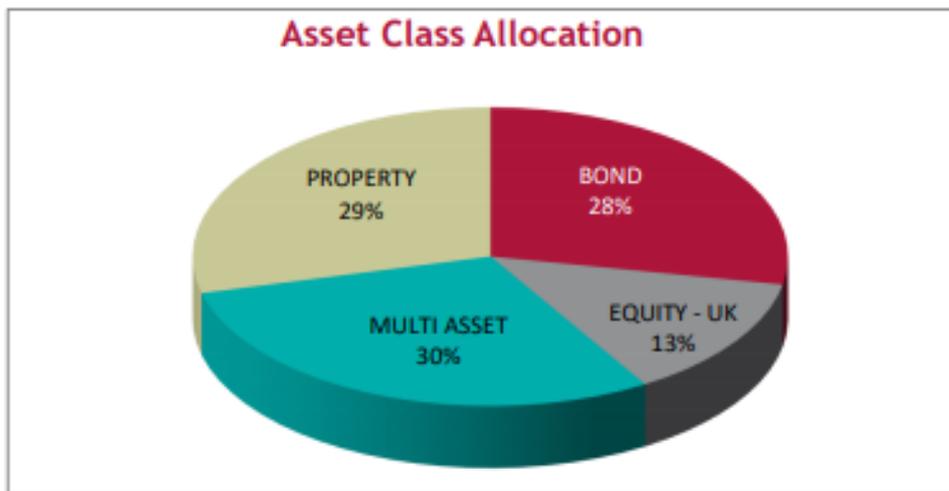
Note: the figures in the table above exclude any movements in Fair value.

- 4.2. Benchmarks and red/ amber/ green risk ratings continue to be used across a series of indicators focussed on measuring security, liquidity and return. These are shown at appendix B with a short commentary against each.
- 4.3. During 2020-21 the sheer scale of cash receipts from the Government for various COVID related measures meant that finding suitable high quality counterparties for liquidity investment was, at times, challenging. This issue has been addressed for 2021-22 with a relaxation in the overall investment ceiling for Money Market Funds.
- 4.4. The overall composition, performance and returns of our external pooled investments is shown in appendix A. A summary of the key metrics is presented below:

	Since purchase £000	Annualised %	2020-21 £000	Annual %
Income return	3,980	3.78	1,312	4.41
Capital return	(1,357)	(3.8)	2,848	9.6
Volatility		3.3		4.3

Note 1: Annualised return since purchase

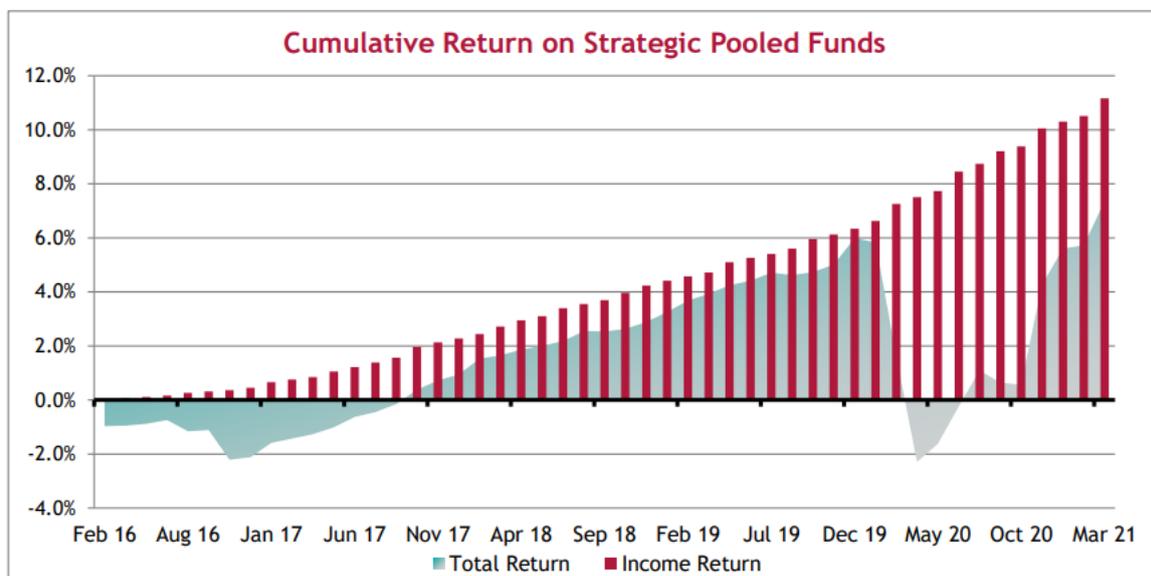
- 4.5. The Council's allocation of external investments across asset class at 31 March 2021 is shown below.



- 4.6. During the initial phase of the pandemic in March 2020, the sharp falls corporate bond and equity markets had a negative impact on the value of the Council's pooled fund holdings and was reflected in the 31st March 2020 fund valuations. Since March 2020 capital values have recovered to some extent however our investments are currently showing a carried loss of £1.36m at 31 March 2021. The most significant factors in this appear to be the lag in the recovery in UK equities compared to US and European markets and the impact of COVID on the property sector.
- 4.7. Members will be aware that changes in capital values are not presently required to be charged against the Council's General Fund, although this arrangement is due to expire on 31 March 2023. The risk to Council budgets is further mitigated by the Council's investment risk reserve (£1.016m at 31 March 2021) which has

been established to help offset any future fair value losses that are required to be charged against Council resources.

- 4.8. In common with other property funds, dealing in the CCLA Local Authorities' Property Fund was suspended by the fund in March 2020 and lifted in September. There was also a change to redemption terms for the CCLA Local Authorities Property Fund; from September 2020 investors are required to give at least 90 calendar days' notice for redemptions.
- 4.9. The Council's approach to these investments has been to develop a balanced portfolio of investments that delivers a stable revenue return each year. The graph below shows that, despite volatility in prices due to the factors discussed above, the income return is achieving this aim and to date has generated just under £4m to support Council services.



- 4.10. Future returns from most of the Authority's externally managed funds could be lower as the corporate world is still adjusting to the economic shock of COVID-19. It may yet be too early to see the effect on distributions of the economic damage in the short- to medium-term.
- 4.11. The outlook for returns on internally managed funds is also not promising. Following the cut in Bank rate from 0.75% to 0.10% in March 2020, rates on term and call investments are now close to zero percent.
- 4.12. To account for these risks, the budget for 2021-22 Treasury income has been reduced as follows:

	BUDGET 2020-21 £k	ACTUAL 2020-21 £k	BUDGET 2021-22 £k
Internally managed	346	100	35
Property Fund dividends	480	420	347
Other external fund dividends	691	892*	786*

- 21-22 Budget and 20-21 outturn reflects the full year effect of further investments made in late 2019-20

5. Other Non-Treasury Holdings and Activity

- 5.1. Although not classed as treasury management activity, the 2017 CIPFA Code now requires the Authority to report on investments for policy reasons outside of normal treasury management.
- 5.2. The Authority continues to hold approximately £13.6m of investments in directly owned property.
- 5.3. Further information on the performance of the Council's non-treasury investments is contained in appendix D.

6. Compliance Report

- 6.1. How Treasury activities complied with the Council's main 2020-21 Treasury limits is disclosed at Appendix C. There are no exceptions for the reporting period.

7. Other issues

- 7.1. This section updates the Committee on other matters relevant to Treasury activity.

Proportionality of Commercial Income

- 7.2. During 2020-21 the Council reviewed potential indicators to measure the proportionality of commercial income generated by Chichester District Council. The Council determined that it expected income from commercial properties to remain below 10% of the Council's net cost of services.
- 7.3. In 2020-21 the Council's income from its commercial investments, net of direct costs but before changes in fair value was £878k, or 4.3% of the Council's budgeted net cost of services (£20,448k).

Treasury workshop for Members

- 7.4. A Treasury workshop for all Members was delivered on 3 December 2020 to help inform Members of the issues facing the Council in advance of approving the 21-22 Treasury and Investment Strategy. A similar event will be held in December 2021 in advance of the Council's consideration of the same for 22-23.

CIPFA consultations

- 7.5. CIPFA consultations: In February 2021 CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice. These follow the Public Accounts Committee's recommendation that the prudential framework should be further tightened following continued borrowing by some authorities for investment purposes. These are principles-based consultations and will be followed by more specific proposals later in the year.

- 7.6. Proposed changes to the Treasury Management Code, relevant to the Council, include:
- Q1 to Q4: requiring job specifications and “knowledge and skills” schedules for treasury management roles to be included in the Treasury Management Practices (TMP) document
 - Q5: preparing a new TMP 13 on Environmental, Social and Governance Risk Management
 - Q6: forming a specific treasury management committee for MiFID II professional clients (which would include Chichester).
- 7.7. The Council has responded to the consultation on the Treasury Management Code and a copy of the Council’s submission is included at appendix E

8. Community impact and corporate risks

- 8.1. The Council is required by the Accounts and Audit Regulations to comply with CIPFA’s Code of Practice for Treasury Management and the Prudential Code for Capital Finance.

9. Other Implications

	Yes	No
Crime and Disorder		X
Climate Change and Biodiversity		X
Human Rights and Equality Impact		X
Safeguarding and Early Help		X
General Data Protection Regulations (GDPR)		X
Health and Wellbeing		X
Other		X

10. Appendices

- 10.1. A - Movements in Fund fair values and income – Pooled Funds
 10.2. B - Benchmarking indicators
 10.3. C - Compliance report
 10.4. D - Non Treasury investments
 10.5. E - Response to CIPFA Consultation on Treasury Code

11. Background Papers

- 11.1. None.

Appendix A: Movements in Fund fair values and income – Pooled Funds

All Funds – cumulative

STRATEGIC POOLED FUND PORTFOLIO			CHICHESTER				From:	29/02/2016	To:	31/03/2021
FUND NAME	ASSET CLASS	No of Units Held in Period	Current Value £	Capital Growth £	Dividends Earned £	Holding Period (yrs)	Capital Return	Income Return	Total Return	Volatility
AEGON (KAMES) DIVERSIFIED MONTHLY INCOME FUND	MULTI ASSET	4,418,978	4,803,292	-196,708	281,609	1.3	-3.93%	5.63%	1.70%	6.4%
CCLA - LAMIT PROPERTY FUND	PROPERTY	3,268,201	9,447,715	-552,286	2,058,704	4.8	-5.52%	20.59%	15.06%	3.3%
M&G OPTIMAL INCOME FUND	BOND	1,101,193	0	11,150	126,837	2.6	0.68%	7.69%	8.36%	2.2%
M&G STRATEGIC CORPORATE BOND FUND	BOND	356,976	4,047,189	47,189	147,822	1.3	1.18%	3.69%	4.86%	3.1%
NINETY ONE (INVESTEC) DIVERSIFIED INCOME FUND	MULTI ASSET	4,771,540	4,898,634	-101,366	635,758	3.2	-2.03%	12.72%	10.69%	2.8%
SCHRODER INCOME MAXIMISER FUND	EQUITY - UK	10,341,778	4,340,444	-659,556	371,360	1.3	-13.19%	7.43%	-5.76%	13.1%
THREADNEEDLE STERLING SHORT-DATED CORPORATE BOND FUND	BOND	2,180,373	2,363,768	13,768	62,839	1.4	0.59%	2.67%	3.26%	1.8%
THREADNEEDLE STRATEGIC BOND FUND	BOND	2,578,812	2,730,188	80,188	295,183	3.9	3.03%	11.14%	14.16%	2.9%
GRAND TOTAL			32,631,231	-1,357,621	3,980,112	2.8	-3.81%	11.16%	7.35%	3.3%
				Unrealised capital loss:	-1,368,813	Annualised income return:		3.78%		

All Funds – 2020-21 Financial Year

STRATEGIC POOLED FUND PORTFOLIO			CHICHESTER				From:	31/03/2020	To:	31/03/2021
FUND NAME	ASSET CLASS	No of Units Held in Period	Current Value £	Capital Growth £	Dividends Earned £	Holding Period (yrs)	Capital Return	Income Return	Total Return	Volatility
AEGON (KAMES) DIVERSIFIED MONTHLY INCOME FUND	MULTI ASSET	4,418,978	4,803,292	763,051	200,078	1.0	18.89%	4.95%	23.84%	8.6%
CCLA - LAMIT PROPERTY FUND	PROPERTY	3,268,201	9,447,715	-67,652	420,270	1.0	-0.71%	4.42%	3.71%	3.2%
M&G STRATEGIC CORPORATE BOND FUND	BOND	355,988	4,047,189	434,590	115,597	1.0	12.03%	3.20%	15.23%	5.4%
NINETY ONE (INVESTEC) DIVERSIFIED INCOME FUND	MULTI ASSET	4,771,540	4,898,634	442,761	182,922	1.0	9.94%	4.11%	14.04%	4.0%
SCHRODER INCOME MAXIMISER FUND	EQUITY - UK	10,341,778	4,340,444	810,795	279,011	1.0	22.97%	7.90%	30.88%	19.7%
THREADNEEDLE STERLING SHORT-DATED CORPORATE BOND FUND	BOND	2,180,373	2,363,768	167,684	42,282	1.0	7.64%	1.93%	9.56%	3.0%
THREADNEEDLE STRATEGIC BOND FUND	BOND	2,578,812	2,730,188	296,821	72,361	1.0	12.20%	2.97%	15.17%	4.0%
GRAND TOTAL			32,631,231	2,848,050	1,312,521	1.0	9.56%	4.41%	13.97%	4.3%
				Unrealised capital gain:	2,848,050	Annualised income return:		4.41%		

Appendix B: Treasury Management – Benchmarking indicators

Return

Measure	Qtr 1 20-21	Qtr. 2 20-21	Qtr 3 20-21	Qtr. 4 20-21	Non-met districts Q4 average	Rating
Internal investment return %	0.47	0.12	0.12	0.11	0.13	GREEN
External funds – income return %	3.97	3.90	4.13	4.4	3.88	GREEN
External funds – capital gains/losses %	-8.09	-8.17	-4.93	9.56	5.64	AMBER
Total treasury Investments – income return %	1.89	1.64	1.55	1.72	1.38	GREEN

Although external fund values have recovered over the final quarter, the Council's investments in external funds are still showing an unrealised loss overall and this justifies an amber rating.

Security

	Average Credit Score Time weighted (lower = better)	Average Credit Rating Time weighted	Bail-in exposure (lower = better)	
31 March 2020	3.85	AA-	29%	
31 March 2021	4.54	A+	27%	GREEN
Similar Local Authorities	4.70	A+	65%	

The average credit rating has dropped due to a general worsening in credit quality over the course of the pandemic, and in particular:

- A fall in the average credit quality of UK Local Authorities as this is linked to the UK Sovereign rating which was downgraded in October.
- The maturity of some stronger credit quality investments during the year

The above factors do not represent a significant worsening of the overall credit quality of our portfolio.

Liquidity

	7 day liquidity	100 day liquidity	Average maturity	
31 March 2020	13%	43%	52 days	
31 March 2021	11%	33%	103 days	GREEN
Similar Local Authorities	44%	61%	40 days	

The liquidity measure used is a value weighted average and reflects new 364 day duration investments with Local Authorities to secure marginally increased returns.

Appendix C – Compliance report

Compliance with investment limits

	2020/21 Limit	Complied/ Exception Ref
Banks unsecured, total	£30m	Complied
Corporates, total	£10m	Complied
Local Authority property fund, total	£10m	Complied
Other pooled investment funds, total	£30m	Complied
Council's own bank, total max 7 days	£2.5m	Complied
Money market Funds, total	£24m	Complied
Counterparty ratings	various	Complied

Interest rate exposure

This indicator is set to control the Authority's exposure to interest rate risk.

To measure this, the council calculates the effect of a 1% change in interest rates and has set a reportable exception level where the impact of this exceeds 50% of the council's individual counterparty limit (£3m).

	31/3/21 Actual	2020/21 Limit	
Upper limit on one-year revenue impact of a 1% change in interest rates	£0.39m	£3m	Complied

The risk of interest rate exposure faced by the council is relatively low as the council's investments are still primarily short duration fixed interest or overnight money market deposits.

Principal Sums Invested for Periods Longer than 364 days

The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The long-term principal sums invested to final maturities beyond the period end were:

		2021/22	2022/23
Actual principal invested beyond year end	£34.0m	£34.0m	£34.0m
Limit on principal invested beyond year end	£50m	£50m	£50m
	Complied	Complied	Complied

Appendix D: Non-Treasury investment indicators

The Council has set the following indicators to measure its exposure to risk associated with non-treasury investments.

Measure	Description	31 March 2021
Commercial income to net service expenditure	This indicator measures the Council's dependence on income from its commercial property investments as a proportion of the net cost of services	See paragraph 7.3 of main report
Net operating surplus	This indicator measures the contribution received from the investment portfolio at a net level (income less costs) over time.	The Council's investment property portfolio generated £950k rental income and incurred £72k direct costs leaving a surplus of £878k before any changes in fair value.
Vacancy levels and tenant exposure	Monitoring vacancy levels to ensure the property portfolio is being managed productively.	Voids at 31st March 2021: <ul style="list-style-type: none"> • Industrial 3/15 • Retail 4/26 • Offices 1/8 Total 8/49 = 16.33% (19/20 14.3%)
Exposure to credit default events for loans made	This will measure the Council's exposure to loss through default for non-treasury loans made to third parties	None
Market value of commercial properties	This indicator will track the Council's ability to recover its investment in any commercial investment should the need arise.	<p>Commercial investment valuations were prepared as at 31st March 2021 and the Council's statement of accounts discloses a value of £13.66m for the Council's investment properties on that date. This value remains the latest valuation</p> <p>As we enter into the recovery stage it may still be too early to understand the full impact of Covid19 on the commercial property market, or how long the recovery will take. This is dependent on the continued relaxation of restrictions plus ongoing support to businesses by Government. It remains challenging to predict the full impact on our investment properties with any certainty or tangible evidence to support it.</p> <p>The anticipated challenges to the commercial property market have been mitigated to some extent by the continued Government support packages and grant funding. Nonetheless, downward pressure on rents and increasing risk of tenant default continue, with investment yields needing to reflect the added risk to future income streams and will ultimately result in lower capital values. These values may well fall below the original purchase price of the investment properties, although we should not lose sight of the income received since the acquisition when comparing to the original purchase price.</p>

Treasury Management Code Consultation

Chichester District Council is pleased to present its comments on the Treasury Management Code consultation issued by CIPFA on 1 February 2021.

<https://www.cipfa.org/policy-and-guidance/consultations/treasury-management-code-consultation>

Any questions arising from this submission should be directed to:

Mark Catlow
Chichester District Council
East Pallant House
1 East Pallant
Chichester
PO14 3RN

Tel: +44 (0)1243521076

Email: mcatlow@chichester.gov.uk

Responses

Q1 to 4 **We do not agree.**

This appears to be an unworkable and unnecessary imposition which would add further burdens on Local Government bodies.

Our strong view is that the revised Code should avoid setting unrealistic job descriptions, especially as the majority of authorities undertake relatively simple treasury activities.

Even where an authority is classified under MIFID2 as a professional client, proscribing core skills are unnecessary; the existing Code paragraphs, alongside the MIFID 2 accreditation processes operated by Financial Institutions appear suitable.

Q5- We agree in principle, but the current proposals do not tackle the core tension between ESG and SLY.

Our key concern with the proposal as drafted is that it does absolutely nothing to clarify the tension between Security/ Liquidity and Yield (SLY) and ESG which we feel is the cornerstone issue to be resolved.

CIPFA, as author of the Code, needs to clearly set out where ESG fits within the existing SLY risk hierarchy. Without this, Local Authorities cannot properly be certain that, in considering ESG factors, they are complying with the wider code requirements.

Outside of this, the new code needs to be careful not to set unrealistic requirements. As an example, the present draft requirement in TMP13 that “The responsible officer will establish, implement and monitor all arrangements for the identification, management and control of Environmental, Social and Governance risks” appears over broad and unworkable.

Finally, it is not clear why the draft TM13 strays into financing and derivative arrangements in its final paragraph. This does not appear to be pertinent to ESG.

Q6. We do not agree.

This matter should be left to local discretion and the judgement of the Section 151 officer. There is already extensive oversight of the Treasury function carried out by Corporate Governance Committees and Cabinets, as well as by Full Council. It is not clear for the majority of Councils what a specific Treasury Committee would add to this process given that, even for MIFID2 professional clients, the majority of relevant transactions requiring professional status are simple call investments with Money Market Funds.

Where more complex investments are envisaged, it is already normal practice to form working parties comprising both officers and Members to consider the proposals.

Q7 No comment

29 March 2021

Chichester District Council

CORPORATE GOVERNANCE AND AUDIT COMMITTEE 19 July 2021

**Corporate Governance and Audit Committee
Work Programme 2021-2022**

1. Contacts

Francis Hobbs - Chairman of the Corporate Governance & Audit Committee
Telephone: 01730 813313
E-mail: fhobbs@chichester.gov.uk

2. Recommendation

The committee is requested to consider and agree its work programme for 2021-22.

3. Background

3.1 Each year the Corporate Governance and Audit Committee prepares its work programme identifying the issues it will consider throughout the year.

3.2 At previous meetings of the committee the following principles were agreed:

- Task and Finish Groups can be used to take an issue off-line for deeper consultation and report back with recommendations.
- Where major documents (such as Treasury Management) are brought to the committee for approval, highlighting or underlining should be used to identify changes from previously approved versions.
- Reports should be shorter and more use should be made of executive summaries.
- High/medium priority internal audit reports would be included with the agenda and low priority audit reports would be emailed to members for information.

Developing a Work Programme

4.1 The 2021-2022 work programme has been developed in consultation with the Council's external auditors and with internal audit officers and taking into account suggestions for future focus discussed by the committee during the year.

4.2 The Business Routeing Panel met on 29 March 2021 to discuss the council's full work plan and to agree those issues which should be considered by this committee.

4.3 Members are requested to consider and approve this committee's work programme attached at Appendix 1.

5. **Implications**

Are there any implications for the following?

	Yes	No
Crime & Disorder		x
Climate Change		x
Human Rights and Equality Impact		x
Safeguarding		x
Other (please specify) eg biodiversity		x

6. **Appendices**

Appendix 1 – Draft Work Programme 2021-2022

7. **Background Papers**

None

Corporate Governance and Audit Committee 2021-22 Work Programme

Subject	Route	Lead Officer
19 July 2021		
Audit Plan for year ended 31 March 2021		EY
2020-21 Treasury Management Outturn report	Cabinet	Mark Catlow
CGAC work programme 2021-22		Katherine Davis/Sharon Hurr
Housing Benefit Subsidy Audit 2019-20		Marlene Rogers
Progress Report – Audit Plan 2021/2022		Stephen James
Update Following Global Microsoft Exchange Hack		Andrew Forward
ITC Security Plan		Andrew Forward
Investigatory Powers Commissioner's Office - Inspection of Surveillance Findings		Nick Bennett
Annual Updates to the Constitution		Nick Bennett
Litigation Risk Report		Nick Bennett
Strategic Risk Group - Appointment of three members of the committee – verbal report		Helen Belenger
Strategic Risk Management Update		Helen Belenger
27 September 2021 (Special)		
S106 and CIL Annual Monitoring report		Simon Davies/ Karen Dower
Fraud Prevention Report 2020-21		Jeremy Todd
Corporate Health and Safety and Business Continuity Management		Warren Townsend
Annual Partnerships Report 2021		Pam Bushby
25 October 2021		
2022/23 Budget and Spending Plans	Cabinet Council	Helen Belenger/ David Cooper
Financial Strategy & Plan 2021-22	Cabinet Council	Helen Belenger

Subject	Route	Lead Officer
2021-2022 Treasury Management half-yearly update	Cabinet	Mark Catlow
S106 annual exceptions report		Simon Davies
Progress Report – Audit Plan 2021/2022		Stephen James
Complaints, Freedom of Information requests and Data Protection Analysis 2020-21		Nick Bennett/Deborah Williams-Dorn
Governance Review TFG – Final Report (<i>or 10 January 2022</i>)		Nick Bennett
Strategic Risk Management Update		Helen Belenger
10 January 2022		
Annual Audit Letter Year ended 31 March 2021		EY
2022-23 Draft Treasury Management Strategy and Policy and Investment Strategies and Capital Strategy Update	Cabinet Council	Helen Belenger/Mark Catlow
Review of Funding Agreement and SLA for CFT and PHG	Cabinet Council	Sarah Peyman
Progress Report – Audit Plan 2021/2022		Stephen James
2020/21 Annual Governance Statement and Corporate Governance report. App 1 CGAC report to Full Council; App 2 Annual Governance Statement; App 3 Report on Partnerships; App 4 Effectiveness of Internal Audit section	Council	Stephen James
Audit Results Report for the year ended 31 March 2021		EY
Statement of Accounts 2020-21		Mark Catlow/David Cooper
14 March 2022		
Audit Plan for year ended 31 March 2022		EY
Accounting Policies 2021-22		Mark Catlow
Housing Benefit Subsidy Audit 2020/2021		Marlene Rogers
Potential liabilities of outstanding litigation (Part 2)		Nick Bennett
Progress Report – Audit Plan 2021/2022		Stephen James
Strategic Risk Management Update		Helen Belenger

Reports emailed to CGAC members for information:

- Audit scopes – sent to committee members by Internal Audit
- Audits where recommendations are low risk – medium and high risk audits included on agenda
- Treasury Management monthly reports – sent to members by Financial Services
- Property Investment performance monthly reports – sent to members by Financial Services
- Employment Statistics annual report – November (reported as part of Equality Strategy update) – sent to members by Committee Clerk
- EY quarterly committee briefings – sent to committee members by Committee Clerk

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Chichester District Council

Corporate Governance & Audit Committee

19th July 2021

Housing Benefit Subsidy Audit Position

1. Contacts

Report Author

Marlene Rogers – Benefits & Systems Support Manager

Telephone: 01243 534644 E-mail: mrogers@chichester.gov.uk

2. Recommendation

- That the committee consider and note the outcome of the 2019/20 Audit Report.

3. Background

The Council submits annual Housing Benefit Subsidy claims to the Department for Work and Pensions (DWP), this claim is subject to the Housing Benefit Subsidy Assurance Process HBAP, presently carried out by external Auditors Ernst Young LLP. Where issues are identified the DWP may qualify the claim, qualification is based upon the audit findings in accordance with HBAP guidance. Qualification can impact on the amount of subsidy that can be claimed and therefore can have an impact on the Council financially.

4. Outcomes to be Achieved

- To advise the committee of the outcome of the 2019/20 Housing Benefit Subsidy Audit.

5. The 2020/21 Housing Benefit Subsidy Claim

- Value of Claim presented £27,760,545.65
- Qualification Letter - Yes with an adjustment of £72,502
- Amount of Housing Benefit Subsidy agreed £27,688,043.21

Summary of Initial Testing

In accordance with Housing Benefit Assurance Procedures (HBAP) the auditor undertook initial testing in the headline cells (Rent Rebate expenditure & Rent Allowance expenditure).

In cell 011Non HRA (Non Housing Revenue Account) which relates to expenditure in temporary accommodation at Westward House and Bed & Breakfast claims (where the customer has been placed to discharge a homelessness duty) identified four areas of error. Two of these resulted in additional testing being carried out, these are summarised below:

- 4 claims where the overpayment split in the final part week were miscalculated, all claims corresponding to this entry were reviewed and an adjustment made to the claim.
- 1 claim where the overpayment had been classed as technical rather than Local Authority (LA) error, additional testing was carried out to determine the extent of the error.
- 3 claims where the overpayment arising from a move had been classified as eligible rather than technical, this was identified in the previous year's claim and therefore additional testing was carried out.
- 1 claim where the entitlement for the final period of Non HRA accommodation had been shown net of the ongoing Rent Allowance claim, as this error affected neither the entitlement to the customer or the rate of subsidy claim no extended testing was required.

In cell 094 Rent Allowance which relates to expenditure for claims in the private and social rented sector, there were three areas of error identified, two of which required additional testing.

- Missing claim forms, this has been noted on qualification letters for the past six years following a fire at the Council's offsite storage depot. This has no impact in terms of subsidy claimed.
- 1 error in the calculation of income from capital, this resulted in additional testing being carried out to identify the extent of the error.
- 1 error in the calculation of self-employment, again this resulted in additional testing being carried out.

Summary of additional testing

In accordance with HBAP additional testing was undertaken where initial testing identified issues and in areas where the previous subsidy claim was qualified.

As such additional testing was carried out in the following areas.

- Non HRA misclassification of overpayments in cell 028 (eligible overpayments)
- Non HRA technical overpayments
- Non HRA cell 011 earned income calculation error
- Non HRA part week payment split
- Rent Allowances cell 094 earned income calculation error
- Rent Allowances cell misclassification of overpayments in cell 114
- Rent Allowances self-employed income calculation error
- Rent Allowances assumed income from capital calculation error

I have summarised the issues and the resulting adjustments to the claim below.

Earned Income

Initial testing found no errors however as issues were identified in previous subsidy audits we were subject to additional testing. Extended testing identified 1 error resulting in an overpayment. The overpayment value was £5.00, the extrapolation of this error resulted in a cell adjustment of £121, with a corresponding adjustment to the overpayment cells.

Incorrect classification of overpayments

Extended testing identified 2 claims with a total value of £486 where the overpayment had been incorrectly included in eligible overpayments. One where the rent account was set up incorrectly and one resulting from a transition to Universal Credit that should have been classified as Department for Work and Pensions (DWP) error, this meant that eligible overpayments were overstated and DWP error and Local Authority error cells understated. This resulted in cell adjustment of £17,112.

Self Employed income calculation error

Initial testing identified one claim with a self-employed income error, this error had no impact on the housing benefit entitlement paid, however as a similar error could have resulted in an overpayment of benefit additional testing was carried out. Extended testing identified 2 errors that resulted in an overpayment of housing benefit. The errors ranged from £17.34 to £2,320.27. This meant that £23,777 of extrapolated error was removed from the rent allowance expenditure cell with a corresponding adjustment to the overpayment cells.

Assumed income from capital error

Initial testing identified 2 claims where the assumed income from capital was incorrect, 1 case resulted in an overpayment of £34.56. Extended testing identified 3 further errors, 2 that had no impact on subsidy and 1 that resulted in an overpayment of £0.84, the extrapolation of error resulted in a loss of subsidy amounting to £512 from the rent allowance expenditure cells with corresponding adjustments to the overpayment cells.

6. Outcome for the Council

The outcome for the Council was an overall adjustment to the subsidy claim of £72,502. Whilst this was a qualification of the claim the adjustment was small, amounting to 0.27% in comparison to the overall subsidy claim of £27,760,545.65. This can be broken down as follows:

- Rent Allowance Expenditure overpaid £24,369
- Rent Allowance Eligible Overpayments £6,845
- LA Error Overpayments £41,288

The letter from the Department of Work and Pensions (DWP) summarising the adjustment can be found in Appendix 1 to this report.

In summary this was a positive outcome for the Council, particularly given the amount of additional testing that was required. Moving forwards this highlights the importance of accuracy checking in the Division and the need to ensure that our housing benefit caseload is up to date, particularly where assumed income from capital is included in the assessment. The team have accuracy monitoring processes in place which will be reviewed and adapted in response to the issues identified where required. A new accuracy initiative from the DWP will also be combined with reviewing capital cases to ensure that our caseload is up to date. This will reduce the likelihood of error being identified in future subsidy claims. We have also introduced some changes to how we process claims for Bed & Breakfast claims, this will reduce the level of error in both technical overpayments and for those with a part week split. Technical overpayments have been a longstanding issue in subsidy audits over the last few years, exacerbated by that fact that expenditure in this area has increased. These changes are aimed at reducing the level of error and also the level of Officer and Audit time in resolving annually.

7. Community Impact and Corporate Risks

If Housing Benefits Subsidy claims are qualified there is a risk that the level of Subsidy paid by the DWP will be reduced. This impacts on the Council's financial position and could impact on service delivery as a consequence. The Council's reputation could also be negatively impacted.

8. Other Implications

None

	Yes	No
Crime and Disorder		x
Climate Change and Biodiversity		x
Human Rights and Equality Impact		x
Safeguarding and Early Help		x
General Data Protection Regulations (GDPR)		x
Health and Wellbeing		x
Other (please specify)		x

9. Appendices

Appendix 1 – Letter from Department of Work and Pensions detailing final adjustment to claim.

John Darrell
Local Authority Funding Team
Local Authority Partnership
Engagement & Delivery
Housing Benefit Division
Room B120D
Warbreck House
Blackpool FY2 0UZ

Marlene Rogers
Chichester District Council

email: John.Darrell@dwp.gov.uk

Telephone: 01253 337972

Date: 22 April 2021

Dear Ms Rogers,

I am writing about your Housing Benefit (HB) reporting accountant final tested claim dated 2019/20.

I am mindful that local authorities are required by law to administer Housing Benefit in accordance with the relevant legislation and case law. It is an expectation that an authority will act with reasonable diligence to properly discharge its functions in accordance with the law when administering Housing Benefit.

The following decisions were made after considering all the available information in relation to the criteria specified in Circular S1/2002 and the additional information you have presented. The decisions have been made under section 140(C) of the Social Security Administration Act 1992.

2019/20 Final Tested Claim

Reason for qualification – amount - recovery

1. Rent Allowance Total Expenditure - £24,369 – Full recovery
2. Rent Allowance Eligible Overpayments - £6,845 – Full recovery
3. LA Error Overpayments - £41,288 – Full recovery

Acting on behalf of the Secretary of State, I have recovered £72,502 of overpaid Housing Benefit subsidy from your 2019/20 subsidy claim.

In making this decision I have noted, with regard to S1/2002, that the incorrect assessment of benefit, misclassification of overpayments and restatement of LA error overpayments has resulted in subsidy being claimed in excess of entitlement, at a cost to the public purse. Accordingly, acting on behalf of the

Secretary of State, I consider it appropriate, in all the relevant circumstances of your claim, to recover the total recoverable overpaid subsidy of £72,502.

Method of repayment

Acting on behalf of the Secretary of State, I propose to recover the overpaid subsidy of £72,502 from your interim subsidy for May 2021.

Please note that the final settlement will also take into account any adjustments to your certified final claim, that you have agreed with your reporting accountant and which sit outside the recovery decisions.

Your claim will now be settled on the above basis. This does not, however, prevent your claim from being re-opened should DWP become aware of new information relating to your claim. DWP will also consider re-opening your claim if you present further information that, in DWP's view, shows that the overpaid subsidy is less than the amount on which the DWP based the original recovery decision.

You should be aware that there is no right of appeal against a decision of made by DWP to recover overpaid subsidy under S140C(3) of the 1992 Act. The decision can only be challenged by judicial review.

Please do not hesitate to contact me should you have any queries on this matter.

Yours sincerely,

John Darrell

Chichester District Council
CORPORATE GOVERNANCE & AUDIT COMMITTEE

19th July 2021

Progress Report – Update on Audit Plans 2020/2021 and 2021/22

1. Contacts

Report Author:

Stephen James – Internal Audit & Corporate Investigations Manager

Tel: 01243 534736

E-mail: sjames@chichester.gov.uk

2. Recommendation

2.1 That the committee notes performance against the audit plan for 2020/21.

3. Update on Audit Plan 2020/2021

3.1. The initial audit plan for 2020/21 started with 30 full audits and 4 follow-ups. Due to staffing issues and redirection of resource to Business Rates Grants a number of audits were removed from the plan during the year.

3.2. The final audit plan comprised 14 full audits and 3 follow-ups. The audits removed from the plan were:

- Dog Control (High)
- Private Hire & Taxi Licensing (High)
- Corporate Debt Recovery (High)
- Food Safety Inspections charging for revisits (High)
- Rent in Advance/Damage Deposits (High)
- Housing Rent & Service Charge arrears and debt collection (High)
- Monitoring of S106 monies (High)
- Use of B&B accommodation instead of Westward House (High)
- Car Park income & reconciliation (Medium)
- New Homes Bonus (Medium)
- Succession Planning (Medium)
- Fixed penalty notices (Medium)
- Contract Register (Medium)
- Monitoring of Leisure Centre contract (Medium)
- Grants & Concessions – discretionary grants (Medium)
- Economic Development grants for start-ups (Medium)
- Land Charges follow-up

3.3. As at 19th July 2021, all 17 audit reports have been issued as final (100%).

3.4. The audit reports issued as final since the last committee meeting are:

- Housing Benefits
- Community Safety
- Cash and bank
- IT review – starters/leavers/transferees
- Treasury Management
- Land & Buildings follow-up
- Travel & Subsistence follow-up

3.5. Results of the audits are contained in appendix one. There have been no audits given a 'No Assurance' rating and no critical exceptions have been raised.

4. Audit plan 2021/22

4.1 The audit plan agreed by committee on 22nd March 2021 comprises 26 full audits and 3 follow-ups. There is contingency time in the plan in the event that in-year follow-ups also need to be carried out should the exceptions raised be significantly concerning and require addressing by the client as a matter of urgency.

4.2 A member of the team (0.4 FTE) retired on the 8th June. The remaining 0.5 FTE auditor is to fill the vacancy and it has been agreed by SLT that this post can be made up to a full time position. The post will be filled on a full time basis from the 26th July.

4.3 The auditor filling the post is inexperienced and is currently undertaking on the job training. This plus the 8 weeks where the 0.4 FTE hours are not being covered may lead to a small number of medium risk audits needing to be dropped from the 2021/22 audit plan. This will be reviewed on a regular basis and updated to CGAC.

4.4 As at 19th July 5 audits are work in progress (17%).

5. Background

5.1. Not Applicable

6. Outcomes to be Achieved

6.1. Not Applicable

7. Proposal

7.1. Not Applicable

8. Alternatives Considered

8.1. Not Applicable

9. Resource and Legal Implications

9.1. Not Applicable

10. Consultation

10.1. Not Applicable

11. Community Impact and Corporate Risks

11.1. Not Applicable

12. Other Implications

<i>Are there any implications for the following?</i>		
	Yes	No
Crime & Disorder:		√
Climate Change and Biodiversity:		√
Human Rights and Equality Impact:		√
Safeguarding and Early Help:		√
General Data Protection Regulations (GDPR):		√
Health and Wellbeing:		√
Other (Please specify):		√

13. Appendices

13.1. Audits completed since the last committee report, Travel & Subsistence follow-up report.

14. Background Papers

14.1 None

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Audits completed since the last Committee meeting (22nd March 2021)

Audit title	Critical Risk	High Risk	Medium Risk	Low Risk	Total no of Exceptions	Overall Assurance level	Summary
Community Safety Partnership	0	0	2	0	2	Reasonable Assurance	<p>The 2 medium risk exceptions raised related to:</p> <ul style="list-style-type: none"> • The Terms of Reference used were out of date for the Community Safety Partnership. • Inaccurate minutes from the CSP budget meeting held on 29th June 2020.
IT review – Starters/transfers /leavers	0	0	1	1	2	Reasonable Assurance	<p>The medium risk exception related to the lack of recording of id numbers for equipment issued to new starters or subsequent replacement equipment.</p> <p>The low risk exception related to lack of detail recorded by the Applications Team on Track-It for completed work orders.</p>
Housing Benefits	0	0	0	1	1	Assurance	<p>The low risk exception raised related to reconciliations not showing who completed the reconciliation or when, and no sign off of these by the Benefits System Support Manager.</p>

Audit title	Critical Risk	High Risk	Medium Risk	Low Risk	Total no of Exceptions	Overall Assurance level	Summary
Cash & Bank	0	0	0	1	1	Assurance	The low risk exception raised related to written procedures are put in place for the process of issuing refunds. The service has confirmed that procedures are complete.
Treasury Management	0	0	0	2	2	Assurance	The 2 low risk exceptions raised related to: <ul style="list-style-type: none"> • Procedure notes being out of date/redundant. • Reconciliations not always being carried out in a timely manner.

Follow-ups

Audit title	Issues addressed	Issues ongoing	Total	Initial Assurance Level	Follow-up Assurance Level	Comment
Inspections of Land & Buildings	0	1	1	Reasonable Assurance	Reasonable Assurance	A new regime for inspections is expected to be implemented by the end of June 2021
Travel & Subsistence	0	2	2	Limited Assurance	Limited Assurance	Further actions are being put in place to address the issues identified in the audit.



Travel and Subsistence Follow-Up Audit 2020/21

FINAL FOLLOW-UP REPORT

Kirsten Easterbrook and Louise Northcott

19th May 2021

Distribution List: - John Ward (Director for Corporate Services), Andrew Frost (Director for Planning and the Environment), Louise Rudziak (Director for Housing and Communities), Jane Hotchkiss (Director for Growth and Place), Joe Mildred (Divisional Manager Business Support), Tim Radcliffe (Human Resources Manager), Warren Townsend (Safety and Resilience Manager).

Contents	Page
1) Executive Summary:	
i) Introduction	3
ii) Explanation of Assurance Levels	3
iii) Summary of findings and audit opinion	4
2) Exceptions raised	
i) Key for risk rating of exceptions	5
ii) Detailed exceptions and follow-up testing results	6 - 9

1) Executive Summary

i) Introduction

1 high risk exception and 1 medium risk exception were raised as a result of testing during the initial 2019/20 audit. A follow-up audit has been carried out to establish whether progress has been made against these exceptions.

Testing on those exceptions found that both the high risk exception and the medium risk exception have been partially addressed.

ii) Explanation of Assurance Levels

The overall audit opinion is based solely on testing carried out and discussions held during the course of the audit.

Levels	Description/Examples
No Assurance (Critical Risk Exceptions)	Major individual issues identified or collectively a number of issues raised which could significantly impact the overall objectives of the activity that was subject to the Audit
Limited Assurance (High Risk Exceptions)	Control weaknesses or risks were identified which pose a more significant risk to the Authority
Reasonable Assurance (High or Medium Risk Exceptions)	Control weaknesses or risks were identified but overall the activities do not pose significant risks to the Authority
Assurance (Low Risk/Improvement Exceptions)	No issues or minor improvements noted within the audit but based on the testing conducted, assurance can be placed that the activity is of low risk to the Authority

iii) Summary of findings and overall assurance opinion

Objective: To ensure that Council policies and procedures are followed when claiming for travel and subsistence expenses

Current Assurance Level: Limited Assurance

Original Assurance Level: Limited Assurance

Testing found that action has been taken to address the medium risk exception relating to the lack of detail entered on the mileage claim forms and recording of visit information in Outlook calendars as per the Lone Working Policy. However, testing found that there is still a significant lack of detail being recorded on claims in order to substantiate the reasonableness of the claims and Outlook calendars are still not being updated. Further action is needed to address this. See EX 1 for full details.

Testing found that action has been taken to address the high risk exception relating to mileage being overstated, and travel from home not being adjusted for on claims. However, due to the lack of detail being recorded on claim forms it was not possible to ascertain during testing whether claims were still being overstated. Further action is needed to address this. See EX 2 for full details.

Follow-Up Overall Assurance Level: Limited Assurance

Initial Overall assurance level – Limited Assurance

Testing found that both the high risk exception and the medium risk exception raised during the initial audit had been partially addressed. Actions have been taken, but further action is needed in order to fully address the issues raised in the original audit. Therefore Internal Audit can still only give limited assurance that the Travel and Subsistence processes being followed are of low risk to the Authority.

Key for risk rating of exceptions:

Priority Level	Description
Critical Risk	<p>Control weakness that could have a significant impact upon not only the system function or process objectives but also the achievement of the organisation's objectives in relation to:</p> <ul style="list-style-type: none">▪ The efficient and effective use of resources▪ The safeguarding of assets▪ The preparation of reliable financial and operational information▪ Compliance with laws and regulations <p>And corrective action needs to be taken immediately.</p>
High Risk	<p>Action needs to be taken to address significant control weaknesses but over a reasonable timeframe rather than immediately. These issues are not "show stopping" but are still important to ensure that controls can be relied upon for the effective performance of the service or function. If not addressed, they can, over time, become critical. An example of an important exception would be the introduction of controls to detect and prevent fraud.</p>
Medium Risk	<p>These are control weaknesses that may expose the system function or process to a key risk but the likelihood of the risk occurring is low.</p>
Low Risk - Improvement	<p>Very low risk exceptions or recommendations that are classed as improvements that are intended to help the service fine tune its control framework or improve service effectiveness and efficiency. An example of an improvement recommendation would be making changes to a filing system to improve the quality of the management trail.</p>

<p>EX 1 – Lack of detail entered on the mileage claim form. Risk rating: Medium Exception partially addressed</p>		
<p>Initial Findings</p> <p>A test on the reasonableness of the amount of mileage claimed found that of the sample of 45, 18 were unable to be tested because:</p> <ul style="list-style-type: none"> • 5 had not included all the journey details. • 3 had entered abbreviations, therefore making it increasingly difficult to calculate the mileage • 10 had entered the same place for start, destinations visited and end points. <p>The Council's lone working policy states that "visiting staff must record in their electronic diaries the address and contact details of the places they intend visiting." A check on the 18 claims that could not be tested for reasonableness found that:</p> <ul style="list-style-type: none"> • For 12 cases no information had been entered onto the employee's calendar • For 1 case the diary information was not accessible • For 2 cases the employees had left the employment of CDC • In 3 cases the employees had entered information into their calendar 		
<p>Risks and consequences</p> <p>Without all information being completed on the claim the authorising manager would be unable to confirm that the claim is correct.</p> <p>The Council's Lone Working Policy is not being adhered to and therefore the welfare and safety of employees of the council may be at risk.</p>		
<p>Initial Agreed action and Officer Responsible</p>	<p>Follow-up findings</p>	<p>Further action required</p>
<p>An annual reminder will be sent to managers and staff via email as well as being posted on the Intranet. This will contain links to the relevant documents informing employees of the procedures and responsibilities when claiming expenses or overtime.</p>	<p>The first annual reminder was sent to all CDC staff on 14th February 2020, by email. The second annual reminder was sent on 14th April 2021 and this was also posted on the Intranet on 28th April 2021.</p> <p>Evidence was provided to show that expenses and overtime have been added as a heading on the new starter induction checklist for managers and within the Trent/Self Service Learning pool</p>	<p>No action required.</p>

<p>In addition expenses and overtime will be added as a heading onto the new starter induction checklist for managers and within the Trent /Self Service Learning pool heading on the HR Induction Checklist. This will highlight where guidance on how to claim for expenses/overtime can be found on the intranet.</p> <p>Tim Radcliffe – by 14th February 2020</p> <p>The Health and Safety Manager is already in the process of reviewing the Lone Working Policy in response to a new corporate lone working solution. On completion the policy with will be distributed to all employees across the Council.</p> <p>Warren Townsend – by 29th February 2020</p>	<p>heading on the HR checklist. Both places now highlight where guidance on how to claim for expenses/overtime can be found on the intranet.</p> <p>There were 371 travel claims between 1st April 2020 and 8th March 2021. A sample of 25 claims was tested to determine whether enough information was recorded by claimants to support where they had visited and therefore if the mileage claimed was reasonable. For 20 of those claims the claimant had not fully recorded the place they had visited, meaning the claim could not be assessed for reasonableness.</p> <p>The Lone Working Policy was updated in February 2020 and the Health and Safety Manager confirmed that any staff affected by the change to the system were updated as part of the review process.</p> <p>The Council’s Lone Working Policy, states that ‘visiting staff must record in their electronic diaries the address and contact details of the places they intend visiting’, a further test was carried out on the same sample of 25 claims. There were 20 individual employees in that sample and it was found that none of them had fully recorded the destination and contact details of the places they had visited in their Outlook calendars. This information could have been used to substantiate their claims.</p> <p>Further action was taken remind staff about the requirements of the Lone Working Policy and where it can be found. This was included in the May 2021 staff news email and referred staff specifically to the section about recording visits in their outlook diary.</p>	<p>No action required.</p>
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EX 2 – Mileage is overstated and travel from home is not adjusted**Risk rating: High****Exception partially addressed****Initial Findings**

Employees are required as per procedures to enter their milometer readings when submitting their travel claim. In 1 case out of 45 the milometer readings were not entered which could lead to inaccuracies in the number of miles claimed.

Testing was carried out on the reasonableness of mileage claims by taking the longest route calculated by Google maps and adding a 5 mile threshold to cover diversions or getting lost. Using this methodology it was found that:

- For 7 cases the mileage had been overstated by more than 5 miles. Of these 7 a total of 304 additional miles had been claimed at a cost of £142.58 to the Council.
- 1 claim was overstated by an additional 231 miles at a cost of £108.34 to the Council

The policy states that “If your journey included home to work, please deduct those miles from the number claimed and include explanation in the Reason for Journey field” from testing the sample of 46, 6 had stated that their journey started from Home. Of these 6:-

- 2 claimants had not adjusted their mileage as per the policy. The total mileage over claimed was 8 and 78 miles respectively than if the claimant had travelled from Chichester
- 4 had adjusted their mileage to take account of travelling from home

Risks and consequences

If mileage and expense procedure are not followed there is a risk of an inaccurate claim being made which could lead to overpayments to the employee and financial impact to the Council.

Initial Agreed action and Officer Responsible	Follow-up findings	Further action required
An annual reminder will be sent to managers and staff via email as well as being posted on the Intranet. This will contain links to the relevant documents informing employees of the procedures and responsibilities when claiming expenses or overtime.	See EX 1 for details on actions taken against the agreed actions. Adjustments for travel from home are no longer required for the employees who live within the Chichester boundary, due to the current	

<p>In addition expenses and overtime will be added as a heading onto the new starter induction checklist for managers and within the Trent /Self Service Learning pool heading on the HR Induction Checklist. This will highlight where guidance on how to claim for expenses/overtime can be found on the intranet.</p> <p>Tim Radcliffe – by 14th February 2020</p>	<p>environment and working from home. However, employees who live outside of Chichester District can only claim once they have reached the district's border by the most logical route from home.</p> <p>Further testing was carried out on the reasonableness of claims (see EX 1 for details). Due to the lack of detail about the journeys undertaken, the reasonableness of claims could not be established in 20 out of 25 cases, making it impossible to know whether or not these claims were overstated.</p> <p>Additional testing was carried out on the employee who was found to be very significantly over claiming in the 2019/20 audit. They submitted 6 claims between 1st April 2020 and 8th March 2021 and all 6 of those claims also appeared to be overstated by large amounts. However, not enough detail was given to be able to fully assess the reasonableness of their claims.</p> <p>Milometer readings were entered in all 25 of the claims tested.</p>	<p>Trent to be amended to prompt for post code or specific location of starting point and destination. An email will be sent to all staff to inform them of the changes to Trent and reiterating that travel claims must include more specific information on journey details.</p> <p>The Director of Corporate Services will raise the issue at Senior Leadership Team on 20th May 2021 and ask for Directors to cascade the message down to staff about the importance of travel claims being detailed and accurate.</p>
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Chichester District Council

Corporate Governance and Audit Committee

19 July 2021

Update Following Global Microsoft Exchange Hack

1. Contacts

Report Author:

Andrew Forward, ICT Manager

Tel: 01243 534770 E-mail: afoward@chichester.gov.uk

2. Recommendation

- 2.1. **That the Committee are fully briefed on the circumstances, actions and outcomes following the Global Microsoft Exchange Hack in March 2021.**

3. Background

- 3.1. At the beginning of March we became aware of a weakness in Microsoft Exchange Servers (used to provide the Council's email capabilities), and joined the worldwide scramble to 'close the door' on hackers and cybercriminals attempting to exploit this vulnerability (weakness).
- 3.2. We were targeted. The below chronology describes the circumstances surrounding the incident, our immediate response and subsequent clean-up activities.
- 3.3. Throughout we adhered to the 'Incident Management' approach. A 5 stage model (Identify, Protect, Detect, Respond and Recover), as recommended by the National Cyber Security Centre (NCSC) part of Government Communications Headquarters, commonly known as GCHQ.

4. Outcomes to be achieved

Identify

- 4.1. 02 March 2021: Microsoft announced the detection of multiple zero (0) – day exploits being used to attack on-premises versions of Exchange Servers.
- 4.2. A zero (0) day vulnerability is about as scary as it gets.
- 4.3. 03 March 2021: Microsoft issued an emergency security patch to block Exchange Server systems becoming compromised and seeded with powerful backdoor Trojan horse programmes.
- 4.4. The attack, which Microsoft has said started with a Chinese government-backed hacking group, had moved from targeting high value intelligence targets to mass indiscriminate exploitation attacks.

Protect

- 4.5. 03 March 2021: We attempted to apply patch to server. Patch failed.

- 4.6. Server taken off line immediately. Providing instant security from hacking attempt, but caused service interruptions.
- 4.7. 04 March 2021: Working with (our) Microsoft partner we applied patch at 17:15 and brought server back on line.

Detect

- 4.8. Having secured our servers we began a forensic examination of our systems, looking for any indicators of compromise (IOC).
- 4.9. We discovered that our exchange server had been targeted between 01 and 03 March. The last attempt approximately 30 minutes *before* we received official Microsoft notification of the threat.

Respond

- 4.10. Having confirmed that our systems had been targeted, we undertook detailed line by line script searches looking for evidence of
 - (a) Any data losses, and
 - (b) Presence of any (backdoor) 'Trojan horse' webshells.
- 4.11. Our searches returned negative results;
 - (a) No data was extracted from our systems. Although data exfiltration was attempted, the request was denied and the 'hack' failed. This was repeated three times between 01 and 03 March. Each attempt returning a '500' internal server error code – 'unable to complete the request' for extraction of data.
 - (b) Full system diagnostics (as advised by NCSC) found no trace of Trojan horse webshell scripts. Additionally, line by line script analysis (in accordance with Microsoft guidance), also found no trace of inserted backdoors.
- 4.12. We also took additional measures to restrict access to our Exchange Server. Blocking all but recognised traffic to/from the Microsoft 365 (cloud) exchange.

Recover

- 4.13. Having proved conclusively that we had not suffered data loss or Trojan horse infection, we referred our findings to Microsoft. On 31 March 2021 we formally signed off on our investigation and recovery activities.
- 4.14. We are now seeing other cybercriminals seeking to exploit this weakness. Subsequently, Microsoft has issued additional urgent patching action requests, which have been applied immediately.
- 4.15. Continuously monitoring the situation as new information and advice is coming to light.

Conclusion

- 4.16. We have shut the door on the known server weakness (patched). Restricted access to the server (stopped any exfiltration of data) and searched our systems for evidence of compromise.

- 4.17. As more details emerge surrounding this incident, coming just weeks after the suspected Russian hackers compromise of the leading global provider SolarWinds, further fall out can be expected.
- 4.18. Within days this hack had claimed at least 60,000 known victims globally, including notably the European Banking Authority. Whilst exposure is limited, due to our current use of Microsoft 365, this incident is a stark reminder of the constant and ever changing threats we face.
- 4.19. Before this incident, work had already started on an ICT security strategic review. Already identified as a priority action in our 2021/22 Service Plan, this work was fast tracked and, taking into account the lessons learned, a framework plan developed. Full details are contained in a follow on report to the Committee.

5. Alternatives that have been considered

- 5.1. None.

6. Resource and legal implications

- 6.1. Data breaches carry reporting responsibilities. In this instance although no breach occurred, data protection protocols were followed and NCSC and ICO were advised.
- 6.2. ICT Security Management is an integral business as usual function. Recent intelligence indicates increasing cyber-criminal activity in both volume and sophistication. As a service we need to respond appropriately to this changing threat environment. Our ICT Security Plan framework has been developed to ensure our security posture reflects the changing threats we face.

7. Consultation

- 7.1. None.

8. Community impact and corporate risks

- 8.1. Corporately, the potential impacts of cybercrime on the Council are well understood, being reflected under Corporate Risk CRR 97 – Cyber risk across the ICT estate. Where, despite existing mitigations, we see an increase in the likelihood of that risk materialising, it is important that we reflect on any learnings and take appropriate actions.
- 8.2. This report provides an explanation as to the actions taken, and provides an actual account of the processes we followed when dealing with a clear and present danger.

9. Other Implications

	Yes	No
Crime & Disorder		✓
Climate Change		✓
Human Rights and Equality Impact		✓
Safeguarding and Early Help		✓

General Data Protection Regulations (GDPR)		✓
Health and Wellbeing		✓
Other (Please specify):		✓

10. Appendices

10.1. None.

11. Background Papers

11.1. None.

Chichester District Council

ICT Security Plan

Our proactive approach to protecting against ICT security threats and breaches.

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Background

Imagine trying to deliver Council services today without the use of technology and communication systems. While the benefits are clear increasing reliance on IT, the pace of technological innovation and the complexity of system interdependencies are continually creating new risks and challenges.

Cyber-attacks by both opportunist and professional criminals are on the rise. In the past year targeted threats to our sector have increased in both volume and sophistication, encouraged by the disruption caused by Covid-19. The Public Sector is now seen as a legitimate target but, despite National Intelligence agency support, we have seen multiple attacks on local government agencies causing disruption for thousands of residents and costing millions of pounds to resolve.

Maintaining CDC's secure perimeter is our foremost priority. But the changing demands on our IT estate supporting digital channels and remote working styles, coupled with the escalating threats we face necessitate a more sophisticated defensive strategy. Through our new Security Plan we will review, refocus and consolidate our position, building on our existing cyber resilience capabilities. More evolution than revolution, this will reflect "the whole as greater than the sum parts", with the objective to be better positioned to deal with the shifting threats we face.

Why (have a Security Plan):

Strategic Focus

Our critical to quality requirement is simple, to keep the Council working securely and effectively. In order to support the Council's objectives, our security plan will continue to provide assurance in both today's and tomorrow's business environment. As new complex risks emerge, proactive and consolidated actions must replace passive and transferred mitigations.

Recent Central Government and National Cyber Security Centre guidance identify new specific 'threat vectors':

1. Cyber criminals continue to consider councils as attractive target.
2. Increased cyber risks due to expansion in home/remote working.
3. Ransomware attacks represent the greatest risk to the council.
4. Growing adoption of 'cloud' technologies require re-evaluation of legacy security position.

Key Threats

Specifically, for Chichester District Council, these are can be consolidated into three key threats:

1. Stealing sensitive data: we hold large amounts of personally identifiable information (PII) that can be easily exploited or sold by criminals. We also hold an abundance of financial data from on-line services, such as payments for council taxes and parking permits. This data is highly sought after by cyber criminals for use in fraud and blackmail cases.
2. Disrupting services: we are also vulnerable to attacks designed to disrupt digital services. Techniques such as ransomware are particularly devastating.
3. Exploiting the cloud: whilst cloud migration offers opportunities to reduce costs and create efficiencies, as well as increasing remote working capabilities, it also provides more attack surfaces, e.g. file sharing capabilities. Without the right security policies and strong and reliable infrastructure, critical data can be inadvertently exposed online.

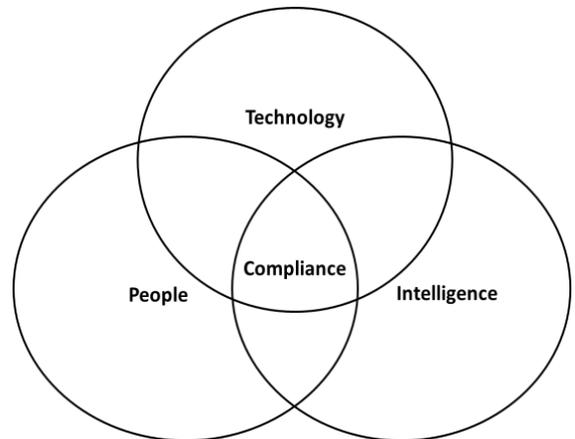
What (will we do):

Develop a Business Model for Information Security

Our new consolidated approach begins with the creation of a simple business model, which is easy to understand and accessible to all. Within each strand actions and activities focus on holistic risk reduction, simple monitoring and providing management with improved oversight and assurance.

In addition using the model will help overcome a number of false assumptions highlighted in recent MHCLG and NCSC guidance.

- Cyber security is often viewed as a technical issue, rather than a business issue, and is not seen as being everyone's responsibility.
- There is no single solution that can mitigate 'cyber risk', as issues vary in size, severity and context.
- The potentially overwhelming amount of guidance paradoxically leads to a lack of clarity and confusion.



Create an Information Security Framework

Next, we take the Business Model and apply it to various aspects within our existing IT estate. This provides the basis for repositioning and consolidating all the interrelated aspects of our current cyber security activities. From here we will undertake a gap analysis, taking into account the changing nature of the risk environment and the emergence of new key threats. This is used to inform our priority 'Critical Success Factor' actions.

A full description of our framework can be found at Appendix 1, which has been created on the new security principle; **that the content, information and the knowledge based on it must be adequately protected, regardless of how it is handled, processed, transported or stored.** This is a fundamental departure from our traditional network and system security approach. Historically, on-premises models followed the 'trust but verify' principle, with the focus placed on established network and perimeter security. The need to accommodate more flexible and remote working patterns, as well as the increasing commercial pressures to adopt cloud based applications, necessitates our move towards a 'borderless' security strategy.

How (will we do it):

Taking the Information Security Framework activities/actions and turn them into quantifiable goals (intangible and non-measurable) and objectives (tangible targets). Representing a state of constant vigilance, 360° defence and continuous improvement, this will provide a balance between outcomes (goals) and outputs (objectives) against which progress can be monitored.

Designed-In Security (by default)

Reducing risk through improved cyber security analysis. Vulnerability to attacks can be reduced if analysis is conducted across an entire user journey. Consideration of the software, data handoffs

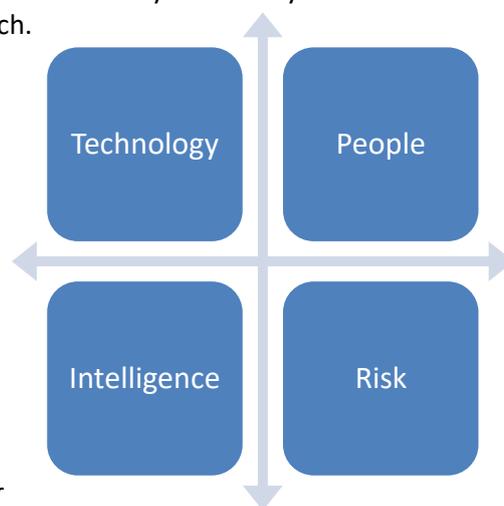
and user touchpoints will improve build plans and our ability to maintain services in a secure manner. As will considering the full supply chain and lifecycle during the procurement process.

Building on our legacy strengths we will adopt solutions that, whilst integrating with our existing security environment, move us towards a 'borderless' or Zero Trust position. Moving to a Zero Trust model we will need to apply new design principles to all future improvements across our network and systems. Operationally it requires all users, even those inside the network, to be authenticated, authorised and continuously validated against security configurations before access is granted to applications and data. We will, however, design this without the need for users to continually re-enter passwords or security credentials. Adding this layer of security will be critical as we incorporate more cloud-based applications rendering our perimeter 'borderless'.

Security Scorecard (compliance, IT governance & risk)

In the absence of any widely accepted industry-standard approaches to cybersecurity measurements or technical metrics, we have developed a scorecard approach.

Combined these SMART measures will provide an 'at a glance' assessment of our 'we are secure' status. The outputs from each inform our continuous improvement cycle, while the outcomes provide stakeholder group assurance of the effectiveness of our plan.



When (will we do it):

Critical Success Factors (Actions)

CSF 1: ICT Security Scorecard

By end of Q1 2021 we will develop our scorecard. Thereafter it will be updated quarterly, with an annual review of the relevance of monitored measures.

Technology:

- Mean time to patch covered systems
- Number of patches deployed
- Vulnerability scan coverage
- % of systems without known high vulnerabilities
- Firewall statistics

Intelligence:

- TrackITs raised / completed
- Laptops replaced
- Blocked internet access attempts

People:

- Employee's trained: education programme
- Nos. of internal emails blocked / external blocked
- Nos. of discovered / reported malware

Risk:

- Unplanned system interruptions
- Back-up / DR tested
- Maintain PSN accreditation
- Option appraise alternative assurance frameworks
- Review corporate/service;
 - Recovery Point Objectives
 - Recovery Time Objectives
 - Service Delivery Objectives
 - Maximum Tolerable Outages
 - Allowable Interruption Window

CSF 2: Zero Trust

By the end of Q1 2021, we will define and agree our Zero Trust model and implementation principles. Then use the findings to inform our developing Network Refresh Project (ICT Service Plan 2021-22) outcomes.

CSF 3: Audit of Current Security Measures

By the end of Q2 2021, we will have undertaken an exercise grouping all existing cyber security monitoring (i.e. NCSC Early Warning-NEWS, PDNS, MailCheck, and Ops.Mgr.), intelligence sources and staff engagement activities. Specific focus will be placed on existing capabilities focusing on ransomware, phishing and password spraying. A gap analysis will then inform options for engaging with a managed security service provider (MSSP) to provide enhanced security monitoring and incident response capabilities.

CSF 4: Enterprise Architecture Mapping Project

To be completed by the end of Q4 2021. Understanding all aspects of our Enterprise Architecture (EA) is fundamental if we are to successfully manage our IT estate in a continually evolving world. Creating an EA diagram will provide a compact single schematic overview. It will, for the first time, link together business architecture (the key service processes IT support, corporate IT capabilities and stakeholders), the data and information flows supporting each activity and, identify the technology infrastructure and core applications used in each process.

It is complicated and complex. But once complete, will provide a thorough capability that will enhance our ability to manage the business, information, process, and technology changes necessary to execute the Council's strategy.

CSF 5: Microsoft 365 Project

By end of December 2021 we plan to have delivered full Microsoft 365 functionality across the Council. This is a major project and represents a significant move into the 'cloud' environment. Through this project we will be incorporating a borderless security position requiring a review of all current ICT policies and procedures.

CSF 6: ICT Change Management & Configuration Management Data Base

By end of Q1 2021 we will have introduced our new Change Management Process. Assessing security impacts within our change management activities will enhance our IT service management capabilities. We will also explore the benefits of having a configuration management database (CMDB), and the associated advantages it offers under CSF2 and CSF4.

Appendix 1: Information Security Framework

(1) Technology: Robust Infrastructure (hardware, software, network, OS, storage)

IT Function	Activities & Actions
Architecture	<ul style="list-style-type: none"> • Robust picture of systems infrastructure • Secure-by-design • Security designed into procurement
Monitoring	<ul style="list-style-type: none"> • Monitoring strategy & supporting policies • Continuously monitor all systems and networks • Analyse logs for unusual activity that could indicate an attack • Consider Cyber Threat intelligence solution
Secure configuration	<ul style="list-style-type: none"> • Introduction of new change management process • Apply security patches • Ensure secure configuration of all systems is maintained • Create system inventory / Define baseline build for all devices
Network security	<ul style="list-style-type: none"> • Protect network from attack • Defend network perimeter / filter out unauthorised access and malicious content • Monitor and test security controls / network configuration

(2) People: increasing workforce capability

IT Function	Activities & Actions
User education & awareness	<ul style="list-style-type: none"> • User security policies • Staff training • Ongoing cyber risk awareness training & support • Share knowledge of incidents affecting other LA's
Home & Mobile working	<ul style="list-style-type: none"> • Mobile working policy • Apply secure baseline and build to all devices • Protect data in transit and at rest
Removable media controls	<ul style="list-style-type: none"> • Removable media policy • Limit media types and use • Scan all media for malware before importing
Malware prevention	<ul style="list-style-type: none"> • Malware relevant policies • Establish anti-malware defences

(3) Intelligence: threat and contextual based

IT Function	Activities / Actions
Incident management	<ul style="list-style-type: none"> • Establish incident response & disaster recovery capability • Test incident management plans • Active participation in Information sharing networks (e.g. WARP)
Asset management	<ul style="list-style-type: none"> • Devices, information & systems • Develop Configuration Management Database
Asset retention and disposal	<ul style="list-style-type: none"> • Policies and procedures • Audits
Managing user privileges	<ul style="list-style-type: none"> • Establish effective management processes • Limit number of privilege accounts

- Limit user privileges & monitor user activity
- Control access to activity and audit logs

Chichester District Council

Corporate Governance and Audit Committee

19th July 2021

Constitutional Amendment

1. Contacts

Report Author:

Nicholas Bennett, Monitoring Officer (Divisional Manager Democratic Services)
Tel: 01243 534668 E-mail: NBennett@Chichester.gov.uk

2. Recommendation

2.1 That the committee note the amendments to the Constitution made by the Monitoring Officer in the period January 2019 to July 2021.

3. Background

- 3.1 As part of the proper and effective management of the Constitution, a task and finish group was set up comprising members from all three groups, chaired by the Leader of the Council. This considered constitutional issues which have arisen since the major review of the Constitution in 2016.
- 3.2 The task and finish group received advice from the Monitoring Officer as to his powers to make “consequential” amendments to the Constitution. These changes are limited to those required to update the Constitution following structural changes or legal changes. The Group was content with this but directed the Monitoring Officer to provide a report on such changes to ensure they were entirely clear to members.
- 3.3 For obvious reasons this report was not considered to be urgently required during the restricted early covid committee timings, so with the agreement of the Chairman the report for 2020 was “rolled over” to 2021.

4. Outcomes to be achieved

- 4.1 To maintain member oversight of application of the use of Constitution amendment powers by the Monitoring Officer.

5. Schedule

- 5.1 The Monitoring Officer (MO) has powers under the Constitution to amend two types of matters without reference to others, being officer title changes (Changes to reflect recent job title changes have recently taken place for example) or changes which arise as the result of a change in Statute or regulation (For example when the Antic Social behaviour Act 2014 came into effect making changes to the basis of certain powers delegated to specific officers). The task and finish group considered that the Monitoring Officer powers are proportionate, sufficient and reasonable to the requirements of the Council.

5.2 The group noted the powers granted to the Monitoring officer and the ability, through Modern.Gov, for all members to review changes made by that officer. However, in order to improve transparency and visibility of the use of those delegated changes it was felt by the group that some form of annual “headline” reporting of those changes would be useful.

5.3 The schedule attached shows all changes to the Constitution since the previous report to this committee.

6. Alternatives that have been considered

6.1 It is open to this Committee and Full Council to have such reporting mechanisms as they prefer including not requiring any reports to be submitted, but the view of the Task and Finish group was that there would be benefits to member awareness of the operation of the Constitution through this reporting.

7. Resource and legal implications

7.1 None of the recommendations have an impact on finance, staffing, IT or property.

8. Consultation

8.1 There is no direct community or corporate impact from the recommendations of this report beyond those set out in the body of the report as to improved reporting.

9. Community impact and corporate risks

9.1 There is no direct community or corporate impact from the recommendations of this report beyond those set out in the body of the report as to improved reporting.

10. Other Implications

Are there any implications for the following?		
If you tick “Yes”, list your impact assessment as a background paper in paragraph 13 and explain any major risks in paragraph 9		
	Yes	No
Crime & Disorder: The Council has a duty “to exercise its functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area”. Do the proposals in the report have any implications for increasing or reducing crime and disorder?		X
Climate Change and Biodiversity: Are there any implications for the mitigation of/adaptation to climate change or biodiversity issues? If in doubt, seek advice from the Environmental Strategy Unit (ESU).		X
Human Rights and Equality Impact: You should complete an Equality Impact Assessment when developing new services, policies or projects or significantly changing existing ones. For more information, see Equalities FAQs and guidance on the intranet or contact Corporate Policy.		X
Safeguarding and Early Help: The Council has a duty to cooperate with others to safeguard children and adults at risk. Do these proposals have any implication for either increasing or reducing the levels of risk to children or adults at risk? The Council has committed to dealing with issues at the		X

earliest opportunity, do these proposals have any implication in reducing or increasing demand on Council services?		
<p>General Data Protection Regulations (GDPR): Does the subject of the report have significant implications for processing data likely to result in a high risk to the rights and freedoms of individuals? Processing that is likely to result in a high risk includes (but is not limited to):</p> <ul style="list-style-type: none"> • systematic and extensive processing activities and where decisions that have legal effects – or similarly significant effects – on individuals. • large scale processing of special categories of data or personal data relation to criminal convictions or offences. • Any larger scale processing of personal data that affects a large number of individuals; and involves a high risk to rights and freedoms e.g. based on the sensitivity of the processing activity. • large scale, systematic monitoring of public areas (including by CCTV). <p>Note - If a high risk is identified a Privacy Impact Assessment must be provided to the Data Protection Officer.</p>		X
Other (Please specify): eg health and wellbeing		X

10. Appendices

10.1 A schedule of the changes to the constitution since 2019

11. Background Papers

None

Appendix

The existing number of members sitting on individual committees was reviewed.

Following consideration of the workloads of each committee and impact of their decisions member numbers were agreed for recommendation to Full Council:

Name of Committee	Existing Numbers	Agreed Numbers
CGAC	10	8
Investigation & Disciplinary	5	5
Standards	7	7
Overview & Scrutiny	15	11
Licensing	15	10
Planning	15	13
	Total	54

Appendix – Constitution Update Report

THE CONSTITUTION

Revisions 2021/22 Summary of Changes

All changes to the Constitution are set out in a front page to the Constitution, available to anyone reviewing that document online.

February 2021

- Part 2 Section 1 - Management structure updated references to Deputy Chief Executive and Director Residents Services removed.
- Part 3 Section 2 – Cabinet titles updated.
- Part 3 section 2 – Timing of Grants and Concessions panel updated.
- Cabinet title updated.
- Power to consider applications by members of staff for landlord accreditation scheme added.
- Authorisation for Director of Growth and Place updated to include all powers related to civil parking enforcement.
- Part 3 section 2 – References to Deputy Chief Executive and Director Residents Services removed.
- Part 5 section 6 – List of former senior officers replaced with reference to “all senior officers”.

Each of these elements are consequential to decisions made separately (and authorised) through Full Council or designated Leader decisions. Most relate to changes of job title or in some cases relate to changes required for earlier job title changes where all amendments were not identified at the time (for example reference to Deputy Chief Executive was largely completed in 2018-19 when that post was removed from the structure.

As explained to the Committee previously a significant shift in style from naming individuals and instead using job titles to reduce confusion and improve transparency of responsibility and authority.

February 2021

Part 4 – Revised Contract Procedure Rules

These were a major revision of the processes required to be followed by officers in procurement. They were presented and approved by Full Council and adopted accordingly.

May 2021 Part 6 – Members Allowances Scheme – Updated Subsistence Allowances

The Scheme was the subject of a report from the independent panel for members allowances made to Full Council. This was adopted following some debate and the Constitution amended to enact the decisions.

Chichester District Council

CORPORATE GOVERNANCE & AUDIT COMMITTEE

19 July 2021

Risk Management Update

1. Contacts

Report Author

Helen Belenger – Divisional Manager Financial Services

Telephone: 01243 520145 E-mail: hbelenger@chichester.gov.uk

2. Recommendation

- 2.1 That the Committee notes the updated Strategic Risk Register and the internal controls in place, plus any associated action plans to manage those risks, and raises any issues or concerns.**

3. Background

- 3.1 When the Committee last received a risk management update in October 2020 it requested officers to consider the following:
- The possibility of future physiological effects on society because of the impact of home working due to the Covid 19 pandemic, which might not suit everyone. The council acknowledges that whilst Public Health has the lead on this work, however, the council has a duty to its residents and in response offers a variety of supports, including the social prescribing and wellbeing services. The council is also leading a district health partnership which is focussed on the impact of Covid on community confidence and low level mental health in particular around existing health inequalities, and is also working in partnership to tackle the financial impact of Covid on communities and the resulting issues including food poverty. It should also be noted that a lot of work within the council has taken place over the past 18 months to take account of this potential risk to its own staff, and the Council's Wellbeing Team, HR and all managers are aware of the different support that is in place for staff. The Organisational Recovery Plan contains a specific action for staff wellbeing support; the progress on the Council's recovery action plans was recently reported to the Overview and Scrutiny Committee in June 2021.
 - The risks associated with the Climate Change Emergency declared by the Council and its impact. This matter is covered in this report.
- 3.2 In March 2021 the Strategic Risk Group (SRG) considered the position of the council's risk registers at their meeting on 8 March 2021, and took into account the comments made by the Committee in October. A number of new risks were discussed at the SRG meeting which required further work by officers; such that the outcome of the SRG review was not reported to the Committee in March in accordance with the normal reporting regime under the Council's Risk Management Strategy and Policy. To address this issue, the Committee is now receiving an

update of the Strategic Risk Register as at Quarter 1 for 2021-22, which has been reviewed by the Strategic Leadership Team (SLT) only.

3.3 The next update to the Strategic Risk Group will take place in September when the registers will be updated again for quarter 2; the outcome of the SRG review will then be reported to the Committee in October.

4. Outcomes to be Achieved

4.1 An updated refreshed Strategic Risk Register that is current and relevant to the Council and its operation, and that those risks are well managed in accordance with the Council’s Risk Management Strategy and Policy.

5. Update on the Strategic Risk Register

5.1 The Strategic Risk Register was considered by the relevant risk owner for the June update prior to the review by SLT for this quarter, taking into account the work officers were required to complete after SRG’s review in March 2021.

5.2 The new strategic risks that have been added to the strategic risk register since it was last reported to the committee are:

- **CRR 185 – Increased Homelessness Service Demand due to Covid Impact**, this was a risk identified in the 2021-22 Housing Service Plan and in March was agreed to be a strategic risk rather than just an operational risk.
- **CRR 188 – Climate Emergency Detailed Plan**. During discussions both SRG and SLT felt that the associated action plans are a wide multi agency approach with a lot of the requirements outside of the remit and control of this Council. However, it was agreed that any actions under the plan which relate specifically to the Council and its operations, should be considered as a strategic risk item.
- **CRR 189 – Crouchlands Lagoon 3**, this matter is addressed in the confidential appendix 1 (b).

5.3 The risk map below shows the risk numbers and where they currently appear on the heat map for the strategic risk register.

LIKELIHOOD		188	147	
		8, 9	1, 170,189	
		171	97, 148, 178, 185	



Key to Risk Numbers:

1 = Financial Resilience, **8** = Skills, Capability/Capacity, **9** = Business Continuity, **68** = Health & Safety, **97** = Cyber Risk across ICT estate, **147** = Southern Gateway Regeneration, **148** = Local Plan, **170** = Changing Use of the High Street in the City and Rural Towns, **171** = Criminal Finances Act - Procedural failures facilitating tax evasion, **178** = Covid-19 (Coronavirus), **185** = Increased Homelessness Service Demand Due to Covid Impact, **188** = Climate Emergency Detailed Plan, **189** = Crouchlands Lagoon 3

5.4 There are now 13 strategic risks, 7 are considered to be controlled, with the other remaining 6 have controls pending; which is where actions are still in progress to control or mitigate the risk.

5.5 This quarter the following risk's score has changed for a previously identified risk:

- **CRR 148** – Local Plan – the risk score has decreased from 9 to 6 as a result of the new timetable agreed by Council.

5.6 All other existing strategic risk scores have remained unchanged since the last quarter's review.

5.7 Appendices 1 (a) and 1 (b) show the current status of the Strategic Risk Register.

6. Alternatives Considered

6.1 N/A

7. Resource and Legal Implications

7.1 There are no specific resources or legal implications a result of this report which is giving a position statement of the strategic risks facing the Council at this time, however, those risks may have financial and legal implications which are detailed in the risk register.

8. Consultation

8.1 The risk registers are considered by SRG and SLT in line with the expected reporting regime under the Council's Risk Management Strategy and Policy.

9. Community Impact and Corporate Risks

9.1 N/A.

10. Other Implications

	Yes	No
Crime and Disorder		X
Biodiversity and Climate Change Mitigation		X
Human Rights and Equality Impact		X

Safeguarding and Early Help		X
General Data Protection Regulations (GDPR)		X
Health and Wellbeing		X

11. Appendices

11.1 Appendix 1 (a) – Strategic Risk Register

11.2 Appendix 1 (b) – Strategic Risk Register (Part 2)

12. Background Papers

12.1 None.

Corporate Risk Register - Strategic Risks Quarterly Update

Report Author: Helen Belenger

Generated on: 06 July 2021



Risk Status	
	Alert
	High Risk
	Warning
	OK
	Unknown

Internal Control Status	
Good	All controls are in place and working effectively
In Progress	Controls in place, but yet to be fully effective or additional controls yet to be implemented.
Poor	No controls or controls inadequate/ineffective

Control Pending

Status	Risk No.	Risk Area	SLT Lead	Original Score	Previous 1/4ly Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 147	Southern Gateway Regeneration	Jane Hotchkiss	9	12	12	4	31-Mar-2022	In progress
	CRR 148	Local Plan	Andrew Frost	9	9	6	3	31-Jul-2020	In progress
	CRR 170	Changing Use of the High Street in City and Rural Towns	Jane Hotchkiss	6	9	9	4	31-Mar-2022	In progress
	CRR 171	Criminal Finances Act - Procedural failures facilitating tax evasion, fraud, bribery and corruption	John Ward	4	4	4	2	31-Mar-2022	In progress
	CRR 188	Climate Emergency Detailed Action Plan	Andrew Frost	8	-	8	2	31-Mar-2023	In progress
	CRR 189	Crouchlands Lagoon 3	Andrew Frost	6	6	9	1	31-May-2022	In progress

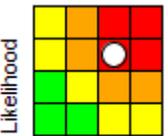
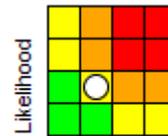
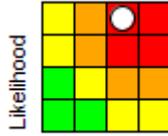
Controlled

Status	Risk No.	Risk Area	SLT Lead	Original Score	Previous 1/4ly Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 01	Financial Resilience	John Ward	9	9	9	3	31-Mar-2022	Good
	CRR 08	Skills / Capability / Capacity	John Ward	3	6	6	2	31-Mar-2022	Good
	CRR 09	Business Continuity	Andrew Frost	9	6	6	4	31-Mar-2022	Good

Appendix 1 (a)

Status	Risk No.	Risk Area	SLT Lead	Original Score	Previous 1/4ly Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 68	Health and Safety	Andrew Frost	9	4	4	4	31-Mar-2022	Good
	CRR 97	Cyber Risk Attack Across ICT Estate	John Ward	6	6	6	4	31-Mar-2022	Good
	CRR 178	Covid-19 (Coronavirus)	Andrew Frost	9	6	6	1	21-Jun-2021	Good
	CRR 185	Housing - Increase Homelessness Service Demand due to Covid-19 Impact	Louise Rudziak	9	9	6	4	31-Mar-2022	Good

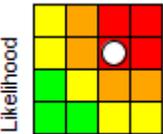
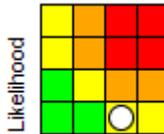
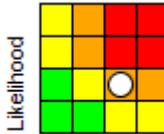
Management Control Pending

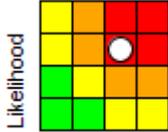
CRR 147	Southern Gateway Regeneration		Management	Control Pending	
			Corporate Links		
<p>Failure to deliver the outcomes of the project leading to reputational damage and financial exposure to CDC as lead partner, and potential repayment of the Local Enterprise Partnership (LEP) (and other funding). Lack of engagement or buy in by other key partners, leading to CDC being isolated and unable to deliver outcomes. Masterplan becomes commercially unviable due to certain market sectors' changes including demands for community/public realm use types.</p> <p>SLT Risk Owner: Jane Hotchkiss Responsible Officer: Victoria McKay</p>					
Original and Target Risk Assessment					
Original Risk Date	23-Feb-2018		Target Risk Date	31-Mar-2022	
Original Risk Score	9	Likelihood Impact	Target Risk Score	4	Likelihood Impact
Current and Previous Quarter Risk Assessment					
Current Assessment Previous Quarter Assessment	18-Jun-2021		12		
	22-Feb-2021		12		
Internal Controls					Current Status
Partner Organisation Engagement	1. Law Courts - Courts closed on 21 December 2018. HE confirmed in July 2020 that they were no longer acquiring the Courts. 16 February 2021 MOJ announced publicly that the courts would be used as Nightingale courts due to Covid-19.				In progress

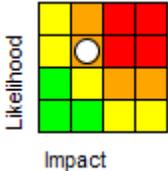
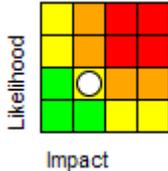
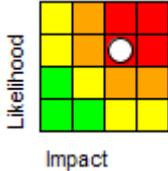
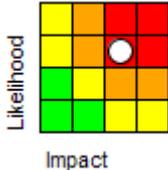
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	<p>2. WSCC on-going discussions between County Council and School. WSCC have signed the Collaboration Agreement.</p> <p>3. Sussex Police on-going discussion for land acquisition.</p>	
Strategic Land Owner Engagement	<p>1. Collaboration Agreement signed between CDC and WSCC.</p> <p>2. Growth Deal approved and Growth Board meetings providing strategic input into the project.</p> <p>3. Relocation of Stage coach - site identified for Stage coach and purchase completed. Stage Coach have agreed to draft HoT's. Delay in communications due to COVID 19. Operational issues relating to the number and siting of bus stops still being worked through.</p> <p>4. Relocation of Royal Mail - site locations have been sent to Royal Mail for consideration. No site relocation agreed.</p>	In progress
Financial Controls & Budget Monitoring	<p>1. Identifying potential abnormal costs as possible by undertaking key studies in advance e.g. flooding, contamination and drainage.</p> <p>2. Relocation funding from key partners - Timely reapplication to LEP/HE and exploring alternative funding routes as necessary, including CIL.</p> <p>3. CIL funding has been confirmed.</p>	In progress
Management of External Consultants	<p>1. Contract for consultants employed to ensure delivery of service.</p> <p>2. Availability of consultancy advice - Use tried and tested framework agreements to source expertise; test knowledge via tendering process.</p>	Good
Masterplan	<p>1. Demand in market sector changes - Regular updating of viability advice for the Masterplan as the project implementation proceeds. Impact of COVID 19 continues to be assessed.</p> <p>2. Community or Public Realm Uses for site - re-appraisal of the scheme as it progresses.</p> <p>3. Selected developer will under take consultation with the community and key stakeholders.</p>	In progress
Compulsory Purchase Order (CPO)	<p>1. Use of CPO if required for land acquisitions for Masterplan assembly, where unable to agree terms to complete acquisitions.</p> <p>2. Use of consultancy support to ensure CPO grounds well founded, including independent valuations.</p>	In progress
Latest Position Statement		
05 Jul 2021	<p>COVID -19 is continuing to have an impact the market viability of the scheme, although agents are now reporting improvements to the markets .</p> <p>Henry Boot Developments continue to work on the draft Development Agreement with their legal advisors and have asked their agents to review the market place linked to the sectors within the development area.</p> <p>The legal documentation are nearly complete, documents placed on hold until the decision of the LEP on the extension to funding.</p> <p>C2C have agreed an extension to the funding agreement until March 2025 and the outputs to be delivered by March 2027.</p> <p>WSCC are progressing the demolition of the Old School building, works to commence in the Autumn.</p>	

	<p>Stagecoach - negotiations and costs have been shared with HBD. The agent has accepted in principle to the draft H of T, operational requirements are being discussed with Stagecoach and WSCC Highways.</p> <p>Police site - Are looking to market the site directly.</p> <p>Court Site – The site is not available for acquisition, this has had a significant impact on the phasing and viability of the project.</p> <p>Homes England - No current funding streams available</p>
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CRR 148	Local Plan	Management	Control Pending		
		Corporate Links			
<p>Failure to complete Local Plan Review and submit the Local Plan in accordance with the timetable set out in the Council's Local Development Scheme (LDS). This would mean that the Council would face continued challenge that it does not have an up to date Local Plan and the impact would be:</p> <ul style="list-style-type: none"> • 5 year housing land supply (HLS) would continue to be assessed against a figure derived from the Government's standard methodology for assessing housing need the objectively assessed need (OAN) for housing rather than the housing requirement figure in the adopted Local Plan, making it harder to demonstrate a 5 year HLS. • Without a 5 year HLS the presumption in favour of sustainable development would apply, assessed against the policies in the National Planning Policy Framework (ref: para. 11). • Both 1. & 2. would result in an extension to the period of time in which the Council had to rely upon the <i>Interim Policy Statement for Housing Development to guide</i> the location and form of housing development with decisions being made through the planning application and appeal process, rather than in accordance with the development plan as it would be considered to be out of date. • The ability to plan and coordinate development with the provision of infrastructure would be reduced with an unplanned approach to the location of new development. <p>The potential for government intervention to take plan-making decisions out of the control of the Council.</p> <p>Damage to the reputation of the Council for further delays in producing a Local Plan in line with its statutory duties as Local Planning Authority.</p> <p>AT Risk Owner: Andrew Frost Responsible Officer: Toby Ayling</p>					
Original and Target Risk Assessment					
Original Risk Date	07-Mar-2018		Target Risk Date	31-Jul-2020	
Original Risk Score	9		Target Risk Score	3	
Current and Previous Quarter Risk Assessment					
Current Assessment					
Previous Quarter Assessment	05-Jul-2021			6	

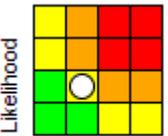
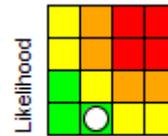
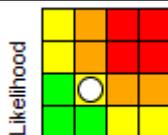
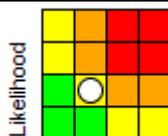
	16-Jun-2021		9
Internal Controls			Current Status
Agreed Timetable for Plan Production	<ol style="list-style-type: none"> 1. Revised statutory timetable for Plan production (the Local Development Scheme) agreed by Cabinet and Council in March 2021. 2. Detailed project plan for evidence base and plan production prepared. 		Good
Sufficient Staff Resources to achieve timetable	<ol style="list-style-type: none"> 1. Additional posts created in team. 2. Recruitment incentive payment and premia payments agreed to recruit and retain staff. 3. Revised team structure agreed by SLT. 4. Recruiting new Planning Policy Manager post to provide additional resource. Postholder started end of March 2021. 5. In June 2021 Cabinet agreed to secure new neighbourhood planning officer to support timely response to neighbourhood plans and reduce the impact upon the Local Plan project. 		In progress
Secure evidence base provided to meet timetable	<ol style="list-style-type: none"> 1. Detailed project plan prepared for evidence base. Whilst a revised project plan has been produced, the timetable is reliant on external parties to meet deadlines. Experience to date is that infrastructure providers' responses to requests for information are slow and incomplete. Issue has been taken up with key parties (e.g. Southern Water). 		In progress
Member agreement to contents of plan	<ol style="list-style-type: none"> 1. Provision of information, debate and discussion through Member briefings, Development Plan and Infrastructure Panel and formal democratic decision making process through Cabinet and Council. Briefings given by Planning Advisory Service on key Plan issues. Still significant risk Members will not agree Plan. 		In progress
Public Consultation	<ol style="list-style-type: none"> 1. Public consultation to ensure that the views of the community are taken into account in the plan-making process. 2. Initial public consultation has taken place on issues and options. 3. Public consultation on the Local Plan Review: Preferred Approach has been completed. 4. There will be further public consultation on the plan and prior to examination. This will enable the Council to take in to account the views of all interested parties on the contents of the plan and outstanding matters can resolved through the public examination in to the soundness of the plan (to be conducted by a planning inspector appointed by the Secretary of State). The current status will reflect the stage of consultation reached. 		In progress
Latest Position Statement			
05 Jul 2021	<p>Following adoption of new timetable in March work has progressed to consider key infrastructure. The key elements of the Plan are dependent upon external parties and hence the risk associated with remaining to that timetable remains high.</p>		

CRR 170	Changing Use of the High Street in City and Rural Towns	Management	Control Pending
		Corporate Links	
Risk Description: Risk to the city and rural towns as a result of the changing use of the high street impacting their sustainability and vitality. Failure to adapt to the changing use of the high street by consumers and businesses, impacting the local economy, and the wider financial impact on the council as a result of reduced income streams from car parks, business rates etc.			
SLT Risk Owner: Jane Hotchkiss Responsible Officer: Tania Murphy			
Original and Target Risk Assessment			
Original Risk Date	15-Mar-2019		Target Risk Date
Original Risk Score	6		31-Mar-2022
			Target Risk Score
			4
			
Current and Previous Quarter Risk Assessment			
Current Assessment	18-Jun-2021		9
	12-Feb-2021		9
Previous Quarter Assessment			
Internal Controls			Current Status
Vision Projects	The Vision projects have a wider objective than just considering the change of use in the high street, but both short and medium actions plans will help to address the concerns.		In progress
Southern Gateway Regeneration Project	The Southern Gateway Regeneration Project will have an impact on Chichester and the city centre. The objectives of the scheme are linked to the Vision for the city. Due to the impact of Covid 19 on the markets and the recent review of the Retail Strategy for the local plan refresh, the demand for additional retail space over the plan period has significantly reduced. The recent decision by HMCTS to operate the Chichester Courts as Nightingale Courts		In progress

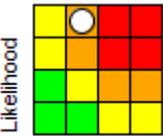
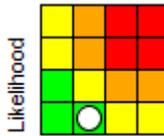
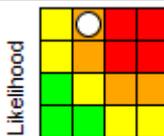
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	has also had an impact on the phasing of the Southern Gateway project and options around alternative phasing and delivery are being reviewed.	
Economic Development Support	Economic Development team support to local businesses and the Chichester Business Improvement District (BID) to aid the sustainability of Chichester City centre.	Good
Latest Position Statement		
18 Jun 2021	<p>The authority recognises that the use of the high streets in our city and rural towns is changing – there has been an increase in closures of retail units over the past year and reducing numbers of transactions in our car parks as a result of factors such as increases in internet shopping, rising running costs and an increase in flexible working, alongside the Covid 19 pandemic which has had a huge impact on our city and towns. It has resulted in closures of businesses for several months and a significant reduction in footfall. Events and activities in the city and towns have paused or been cancelled which would ordinarily assist with footfall numbers in the district’s high streets. Overview and Scrutiny Committee and Cabinet considered reports in June and July 2020 which set out feedback from partners relating to how the Covid pandemic had impacted them and the anticipated impact going forward. The report recommended that support to the city and towns would continue through the work relating to the vision projects, along with the creation of a High Street Recovery and Transformation Group. Meetings of the group were held during 2020 and 2021 to deliver actions within Chichester’s high street. Alongside this, Officers and Members have been working together to deliver actions required for the high streets in the city and towns.</p> <p>Work is underway with the rural towns and the city to support delivery of a Vision for the areas which will assist with the sustainability of the high streets. Whilst the vision action plans do seek to restrict the impact of pressures on the high street and also encourage a number of projects with partners, there are still a number of pressures which are outside of the control of the partners and the national picture reflects a changing scene. If the use of the high street reduces, this directly impacts CDC through a continued reduction in parking income, potential increased pressures on services which provide support in the city and towns and a reduction in the positive impression of the area for visitors and residents which may affect inward investment.</p> <p>During the summer of 2020, Government announced that Councils across England would be able to share £50m of additional funding to support the safe reopening of high streets and other commercial areas. This money would allow local authorities to put in place additional measures to establish a safe trading environment for businesses and customers, particularly in high streets. Projects for the fund were considered by Officers and discussed with members of the High Street Recovery and Transformation Group and Parish and Town councils where there are high streets. Consideration was also given to the types of activities recommended at a national level. Expenditure included the employment of Covid Information Recovery Officers to provide specific Covid information and advice to businesses; design, production and installation of safety signage and messaging; advertising in local press and radio reminding of safety messages and suspension of parking bays to enable widening of pavements for queuing and social distancing. Monitoring of baseline data and measurements to demonstrate the impact of initiatives is a requirement of the fund.</p> <p>All local authorities were advised in March 2021 that the Reopening High Streets Safely Fund (RHSSF) has been expanded to a new phase of delivery as the Welcome Back Fund (WBF), with an increased element of funding to assist with the recovery of the district and in particular the high streets. Action plans are being developed to determine the most appropriate use of the fund.</p> <p>Whilst the use of the council’s car parks is still down on the anticipated levels, there has been a steady increase of use since the latest</p>	

	lockdown measures have been eased and it is hoped that this increase in visits will continue over the coming months.
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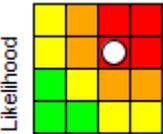
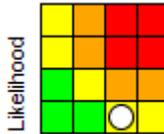
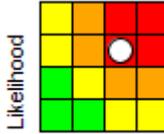
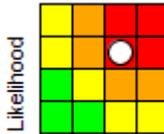
CRR 171	Criminal Finances Act - Procedural failures facilitating tax evasion, fraud, bribery and corruption		Management	Control Pending	
			Corporate Links		
Failure of governance procedures and controls which allow or facilitates tax evasion and risk committing a corporate criminal offence under the Criminal Finances Act 2017. SLT Risk Owner: John Ward Responsible Officers: Joe Mildred, Helen Belenger, Nick Bennett					
Original and Target Risk Assessment					
Original Risk Date	31-Dec-2019		Target Risk Date	31-Mar-2022	
Original Risk Score	4		Target Risk Score	2	
Current and Previous Quarter Risk Assessment					
Page 125 Current Assessment Previous Quarter Assessment	17-Jun-2021		4		
	19-Feb-2021		4		
Internal Controls					Current Status
HMRC ESS Tool	1. Use by managers of the ESS tool with Payroll support and monitoring. 2. All IR35 guidance document are published on the intranet http://intranet.chichester.gov.uk/index.cfm?articleid=28406 . 3. Regular review of the information provided and reminders to managers.				Good
Anti-Fraud & Corruption Policy	<ul style="list-style-type: none"> Clear policy, procedures and guidance available to all staff and members via the intranet and on the Council's website. 				In progress

	Policy application for specific activities such as procurement and service delivery considered by relevant officers, project leads etc.	
Latest Position Statement		
18 Jun 2021	<p>The Monitoring Officer has completed an initial review of the relevant policies relating to bribery. A report to corporate governance as to how policies and practices should be updated to include improvements to Bribery Act 2010 protections taking into account the Criminal Finance Act 2017 will be taken to that committee on 27 September 2021.</p> <p>Legal have ensured contracts are now using and will continue to apply current clauses for all new and updated contracts taken from national model agreements and/or model clauses sourced from national guidance referring to the expanded Bribery Act and Criminal Finance Act 2017 requirements.</p> <p>Services are required to notify corporate HR of any self-employers contractors / consultants to be engaged and the IR35 status of these is then assessed using the ESS tool (this may be by the service or HR or both). This then establishes if they meet the IR35 criteria or not and if yes they are then paid via the Council's payroll with tax and NI deducted.</p>	

CRR 188	Climate Emergency Detailed Action Plan	Management	Control Pending
		Corporate Links	
Original and Target Risk Assessment			
Original Risk Date	08-Jun-2021		Target Risk Date
Original Risk Score	8	Target Risk Score	2
			
Current and Previous Quarter Risk Assessment			
Current Assessment	08-Jun-2021		8
Previous Quarter Assessment			
Internal Controls			Current Status
SMART Measures	1. Project specific targets to be developed. 2. Monitoring progress against targets agreed.		Poor
Estate Feasibility Studies	All Council assets to be assessed to help develop actions and targets to meet the Climate Action Plan objectives.		In progress
Fleet Review	1. Review of Council fleet and fuel used. 2. Evidence required from test acquisitions for alternative fuel usage e.g. electric vehicles etc.		In progress
Latest Position Statement			
06 Jul 2021	<p>The Council approved the Climate Emergency Detailed Action Plan in January 2021. It contained a requirement to report quarterly to the Environment Panel on the progress of the plan.</p> <p>Significant grants have been won in the past several months to progress actions with environmental benefits: £400,000 for the Trees Outside Woodlands Project, £575,000 Community Infrastructure Levy funding for Strategic Wildlife Corridors Project, plus an on-going programme of home retrofits. So far 18 homes have been retrofitted in the district at a cost of £185,441. A further 43 applications for retrofitting have been made. The opportunity has been promoted through the media and via two mail-outs sent directly to house-holders. Funding is via two successful applications to the Green Homes Grant Local Authority Delivery Fund and a third application is underway.</p> <p>The Council has secured £1,354,000 for work to begin the decarbonisation of Westgate Leisure Centre through the Public Sector</p>		

	<p>Decarbonisation Fund.</p> <p>The decarbonisation of CDC estate project was started in May 2021. Regarding progress towards the CDC carbon reduction target and the area-wide target, the gathering of data to produce the CDC emissions inventory and to report on progress on the target has started. The national data used for the area-wide target is not yet available.</p> <p>Evidence and base data needs to be established in order to assist with the development of the projects which will help meet the Council's corporate priority for the environment and the climate change targets; any proposals will be considered during the Council's budget setting cycle.</p>
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Management Controlled

CRR 01	Financial Resilience	Management	Controlled		
		Corporate Links	Corporate Plan Priority - Use Resources Effectively and Efficiently.		
<p>Risk Description:</p> <ul style="list-style-type: none"> - Failure to maintain a robust and deliverable budget will lead to a lack of resources to fund services and council priorities, leading to reactionary decision making, and reputational consequences. - Failure to maximise efficient use of resources and so unsuccessful redirection of resources and not achieving objectives and outcomes of the council including deficit reduction plans. - Failure to maximise income streams. - Unpredictable Government policy (e.g. localisation of business rates.) - COVID-19 (Coronavirus) unpredictable economic impact. <p>SLT Risk Owner: John Ward Responsible Officer: Helen Belenger</p>					
Original and Target Risk Assessment					
Original Risk Date	31-Jul-2012		Target Risk Date	31-Mar-2022	
Original Risk Score	9		Target Risk Score	3	
Current and Previous Quarter Risk Assessment					
Current Assessment Previous Quarter Assessment	18-Jun-2021		9		
	01-Mar-2021		9		

Internal Controls	Current Status	
Five Year Financial Model and Deficit Reduction Plans	<ol style="list-style-type: none"> 1. Monitor and update the 5 year financial model as required and review with CMT. 2. Assess against progress on Deficit Reduction Plan and savings targets. 3. Monitor income volatility in relation to use of New Homes Bonus (NHB) (Policy approved) and localisation of both Council Tax Reduction scheme (CTR) & business rates. 4. COVID recovery and financial planning reports agreed by Council 21 July 2020. New framework for service prioritisation model to develop future service delivery from 2022-23. 	Good
Income Streams	<ol style="list-style-type: none"> 1. Monitor income performance and review with SLT so remedial action can be taken. 2. Divisional Managers and service managers monitor income monthly from budget monitoring reports. 3. Service managers to assess fee setting for services in accordance with Fees & Charging Policy, and react when if income reductions occur. 4. Putting money in place to achieve better returns. 5. Monthly Government monitoring returns of income streams due to COVID 19 impact, aids identification of short & medium term trends. 	Good
Reconciliation of Income	<ol style="list-style-type: none"> 1. Monthly reconciliations by services. 2. Non compliant services are identified by Internal Audit when service is reviewed as part of the Audit Plan. 3. Support given by Financial Services when setting up new income streams and reconciliation processes. 	Good
Control of Expenditure	<ol style="list-style-type: none"> 1. Approval limits and routes for additional funding are detailed in the Council's Constitution and Financial Regulations. 2. Quarterly monitoring of major variances by SLT. 3. Due to COVID 19, vacancy freeze, essential spending only whilst budget for 2020-21 and medium term forecasts re-evaluated along with increased Government support (short term). 	Good
Financial Strategy Principles	<ol style="list-style-type: none"> 1. All key decisions of the Council should relate back to the Corporate Plan. 2. Ensure the revenue and capital programme remain balanced and sustainable over a rolling 5 year period. 3. Over the next 5 years maintain a position of non-dependency on reserves. 4. In order to maintain a balanced budget in a climate of no growth, savings in the revenue budget or external funding will need to be identified before any new revenue expenditure, including capital expenditure that has revenue consequences, is approved. 5. Review costs in response to changes in service demand. 6. Where the Council has discretion over charging for services, consideration needs to be given as to the extent to which service users should bear the costs, and the proportion met by Council Tax. 7. Continue to review the Council's costs in order to find further savings. 8. Match Council Tax increases to a realistic and affordable base budget. 9. Budgets should be pooled with other service providers to achieve more effective and cost efficient outcomes for the community. 10. New Homes Bonus (NHB) is a non ring-fenced grant from Government. Council policy has agreed in principle that this funding should be reserved to reward communities that have accepted growth. However, the allocation of 	Good

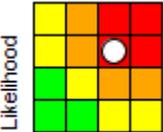
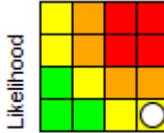
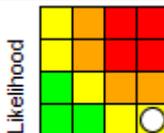
	<p>this source of funding and its use must take into account that as this is not new funding; it can be used to protect services, and aid the council's legal requirement to set a balanced budget. The allocation of this funding will be reviewed annually during the budget setting process taking into account the financial settlement from Government.</p> <p>11. Localisation of Business Rates. The decision to pool our business rates should be reviewed annually after receipt of government draft settlement to that the Council is in the best financial position. The Section 151 Officer continues to review the risks and opportunities that will emanate from the 100% localisation of business rates.</p>	
Revenue and Capital Programme Principle	<p>1. Capital receipts, reserves and interest on investment will primarily be available for new investment of a non-recurring nature, thereby minimising the overall financial risk.</p> <p>2. Ensure that a sufficient level of reserves are maintained, as informed by the Financial Strategy, so that the Council can remain flexible and is able to respond to a changing local government environment.</p> <p>3. Borrowing could be used for capital schemes or "invest to save" projects providing the cost of servicing the debt is contained within the revenue savings/income the project generates. The payback period for invest to save projects should be shorter than the life of the asset.</p>	Good
Treasury Management	<p>1. Generate better returns with the Treasury Management Strategy and the Investment Protocol and the Council's view of risk and increased diversity.</p>	Good
Latest Position Statement		
<p>Page 131</p> <p>Jun 2021</p>	<p>To achieve a balanced budget for 2021-22 required a £2.099m contribution from reserves, as indicated in the Council's 5 Year Financial Strategy Model a balanced budget is forecast to be achieved by the end of year 5. Within the model is the efficiency savings to be achieved over the next 3 years as part of the Council's Recovery Plan; current forecasts for 2021-22 is that savings of just under £1m will be achieved against the budget target of £749k. This is good news, but the savings to be achieved in year's 2 and 3 may be more challenging and difficult which is why the model has only taken into account 75% of the savings forecast to mitigate some of the risk in the targets set.</p> <p>Officers are currently working on the outturn position for 2020-21 and due to extra Government support during the health crisis, it is expected that there was a £1.7m underspend.</p> <p>The Council's capital programme remains affordable and fully funded without the need to borrow, and reserves are adequate.</p> <p>However, until we are out of the pandemic and the Fair Funding Review is concluded there is still a risk regarding resolving budget issues.</p>	

Appendix 1 (a)

	<ol style="list-style-type: none"> 2. Completion of appraisals on time. 3. Strategic training needs identified. 	
Training Plan and Budget	<ol style="list-style-type: none"> 1. Use First Line Managers course to develop new managers. 2. Use management apprenticeship or diploma programmes to develop CDC managers. 3. Specific training programme for new Directors and Divisional Managers. 	Good
Recruitment Benefits	<ol style="list-style-type: none"> 1. Use of benefits packages to aid recruitment: relocation package widely used, exceptionally assisted house purchase scheme. 2. Guidance to be issued for how to use recruitment benefits. 	Good
Staff Satisfaction Survey	<ol style="list-style-type: none"> 1. Staff survey to be undertaken every two years, and action plans progressed. 	In progress
Strategic Leadership Team & Divisional Managers	<ol style="list-style-type: none"> 1. Specific training programme to newly appointed Divisional Managers to address core competencies, hosted by Portsmouth University. 	Good
Measuring Staff Turnover by Significant Groups	<ol style="list-style-type: none"> 1. SLT to review turnover statistics and the reasons quarterly. 	Good
Latest Position Statement		
<p>Page 133</p> <p>Jul 2021</p>	<p>Corporate Pay Review completed April 2019. This focused on ensuring equal pay for work of equal value. Some additional resource was made available and used for the new reward structure and this was targeted towards the levels where recruitment difficulties have been apparent.</p> <p>In relation to the Pay Review a new appraisals process has been introduced as from January 2020 requiring a higher level of performance for a staff member to be awarded a pay increment if eligible for one.</p> <p>Increased use of premia payments (market supplements) for those areas with long term established recruitment issues and the use of the relocation package has aided recruitment for some service areas. Premia payments are subject to review every 2 years (review has just been undertaken and staff informed of the results to take effect from April 21)) which is in line with the new procedure governing these as agreed with the Staff Side / Unison. However there are still recruitment difficulties in some service areas including Development Management, who will continue to work with HR to ensure that appropriate resources are in place; this will include further recruitment attempts, flexible use of staff across the service and temporary (agency) staff, where required.</p>	

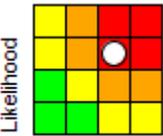
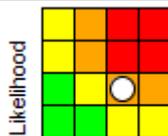
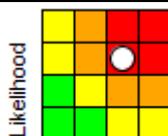
CRR 09	Business Continuity	Management	Controlled
		Corporate Links	Corporate Plan Priority - Use Resources Effectively and Efficiently.
Risk Description: Failure to react to an incident that would adversely affect the delivery of services, including leading to a breach of the council's statutory duties under the Civil Contingencies Act and result in both inability to service the community and reputational damage.			
SLT Risk Owner: Andrew Frost Responsible Officer: Alison Stevens/Warren Townsend.			
Original and Target Risk Assessment			
Original Risk Date	31-Jul-2012		Target Risk Date
Original Risk Score	9		Target Risk Score
			31-Mar-2022
			4
Current and Previous Quarter Risk Assessment			
Current Assessment	15-Jun-2021		6
	Previous Quarter Assessment	16-Feb-2021	6
Internal Controls			Current Status
Robust BC Plans	1. The Business Impact Assessment (B.I.A) is refreshed annually with SLT. 2. Critical services have Business Continuity (BC) plans covering the first 3 days of a business interruption. 3. The BC plans are tested every couple of years. 4. Retraining takes place where necessary, to embed BC into culture of the council. 5. BC plans and associated documents are stored on the council's x drive and off-site on external site (Resilience)		Good

	Direct). 6. Non critical services also have plans for over 3 days business interruptions. 7. Health checks take place of Plans in all service areas. 8. Effective backup of data.	
BC Management Strategy	1. Annual BCM corporate meetings held. 2. Key managers identified for BC plans. 3. Articles for team briefs or management forum to embed BC planning into organisation.	Good
Business Recovery Team	1. Training and repeated messaging to embed BC cultural into organisation. 2. Annual appraisals targets for Divisional Managers and relevant staff.	Good
Latest Position Statement		
18 Jun 2021	<p>There are different threats that can create a business continuity incident - this assessment considers the key threats but has to summarise our overall level of risk. Whilst the internal controls are good for business continuity management, the risk score remains fairly high due to the likelihood being probable. We are currently in a business continuity incident with the Covid-19 pandemic. Due to managing the impact well, by the measures we have in place, it is considered moderate rather than substantial. The risk of a concurrent event, e.g. a cyber-attack is again probable. This is because CDC, like many large organisations, continually fights against potential attacks on our IT systems. We have good mitigation against cyber-attacks; however there remains a risk due to the frequency of attempted attacks and the changing nature of cyber threats. Physical mitigation controls against loss of IT or building/s are good and would be 'unlikely' and therefore less of a risk.</p> <p>Project to create and commission our new duplicate server facility has now moved into the final construction phase. Delayed due to impacts of COVID-19, progress has been made albeit at a slower pace than originally anticipated. Since the last quarter the IT team has begun actively backing up data to the new off-site servers. Though still in test, EPH server data is now replicating every 20 minutes. Both installations of a resilient internet link (to/from Depot site) and a UPS (power savers) to protect against electricity failures to the servers have been completed. The IT has now entered the final stages of configuration ahead of a full test and process development cycle. Plans are in place to conclude this by end Q2 beginning Q3. Once fully functioning, the off-site IT disaster recovery will significantly improve the Council's ability to recover from a business interruption involving loss of IT.</p> <p>The BIA (Business Impact Assessment) continues to be refreshed annually by SLT – this was last refreshed in September 2020. BC plans continue to be refreshed on a 6-monthly basis – the last programmed refresh took place in April 2021.</p>	

CRR 68	Health and Safety	Management	Controlled
		Corporate Links	Corporate Plan Priority - Use Resources Effectively and Efficiently.
Risk Description: Failure to adhere to H&S policies and procedures leading to death or serious injury of an employee or third party resulting in prosecution under H&S legislation, adverse publicity, fines and possible prison sentences. Such failures may also lead to civil claims for compensation			
SLT Risk Owner: Andrew Frost			
Responsible Officer: Alison Steves / Warren Townsend.			
Original and Target Risk Assessment			
Original Risk Date	03-Sep-2013		Target Risk Date
Original Risk Score	9	Likelihood Impact	Target Risk Score
			31-Mar-2022
			4
			Likelihood Impact
Current and Previous Quarter Risk Assessment			
Current Assessment Previous Quarter Assessment	15-Jun-2021		4
	16-Feb-2021		4
Internal Controls			Current Status
H&S policies & procedures	Clear health and safety policies, procedures and guidance are available to all staff and members via intranet and in hard copy format at some sites including: 1. Statement of intent. 2. Hierarchy for communication/organisation. 3. Roles and responsibilities. 4. H&S arrangements.		Good

	<p>5. Policies, procedures and guidance for specific H&S issues e.g. control of contractors, COSHH assessments forms etc.</p> <p>6. An extensive range of evidence compliance forms.</p> <p>7. Specific risk assessments for site visits undertaken for staff and member visits.</p> <p>8. Quarterly updates to Cabinet member for Corporate Services by the H&S Manager.</p>	
Training Programme & Competencies	<p>1. Specific training programmes for all aspects of H&S skills and competencies required with the Council's business.</p> <p>2. Staff names with relevant competencies and holding key responsibilities available on staff intranet.</p> <p>3. Training records maintained to evidence training provided.</p> <p>4. Training for all new members as part of the Members' Induction Programme.</p>	Good
Legionella Testing	<p>1. Written policy available.</p> <p>2. Regular testing and monitoring to demonstrate compliance.</p> <p>3. Staff involved in legionella management or may be exposed to legionella risk are provided with training.</p>	Good
Quarterly service meetings for high risk service areas	<p>1. CCS - Quarterly insurance & H&S meetings with the Director of Corporate Services & the Contract Services Divisional Manager with the Financial Services Divisional Manager, insurance officer, H&S Corporate Manager & CCS Technical Supervisor. To assess accident trends and claims and agree any actions required to staff duties, policies and procedures.</p> <p>2. Culture & Place - Quarterly insurance & H&S meetings with Director of Growth & Place Services and the Divisional Service Managers for the museum, Westgate Leisure contract, and car park service, to discuss claims & accidents to identify any necessary changes to procedures/policies etc.</p> <p>3. All accidents, near misses and reports of ill health are investigated by the Corporate H&S team. Interventions made with the service where appropriate to improve systems of work to prevent reoccurrence.</p>	Good
PAT testing	<p>1. Annual testing of all electrical equipment carried out by qualified contractor.</p>	Good
Safety Committee	<p>1. A group of managers and employees meet 3 times a year to discuss health and safety issues and matters of interest. CCS and car parks have local 'Safety Forums', meeting bi-monthly, that feed into this committee. The Safety Committee reports any issues of significance to the JECP.</p>	Good
Caution Alert Register (CAR)	<p>1. Specific procedures and decision tree guidance in place for staff and members to follow on staff intranet.</p> <p>2. Nominated person CR Keeper who maintains register and advises staff.</p> <p>3. Procedures in place for appropriate staff and members to access CAR.</p> <p>4. Compliance with data protection legislation included in policies and procedures.</p> <p>5. Violence & aggression response team available to support staff and members at EPH if an incident occurs.</p> <p>6. Two levels of Violence & Aggression (V&A) resolution training provided to relevant staff.</p>	Good
Emergency arrangements for Council Premises	<p>1. Evacuation procedures in place for EPH on staff intranet.</p> <p>2. Known competent staff with allocated roles & responsibilities for evacuation procedures.</p> <p>3. Regular testing of evacuation procedures carried out.</p> <p>4. Policy advising the arrangements in place for safe evacuation of council owned buildings.</p>	Good
Corporate H&S Audits &	<p>1. Programme of H&S audits of service areas, improvements and observations which are fed back to Service, H&S</p>	Good

Action Plans for Service H&S Improvement	and management with any necessary improvement action plans. Progress with recommendations made are reviewed after an agreed period. 2. In addition, there is a programme of audits in place for the SLM leisure centres contract. This involves checking H&S performance and compliance in key identified areas.	
Contract Management	1. Every major contract should have an identified contract manager who is responsible for ensuring the delivery of the contract in accordance with specification. 2. The contractor manager must ensure that their contractor adheres to H&S legislation in carrying out the specification and has a monitoring system in place which is also including performance reporting to the council's contract manager. 3. Upon request the H&S manager will attend regular quarterly/annual meetings for the council's specific high risk activity contracts along with the contract manager, to liaise with the contractors regarding any H&S concerns. 4. Members are involved in major decisions on procurement matters.	Good
Fire Safety of all Council Owned Premises	<ul style="list-style-type: none"> • Fire Risk Management Group – Quarterly meetings, with the Directors for Planning & the Environment, Housing & Communities, and Growth & Place Services plus other key officers are held to develop and monitor action plans following the Grenfell tragedy and subsequent fire risk assessment reviews. • Activity-based Fire Risk Assessments of all premises are undertaken on a 2-yearly programme. Following the Grenfell fire, a qualified fire safety engineer was employed to carry out structural fire risk assessments to check the horizontal and vertical fire compartmentation. A number of remedial works were identified, risk rated and completed following the assessments. A small number of outstanding works remain but these are programmed to take place as part of larger-scale improvement projects to properties by the Building Services team. 	In progress
Latest Position Statement		
18 Jun 2021	<p>The consequences of a serious accident or incident at work have the potential to be 'major', i.e. death of a member of staff, contractor or member of the public. Therefore the severity of impact in the risk score is always going to be high. However, the Council operates an effective H&S management system with good controls in place to reduce the likelihood of such an incident. Despite having good systems and procedures in place, CCS remains the highest risk operation within the Council due to the nature of the work.</p> <p>H&S compliance of CDC's biggest service contractor, Everyone Active, is monitored through a programme of audits carried out by the Safety & Resilience team on an annual basis. Due to the Covid-19 pandemic and leisure centre closures, there have not been any further audits undertaken since those that took place in Summer 2020 to ensure covid compliance after the first lockdown. Subject to further lockdowns, audits will be reconvened.</p> <p>The Safety and Resilience team's attention has largely been diverted since the start of the Covi-19 pandemic. Our focus has needed to be different to our planned work in order to respond to the situation. We have continued to respond to all reactive H&S issues in addition to providing the support, advice and guidance to senior management and staff on Covid-19. Other than during the second period of lockdown we have continued with our proactive programme of checking H&S compliance. The Safetywatch monitoring programme continued for a time using live cameras to carry out observations but these have now returned to face to face observations. We are now starting to return to a more 'business as usual' position, albeit we are still involved in providing Covid advice and support to ensure compliance across CDC.</p>	

CRR 185	Housing - Increase Homelessness Service Demand due to Covid-19 Impact		Management	Controlled
			Corporate Links	
Original and Target Risk Assessment				
Original Risk Date	17-Feb-2021		Target Risk Date	31-Mar-2022
Original Risk Score	9		Target Risk Score	4
Current and Previous Quarter Risk Assessment				
Page 139	Current Assessment	30-Jun-2021		6
	Previous Quarter Assessment	17-Feb-2021		9
Internal Controls				Current Status
County Level Task & Finish Group	County level Task and Finish Group set up to co-ordinate response to demand.			Good
Adequate Staff Resources	Service review to increase resources in Housing Options Team.			In progress
Prevention Work	Prevention work to identify potential evictions in advance with registered providers and private sector.			Good
Homelessness Accommodation - Freeland Close	Freeland Close development to be completed which will increase provision of homelessness accommodation available in the district.			In progress
Prevention Tools	Prevention Tools extended.			Good
Home Finder & Use of	Home finder and use of private sector accommodation to be extended, and those in B&B moved on quickly.			Good

Private Sector		
Debt Counselling Service	District & Boroughs seeking funding from WSCC to help provide debt counselling services.	In progress
Latest Position Statement		
06 Jul 2021	<p>The eviction ban has ended, but this does not seem to be fuelling an increase in demand; not yet at least. If it does it is most likely to be more of a gradual increase.</p> <p>In reality our numbers in nightly paid accommodation are lower than they have been for some time, and certainly much lower than they were at the start of the year. Another positive is that we have significant new resources which we can use to assist preventing homelessness; new funding through RSI, Homelessness Prevention Fund and the West Sussex Contain Outbreak Management Funding (CoMF), as well as new accommodation opening at Stonepillow Hub and most significantly the Freeland Close scheme which should come on line early in 2022.</p>	

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Corporate Governance and Audit Committee 2021-22 Work Programme

Subject	Route	Lead Officer
19 July 2021		
Audit Plan for year ended 31 March 2021		EY
2020-21 Treasury Management Outturn report	Cabinet	Mark Catlow
CGAC work programme 2021-22		Katherine Davis/Sharon Hurr
Housing Benefit Subsidy Audit 2019-20		Marlene Rogers
Progress Report – Audit Plan 2021/2022		Stephen James
Update Following Global Microsoft Exchange Hack		Andrew Forward
ITC Security Plan		Andrew Forward
Investigatory Powers Commissioner's Office - Inspection of Surveillance Findings		Nick Bennett
Annual Updates to the Constitution		Nick Bennett
Litigation Risk Report		Nick Bennett
Strategic Risk Group - Appointment of three members of the committee – verbal report		Helen Belenger
Strategic Risk Management Update		Helen Belenger
27 September 2021 (Special)		
Progress Report – Audit Plan 2021/2022		Stephen James
Fraud Prevention Report 2020-21		Jeremy Todd
Corporate Health and Safety and Business Continuity Management		Warren Townsend
Annual Partnerships Report 2021		Pam Bushby
Complaints, Freedom of Information requests and Data Protection Analysis 2020-21		Nick Bennett/Deborah Williams-Dorn
25 October 2021		

Subject	Route	Lead Officer
2022/23 Budget and Spending Plans	Cabinet Council	Helen Belenger/ David Cooper
Financial Strategy & Plan 2021-22	Cabinet Council	Helen Belenger
2021-2022 Treasury Management half-yearly update	Cabinet	Mark Catlow
S106 and CIL Annual Monitoring report and S106 annual exceptions report		Simon Davies/ Karen Dower
Progress Report – Audit Plan 2021/2022		Stephen James
Governance Review TFG – Final Report (<i>or 10 January 2022</i>)		Nick Bennett
Strategic Risk Management Update		Helen Belenger
10 January 2022		
Annual Audit Letter Year ended 31 March 2021		EY
2022-23 Draft Treasury Management Strategy and Policy and Investment Strategies and Capital Strategy Update	Cabinet Council	Helen Belenger/Mark Catlow
Review of Funding Agreement and SLA for CFT and PHG	Cabinet Council	Sarah Peyman
Progress Report – Audit Plan 2021/2022		Stephen James
2020/21 Annual Governance Statement and Corporate Governance report. App 1 CGAC report to Full Council; App 2 Annual Governance Statement; App 3 Report on Partnerships; App 4 Effectiveness of Internal Audit section	Council	Stephen James
Audit Results Report for the year ended 31 March 2021		EY
Statement of Accounts 2020-21		Mark Catlow/David Cooper
14 March 2022		
Audit Plan for year ended 31 March 2022		EY
Accounting Policies 2021-22		Mark Catlow
Housing Benefit Subsidy Audit 2020/2021		Marlene Rogers
Potential liabilities of outstanding litigation (Part 2)		Nick Bennett
Progress Report – Audit Plan 2021/2022		Stephen James

Subject	Route	Lead Officer
Strategic Risk Management Update		Helen Belenger

Reports emailed to CGAC members for information:

- Audit scopes – sent to committee members by Internal Audit
- Audits where recommendations are low risk – medium and high risk audits included on agenda
- Treasury Management monthly reports – sent to members by Financial Services
- Property Investment performance monthly reports – sent to members by Financial Services
- Employment Statistics annual report – November (reported as part of Equality Strategy update) – sent to members by Committee Clerk
- EY quarterly committee briefings – sent to committee members by Committee Clerk

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